

# **NurExone Biologic Inc**

## **Interim Management's Discussion and Analysis – Quarterly Highlights**

For the nine months period ended September 30, 2024

(Expressed in thousands of U.S. dollars)

Dated November 26, 2024

## NurExone Biologic Inc.

### Management's Discussion and Analysis

For the nine months period ended September 30, 2024, and 2023

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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, 2024, and 2023. This analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company as at and for the nine months periods ended September 30, 2024, and 2023 (the "**unaudited condensed interim consolidated financial statements**") and the audited consolidated financial statements of the Company for the years ended December 31, 2023, and 2022 (hereafter the "**Annual Financial Statements**").

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

The information in this report is dated November 26, 2024. The unaudited condensed interim consolidated financial statements and MD&A were approved by the Company's board of directors for filing on SEDAR+ on November 27, 2024.

### **FORWARD-LOOKING STATEMENTS**

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

- *expected future events and the financial and operating performance of the Company;*
- *research and development milestones described in the "Completion of Research and Development milestones for the nine months period ended September 30, 2024, and Future Research development milestones" section;*
- *the establishment of in-house laboratories and offices;*
- *in-vivo experiments for Investigational New Drug ("**IND**") submissions;*
- *IND submissions to the FDA, FDA clearance of the submissions;*
- *clinical trial design,*
- *manufacturing scale-up;*
- *the first-in-human clinical trial.*
- *the Company making progress in its development of ExoPTEN, the Company's first ExoTherapy product;*
- *the exosomes becoming an ideal and natural choice for drug delivery; and*

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- *partnerships with various organizations helping further the Company's drug development and delivery goals*
- In developing the forward-looking statements in the MD&A, the Company has applied several material assumptions, including:*
  - *the ability to obtain funding for our operations, research, and commercial activities;*
  - *the Company pursuing its business model and strategic plans;*
  - *the success of research and development operations;*
  - *the developing and commercializing of product candidates;*
  - *the Company maintaining its intellectual property rights;*
  - *the Company commercializing, marketing, and manufacturing capabilities and strategy being conducted as intended;*
  - *positive market conditions;*
  - *our ability to leverage internal capabilities and know-how;*
  - *our expectations regarding federal, provincial, and foreign regulatory requirements;*
  - *whether we will receive, and the timing and costs of obtaining, regulatory approvals in the United States, Canada, Israel, and other jurisdictions;*
  - *the therapeutic benefits, effectiveness, and safety of our product candidates;*
  - *the success of research and development operations;*
  - *estimates of our expenses, future revenue, capital requirements, and our needs for additional financing;*
  - *our expectations regarding market risk, including interest rate changes and foreign currency fluctuations; the continuation of laboratories and office lease agreements;*
  - *reliance on key personnel and management;*
  - *our ability to retain and supplement our board of directors and management and skilled employees, or otherwise engage consultants and advisors, having knowledge of the industries in which we participate;*
  - *the ability to engage and retain the employees or consultants required to grow our business;*
  - *the ability to execute on our business strategy;*
  - *disruptions or changes in the pharmaceutical technology industry;*
  - *unanticipated costs and expenses;*
  - *general market and industry conditions;*
  - *the availability of financing on reasonable terms; and*
  - *the general business and economic conditions of the industries and countries in which we operate. For more information, see the "Working Capital Discussion" section.*

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

- *our ability to leverage internal capabilities and know-how;*
- *our expectations regarding federal, provincial, and foreign regulatory requirements;*
- *whether we will receive, and the timing and costs of obtaining, regulatory approvals in the United States, Canada, Israel, and other jurisdictions;*
- *the therapeutic benefits, effectiveness, and safety of our product candidates;*
- *the success of research and development operations;*
- *the uncertainty of preclinical drug development, and the fact that drug product candidates may not advance to clinical trials;*
- *estimates of our expenses, future revenue, capital requirements and our needs for additional financing;*

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- *our expectations regarding market risk, including interest rate changes and foreign currency fluctuations; the continuation of laboratories and office lease agreements;*
- *reliance on key personnel and management;*
- *disruptions or changes in the pharmaceutical technology industry;*
- *unanticipated costs and expenses;*
- *general market and industry conditions;*
- *protection of the Company's intellectual property;*
- *dependence on the Company's strategic partners;*
- *those risk factors identified under the heading "Risks and Uncertainties";*
- *the state of war in Israel and potential effects on the Company's operations;*
- *disclosures under the heading "Subsequent Events";*
- *overall economic conditions;*
- *rapid technological changes;*
- *demand for our product;*
- *the introduction of competing technologies;*
- *competitive pressures;*
- *network restrictions;*
- *fluctuations in foreign currency exchange rates; and*
- *other similar factors that may cause the actual results, performance, or achievements to differ materially from those expressed or implied in these forward-looking statements.*

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

## COMPANY OVERVIEW

The Company is a reporting issuer in British Columbia, Alberta, and Ontario. The Company was incorporated under the laws of Alberta and has a registered office located at Adelaide St. East, Suite 801, Toronto, Ontario, M5C 2V9, Canada. The Company's common shares ("**Common Shares**") trade on the TSX Venture Exchange ("**TSXV**") under the symbol "NRX" and in Germany under the symbol "J90" on the Frankfurt Stock Exchange, German Composite, Stuttgart Stock Exchange, and Munich Stock Exchange. On April 25, 2024, the Company's common stock was quoted on the Pink Sheets platform operated by OTC Markets Group Inc. ("**OTC**") and received Depository Trust Company ("**DTC**") eligibility under the symbol "NRXBF". On May 6, 2024, the Company's common stock was approved for uplisting from the OTC Pink Sheets to the OTCQB Venture Market ("**OTCQB**"), retaining the symbol "NRXBF".

### *Reverse takeover of EnerSpar*

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

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

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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 divvied out to the former shareholders by way of a spin-out transaction of 1222150 BC Limited, which continued as an unlisted private company.

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](http://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.

#### ***Description of the Company's Principal Businesses and Operations***

The Company continued the business of NurExone Ltd following the RTO, being a pharmaceutical technology company that is developing an off-the-shelf, non-invasive unique, and novel treatment for the reversal or reduction of paralysis following Spinal Cord Injury (“SCI”) using exosome-based (membrane-bound extracellular vesicles) patent-pending technology.

The Company's research and development activities are based in Israel. The treatment is based on licensed technologies from two of Israel's leading universities, which have been proven in preclinical studies. Research at the Technion and Tel-Aviv University was conducted between January 2017 and May 2020, including testing the use of intranasal administration of exosomes driven from mesenchymal stem cells loaded with PTEN siRNA. Testing targeted a complete spinal cord lesion in rats, successfully demonstrating significant functional recovery. The technology is successfully proven in a preclinical study, demonstrating that intranasal administration of ExoPTEN led to significant motor improvement, sensory recovery, and faster urinary reflex restoration.

On June 23, 2020, the Company has been granted an exclusive worldwide license from the Technion and Tel Aviv University, which includes a patent application, to develop and commercialize the technology. Exosomes are natural membrane vesicles, secreted by various cells. They carry proteins, lipids, and genetic materials, facilitating intercellular communication. When intra-nasally administered, exosomes can pass the Blood-Brain Barrier and are better retained in injury sites than when delivered intravenously. Moreover, they can be loadable with an array of therapeutic cargos for specific diseases. It is expected that this technology, after being approved in clinical trials, can be used in various conditions such as SCI, traumatic brain injury, and potentially other brain and neurological indications.

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

The FDA's response to the Company indicated that the planned toxicity study strategy is acceptable under FDA guidelines and large-scale animal studies will not be required. Based on the FDA's feedback, the Company plans to submit an IND application regarding the development of ExoPTEN by the fourth quarter of 2025 and expects to initiate Phase 1/2a human clinical studies in 2026. ExoPTEN is being developed to be a minimally invasive ExoTherapy for SCI administered 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.

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## FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

### *Significant developments for the nine-month period ended September 30, 2024*

- (1) On January 4, 2024, the Company closed a non-brokered private placement (the “**January 2024 Private Placement**”). An aggregate of 7,091,993 units of the Company (each a “**January 2024 Private Placement Unit**”) were issued and sold under the Private Placement at a price of CAD\$0.28 per January 2024 Unit for aggregate proceeds of \$1,487 (CAD\$1,986), with \$17 deducted for issuance costs.

Each January 2024 Private Placement Unit consisted of (i) one common share in the capital of the Company (each, a “**Common Share**”), and (ii) one Common Share purchase warrant (each, a “**January 2024 Private Placement Warrant**”).

Each January 2024 Private Placement Warrant entitles the holder thereof to purchase one Common Share at a price of CAD\$0.35 per Common Share for a period of 36 months from the closing of the Private Placement. The January 2024 Private Placement Warrants are subject to accelerated expiration whereby if the daily volume weighted average trading price of the Common Shares on the TSXV for any period of 20 consecutive trading days equals or exceeds CAD\$0.80, the Company may, upon providing written notice to the holders of the Warrants (the “**January 2024 Private Placement Acceleration Notice**”), accelerate the expiry date of the January 2024 Private Placement Warrants to a date not less than 30 days following the date of the January 2024 Private Placement Acceleration Notice.

If the January 2024 Private Placement Warrants are not exercised by the applicable accelerated expiry date, the Warrants will expire and be of no further force or effect. All securities issued under the January 2024 Private Placement are subject to a statutory hold period of four months and one day from the closing of the January 2024 Private Placement.

The January 2024 Private Placement Warrants meet the fixed-to-fixed criteria under IAS 32, and as a result, they are classified as warrants equity.

The January 2024 Private Placement Warrants were measured at \$921 using the Black-Scholes model with the following key assumptions: risk-free interest rate of 3.83%, expected volatility of 94.29%, expected life in years of 3.0, and expected dividend yield of 0%.

In July 2024, the Company issued 309,063 Common Shares as a result of the exercise of outstanding warrants resulting from the January 2024 Private Placement. These warrants were exercised at a price of CAD\$0.35 per share, resulting in total proceeds of CAD\$108.

- (2) On January 7, 2024, NurExone Ltd. entered into a construction agreement with Biopharmax Group Ltd (“**Biopharmax**”) for building a laboratory and offices on premises located at the Technion City, Haifa, Israel (the “**Project**”), following entering into a laboratories and offices lease agreement with the Israel Institute of Technology. NurExone Ltd shall pay Biopharmax a total amount of \$328 (NIS 1,200 plus VAT) (the “**Budget**”), which shall include all Biopharmax’s expenses including salaries, wages, and social benefits, tools, the supply of materials or equipment, storage, or any other expenses incurred in conducting the project, all as detailed in the project scope. Payments will be made in accordance with the payment schedule outlined in the construction agreement upon the completion of each phase of the project. The project commenced on March 1, 2024, and was completed on September 30, 2024.
- (3) On January 16, 2024, NurExone Ltd amended the lab services agreement with Technion Research and Development Foundation Ltd., (“**TRDF**”) from January 1, 2024, until March 31, 2024, for a total payment of \$20 plus VAT. Subsequently, on May 29, 2024, the agreement was further amended to cover the period from April 1, 2024, to June 30, 2024, for an additional payment of \$20 plus VAT.

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- (4) On January 15, 2024, the Company entered into an Advertising Agreement with BullVestor Medien GmBH ("**BullVestor**") and its general manager Helmut Pollinger, both of whom are arm's-length parties to the Company. The agreement is for providing digital marketing services from January 15, 2024, until May 15, 2024. These services include content creation, strategic planning, digital advertisement placement, and oversight of digital campaigns targeting German-speaking countries. The Company agreed to a total of CAD\$300.

On June 11, 2024, the Company entered into an amending agreement with BullVestor (the "**Amending Agreement**"), to extend the Advertising Agreement from June 15, 2024, until May 15, 2025, at a monthly rate of CAD\$59.

- (5) The Company issued 10,872,692 Common Shares during the nine months ended September 30, 2024, generating total gross proceeds of \$3,034 (CAD\$4,100) through the exercise of warrants at various exercise prices, as detailed below:

(i) In March 2024, the Company completed the acceleration of 12,682,340 warrants initially issued in a private placement on June 15, 2022. Following this event, 9,684,993 warrants were exercised at a cash price of CAD\$0.38 per share, generating gross proceeds of \$2,714 (CAD\$3,680), while 2,997,347 warrants expired unexercised.

(ii) On September 6, 2023, the Company issued 5,394,548 units. Each unit included (i) one Common Share; (ii) one-half of one class A Common Share purchase warrant ("**Class A Warrant**"); and (iii) one-half of one class B Common Share purchase warrant ("**Class B Warrant**"). In March 2024, 556,818 Class A Warrants were exercised at a cash price of CAD\$0.34 per share, yielding gross proceeds of \$140 (CAD\$190). Additionally, 181,818 Class B Warrants were exercised at a cash exercise price of CAD\$0.48 per share, yielding gross proceeds of \$65 (CAD\$87).

(iii) In July 2024 and September 2024, the Company issued 409,063 Common Shares upon the exercise of warrants at a cash price of CAD\$0.35 per share. These warrants were initially issued in the January 2024 Private Placement, generating gross proceeds of \$115 (CAD\$143).

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

- (7) On September 26, 2024, the Company completed the first tranche of a non-brokered private placement (the "**September 2024 Private Placement**") of 2,927,541 units consisting of (i) one Common Share and (ii) one warrant to purchase a Common Share (the "**September 2024 Private Placement Warrant**"), where each September 2024 Private Placement Warrant entitles the holder thereof to purchase one Common Share at a price of CAD\$0.70 per Common Share for a period of 36 months, subject to acceleration (each a "**September 2024 Private Placement Unit**") at a price of CAD\$0.55 per September 2024 Private Placement Unit, resulting in aggregate gross proceeds of \$1,194 (CAD\$1,610) (the "**First Tranche**"), with \$37 deducted for issuance costs.

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Subsequently, on November 1, 2024, the Company closed the final tranche of the September 2024 Private Placement, issuing 231,818 September 2024 Private Placement Units, for aggregate gross proceeds of \$91 (CAD\$127) (the “**Second Tranche**”).

The First Tranche and Second Tranche collectively raised total gross proceeds of \$1,285 (CAD\$1,738) through the issuance of 3,159,359 September 2024 Private Placement Units.

As disclosed above, each September 2024 Private Placement Warrant entitles the holder thereof to purchase one Common Share at a price of CAD\$0.70 per Common Share for a period of 36 months, subject to acceleration. If the daily volume weighted average trading price of the Common Shares on the TSXV for any period of 10 consecutive trading days equals or exceeds CAD\$1.05, the Company may, upon providing written notice to the holders of the September 2024 Private Placement Warrants (the “**September 2024 Private Placement Acceleration Notice**”), accelerate the expiry date of the September 2024 Private Placement Warrants to a date not less than 30 days following the date of the September 2024 Private Placement Acceleration Notice.

If the September 2024 Private Placement Warrants are not exercised by the applicable accelerated expiry date, the September 2024 Private Placement Warrants will expire and be of no further force or effect. All securities issued under the September 2024 Private Placement are subject to a statutory hold period of four months and one day from the closing of the September 2024 Private Placement.

The September 2024 Private Placement Warrants meet the fixed-to-fixed criteria under IAS 32, and as a result, they are classified as warrants equity.

The September 2024 Private Placement Warrants of the First Tranche of the September 2024 Private Placement were measured at a fair value of \$507 using the Black-Scholes model with the following key assumptions: risk-free interest rate of 2.88%, expected volatility of 92.23%, an expected life in years of 3.0, and an expected dividend yield of 0%.

### ***Going Concern***

The Company is in the research and development stage. The Company has incurred net losses each year since its inception, including net loss of \$3,497 and \$2,902 for the nine months ended September 30, 2024, and 2023, respectively. As of September 30, 2024, the Company had an accumulated deficit of \$17,554 compared to \$14,057 as of December 31, 2023.

Management believes the Company may not have sufficient funds to cover planned operations through the next twelve months.

Management may secure additional financing through the issue of new equity and/or debt; however, there is no assurance that these initiatives will be successful. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. This could result in adjustments to the amounts and classifications of assets and liabilities in the Company's unaudited condensed interim consolidated financial statements.

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**SELECTED FINANCIAL INFORMATION**

*Summary of the unaudited financial data, prepared in accordance with IFRS and is presented for the nine-month periods ended September 30, 2024, and 2023:*

(USD in thousands)	Nine months ended September 30,		
	2024	2023	Change
	<u>Unaudited</u>	<u>Unaudited</u>	
Research and development expenses, net	\$ 1,236	\$ 1,232	\$ 4
General and administrative expenses	2,289	1,709	580
<b>Operating loss</b>	<b>3,525</b>	<b>2,941</b>	<b>584</b>
Financial expenses	15	6	9
Financial income	(43)	(45)	2
<b>Net loss</b>	<b>3,497</b>	<b>2,902</b>	<b>595</b>
Other comprehensive (income) loss:			
Items that may be reclassified to profit or loss (*)	29	91	(62)
Items that will not be reclassified to profit or loss (**)	35	(104)	139
<b>Total comprehensive loss</b>	<b>\$ 3,561</b>	<b>\$ 2,889</b>	<b>\$ 672</b>
Basic and diluted loss per share	\$ 0.055	\$ 0.066	\$ (0.011)
Weighted average number of common shares – basic and diluted	63,528,644	43,533,560	19,995,084

(\*) Exchange loss arising on translation of foreign operations.

(\*\*) Loss (gain) from foreign currency translation adjustments.

***Research and development expenses, net***

For the nine-month period ended September 30, 2024, research and development expenses, net amounted to \$1,236, compared to \$1,232 for the same period in 2023. The \$4 increase was primarily due to higher salaries and stock-based compensation, partially offset by income from government grants and reduced expenses for subcontractors and materials.

The changes for the nine-month period ended September 30, 2024, compared to the same period in 2023, were mainly due to a \$130 increase in salaries and related expenses, a \$90 increase in research and development income from received governmental grants, and a \$39 decrease in subcontractor and martial expenses.

***General and administrative expenses***

For the nine-month period ended September 30, 2024, general and administrative expenses amounted to \$2,289 compared to \$1,709 for the same period in 2023. The \$580 increase was largely attributable to costs related to public and investor relations services.

The changes for the nine-month period ended September 30, 2024, compared to the same period in 2023, were mainly due to a \$472 increase in service providers' expenses, a \$4 decrease in salaries expenses, a \$176 increase in share-based compensation expenses, a \$31 decrease in insurance expenses, and a \$33 decrease in legal expenses and other expenses.

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**Operating loss**

For the nine-month period ended September 30, 2024, operating loss amounted to \$3,525, compared to \$2,941 for the same period in 2023. The \$584 increase was largely attributable to general and administrative expenses resulting from the Company’s increasing level of activities.

The changes for the nine-month period ended September 30, 2024, compared to the same period in 2023, were primarily due to a \$580 increase in costs related to public and investors relations services.

**Financial (income) expenses, net**

For the nine-month period ended September 30, 2024, finance income amounted to \$28 compared to \$39 for the same period in 2023. The \$11 decrease was driven by an increase in expense from bank interest and revaluation of royalty payments, and a decrease in exchange rate adjustments.

The changes for the nine-month period ended September 30, 2024, compared to the same period in 2023, were mainly due to a \$13 increase from revaluation of a royalty liability, a \$16 decrease in deposit interest income, and an \$18 decrease in exchange rate adjustments.

**Product Pipeline**

The product pipeline reflects a commitment to developing cutting-edge exosome-based therapies and nano drugs to address critical medical needs and improve patient outcomes across various indications.

Program	Indication	Discovery	Preclinical Development	Regulatory Strategy	Submission for IND <sup>(1)</sup>	Clinical	Commercial
ExoPTEN	Acute Spinal Cord Injury	[Green bar]					
	Glaucoma	[Green bar]					
PNN targeting sequences <sup>(2)</sup>	Several – CNS Traumatic Injury	[Green bar]					
Exosomes and Stem Cells	Chronic Spinal Cord Injury	[Green bar]		 Collaboration with Inteligex Inc. <sup>(3)</sup>			

(1) “Submission for IND” means an Investigational New Drug application submission to the U.S. FDA requesting permission to start clinical trials for a new drug in humans.

(2) “PNN” means the Perineuronal Nets.

(3) The collaboration with Canada-based Inteligex Inc. leverages their novel human stem cell platform to target traumatic injury and neurodegeneration. This partnership aims to enhance treatments for traumatic spinal cord injury (SCI), focusing on sub-chronic and chronic patients and is approved by the Israel-Canada Eureka program. The agreement outlines the companies' collaboration in CNS diseases and SCI, combining Inteligex's stem cell expertise with NurExone's exosome technology and intranasal therapy. Both companies have significant IP portfolios relevant to this project.

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**Completion of Research and Development milestones for the nine-month period ended September 30, 2024, and upcoming Research and Development milestones:**

Research and development milestones (*)	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25	Q2/25	Q3/25	Q4/25
Established in-house laboratories and offices <sup>(1)</sup>								
Conduct in-vivo experiments for IND submission <sup>(2)</sup>								
Prepare, compile, and submit the IND application to the FDA <sup>(3)</sup>								
Achieve IND clearance, finalize clinical trial design, and scale up manufacturing <sup>(4)</sup>								
Initiate First-in-Human Phase I/IIa clinical trial <sup>(5)</sup>								

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

(1) On March 1, 2024, NurExone Ltd entered into a laboratories and offices lease agreement ("**Lease Agreement**") with the Technion – Israel Institute of Technology (the "**Technion**"). TRDF, a subsidiary of Technion, serves as a unique gateway to access the cutting-edge scientific and technological knowledge and capabilities of Technion. Under the Lease Agreement, the lease period extends for a term of 4 years and 10 months, until December 31, 2028, with an option to extend the term period by an additional period of 5 years.

The considerations for the lease agreement include the following:

- (i) A monthly payment of \$0.1 (NIS 0.3 plus VAT) for the initial 42-month period.
- (ii) A monthly payment of \$3 (NIS 9 plus VAT, linked to the monthly Israeli Consumer Price Index), starting from the 43<sup>rd</sup> month and continuing until the end of the lease period. Furthermore, the Company has secured to the Technion an initial deposit payment of \$14 (NIS 50), which will be refunded upon the successful completion of the lease period.

The lease liability was measured at the present value of the remaining lease payments, assuming no exercise of the option, discounted using the Company’s incremental borrowing rate. The weighted-average rate applied was 7.5%. Right-of-use assets were measured at an amount equal to the lease liability which amounted to \$31, as of September 30, 2024.

Following entering a laboratories and offices lease agreement with the Technion, the Company signed a construction project agreement with Biopharmax Group Ltd ("**Biopharmax**") to establish in-house laboratories and offices on premises located at the Technion City, Haifa, Israel (the "**Project**").

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NurExone Ltd agreed to pay Biopharmax a total amount of \$328 (NIS 1,200 plus VAT) (the “**Budget**”), which covers all Biopharmax’s expenses including salaries, wages, social benefits, tools, materials or equipment supply, storage, and any other expenses incurred during the project, as detailed in the project scope.

Payments were made in accordance with the payment schedule outlined in the construction agreement upon completion of each phase of the project.

The project began on March 1, 2024, was completed on September 30, 2024, and became fully operational in October 2024.

- (2) On April 1, 2024, NurExone Ltd entered into a Contract Research Organization (“**CRO**”) services agreement with Vivox Ltd. (“**Vivox**”), which will provide necessary CRO services before starting human trials for the planned Investigational New Drug. The scope of the services will extend over a period of up to 15 months (the “**Service Period**”). The total cost for these services is \$131 (NIS 481 plus VAT). Approximately 50% of this amount has been paid in accordance with the completion of specific CRO services milestones.
- (3) The Company compiled and submitted the IND application, which includes manufacturing information and Chemistry, Manufacturing, and Controls (“**CMC**”) data, preclinical data, and clinical trial plans.
- (4) Preparation for the initiation of Phase I clinical trials by the Company was as follows:
  1. IND Clearance: After regulatory review, obtain clearance from regulatory agencies to proceed with clinical trials.
  2. Clinical Trial Design: Develop the protocol for Phase I/IIa clinical trials, including dosing, patient eligibility criteria, and endpoints.
  3. Manufacturing Scale-Up: Optimize the manufacturing process to produce clinical-grade materials.
- (5) Preparation for the initiation of Phase I/IIa clinical trials by the Company was as follows:
  1. Clinical Site Selection: Identify and prepare clinical trial sites and investigators.
  2. Patient Recruitment: Begin recruiting patients for Phase I/IIa clinical trials.
  3. Initiate Phase I clinical trials with a small group of patients to assess safety and dosing.

**NurExone Biologic Inc.**

## Management's Discussion and Analysis

For the nine months period ended September 30, 2024, and 2023

*Summary of the financial position, prepared in accordance with IFRS and is presented as of September 30, 2024, and December 31, 2023:*

<u>(USD in thousands)</u>	<b>September 30</b>	<b>December 31,</b>	<b>Change</b>
	<b>2024</b>	<b>2023</b>	
	<b>Unaudited</b>		
Total current assets	\$ 2,823	\$ 1,982	\$ 841
Total non-current assets	791	188	603
Total current liabilities	435	1,908	(1,473)
Total non-current liabilities	251	73	178
Total equity	\$ 2,928	\$ 189	\$ 2,739

***Total current assets***

Total current assets as of September 30, 2024, amounted to \$2,823, representing an increase of \$841, compared to December 31, 2023, which amounted to \$1,982. This increase is primarily due to the decrease of \$1,197 in restricted cash related to private placement on December 31, 2023, and an increase of \$1,982 in cash resulting from a completed private placement and the exercise of warrants.

***Total non-current assets***

Total non-current assets as of September 30, 2024, amounted to \$791, representing an increase of \$603 compared to December 31, 2023, which amounted to \$188. This increase is primarily due to expenditure on laboratory equipment and leasehold improvements of the rental of the laboratories and offices, which amounted to \$578.

***Total current liabilities***

Total current liabilities as of September 30, 2024, amounted to \$435, representing a decrease of \$1,473 compared to December 31, 2023, which amounted to \$1,908. This decrease is primarily due to a reduction of \$1,197 in financial liabilities related to a private placement, a decrease of \$127 in employee and payroll accruals, a decrease of \$54 in other accounts payable, and a reduction of \$95 in advanced income from governmental grants.

***Total non-current liabilities***

Total non-current liabilities as of September 30, 2024, amounted to \$251, representing an increase of \$178 compared to December 31, 2023, which amounted to \$73. This increase is primarily due to a \$149 increase in liabilities related to governmental grants from the Israeli Innovation Authority (“**IIA**”) and a \$29 increase in lease liabilities.

***Total equity***

Total shareholder equity as of September 30, 2024, amounted to \$2,928 representing an increase of \$2,739, compared to December 31, 2023, which amounted to \$189. This increase is mainly due to a \$5,621 rise in additional paid-in capital, a \$64 increase in the foreign currency translation reserve, and a \$383 increase in the issued warrants reserve and a \$296 increase in the share-based payment reserve. The accumulated deficit also increased by \$3,497, reflecting the loss for the nine-month period ended September 30, 2024.

**NurExone Biologic Inc.**

## Management's Discussion and Analysis

For the nine months period ended September 30, 2024, and 2023

**SUMMARY OF QUARTERLY RESULTS**

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

<u>(USD in thousands)</u>	<b>Three months ended</b>			
	<b>September 30,</b>	<b>June 30,</b>	<b>March 31,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2024</b>	<b>2024</b>	<b>2023</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	
Research and development expenses, net	\$ 503	\$ 508	\$ 225	\$ 309
General and administrative expenses	782	812	695	407
<b>Operating loss</b>	<b>1,285</b>	<b>1,320</b>	<b>920</b>	<b>716</b>
Finance (income) expenses, net	(35)	5	2	21
<b>Net loss</b>	<b>1,250</b>	<b>1,325</b>	<b>922</b>	<b>737</b>
Other comprehensive (income) loss	(32)	51	45	(15)
<b>Total comprehensive loss</b>	<b>\$ 1,218</b>	<b>\$ 1,376</b>	<b>\$ 967</b>	<b>\$ 722</b>
Basic and diluted loss per share	\$ 0.020	\$ 0.022	\$ 0.016	\$ 0.016
Weighted average number of common shares – basic and diluted	63,528,644	61,488,044	56,528,121	44,722,288

<u>(USD in thousands)</u>	<b>Three months ended</b>			
	<b>September 30,</b>	<b>June 30,</b>	<b>March 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2022</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	
Research and development expenses, net	\$ 402	\$ 457	\$ 374	\$ 385
General and administrative expenses	762	603	345	456
<b>Operating loss</b>	<b>1,164</b>	<b>1,060</b>	<b>719</b>	<b>841</b>
Finance (income) expenses, net	(6)	(20)	(14)	173
<b>Net loss</b>	<b>1,158</b>	<b>1,040</b>	<b>705</b>	<b>1,014</b>
Other comprehensive (income) loss	(24)	(7)	18	(28)
<b>Total comprehensive loss</b>	<b>\$ 1,134</b>	<b>\$ 1,033</b>	<b>\$ 723</b>	<b>\$ 986</b>
Basic and diluted loss per share	\$ 0.026	\$ 0.024	\$ 0.016	\$ 0.027
Weighted average number of common shares – basic and diluted	43,533,560	42,855,159	42,855,159	37,733,703

**NurExone Biologic Inc.**

## Management's Discussion and Analysis

For the nine months period ended September 30, 2024, and 2023

***Research and development expenses, net***

Research and development, net expenses were notably higher in both the third and second quarters of 2024.

This increase was primarily due to an increase in headcount, lab materials and service providers' expenses resulting from the Company's increased activity levels.

From the third quarter of 2023, the research and development expenses net grew due to an additional headcount in the department, an increase in lab materials, and the extension of the sponsored research agreement with TRDF for the Company's ExoPTEN product. The Company continues to move forward towards its goals.

***General and administrative expenses***

General and administrative expenses decreased by \$30 in the third quarter of 2024 compared to the second quarter of 2024, mainly due to non-cash costs related to granted stock options.

Previously, these expenses also increased by \$117 in the second quarter of 2024 compared to the first quarter, driven mainly by non-cash costs associated with granted stock options. The first quarter of 2024 was higher than the fourth quarter of 2023 due to additional services engaged, including investor relations, strategic planning, and business development.

In the third and second quarters of 2023, general and administrative expenses were higher than in their first quarter, largely due to non-cash costs related to granted stock options.

***Operating loss***

Operating loss was lower in the third quarter of 2024. This decrease was primarily due to elevated general and administrative expenses, resulting from non-cash costs related to granted stock options in the prior period.

***Financial (income) expenses***

There was finance income in the third quarter of 2024, compared to previous quarters, which had finance expenses since December 31, 2023.

This increase in finance income in the third quarter of 2024 was primarily driven by higher interest income from the bank and currency exchange gains.

Previously, higher financial expenses were due to the revaluation of warrants and royalty liabilities.

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

<u>(USD in thousands)</u>	<u>September 30, 2024</u>	<u>June 30, 2024</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	
Total current assets	\$ 2,823	\$ 2,784	\$ 3,677	\$ 1,982
Total non-current assets	791	508	465	188
Total current liabilities	435	546	362	1,908
Total non-current liabilities	251	171	149	73
Total equity	\$ 2,928	\$ 2,575	\$ 3,631	\$ 189

**NurExone Biologic Inc.**

## Management's Discussion and Analysis

For the nine months period ended September 30, 2024, and 2023

(USD in thousands)	September 30,	June 30,	March 31,	December 31,
	2023	2023	2023	2022
	Unaudited	Unaudited	Unaudited	
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	603
Total non-current liabilities	67	84	81	95
Total equity	\$ 721	\$ 690	\$ 1,394	\$ 2,096

***Total current assets***

Total current assets increased in the third and first quarters of 2024, primarily due to fundraising activities.

The fundraising in the third quarter of 2024 included the completion of a private placement, while in the first quarter, it included both a private placement and the exercise of warrants.

However, from the first to the third quarter of 2023, total current assets decreased due to reduced cash and cash equivalents and lower fundraising proceeds relative to the burn rate.

***Total non-current assets***

Total non-current assets have increased each quarter since December 31, 2022, primarily due to higher purchases of lab equipment and the implementation of right-of-use assets.

***Total current liabilities***

Total current liabilities were significantly lower in the third quarter compared to the second quarter but higher in the first quarter of 2024. These fluctuations were primarily driven by changes in other payables.

Additionally, in the fourth quarter of 2023, current liabilities were largely associated with private placement funds that were considered restricted cash.

***Total non-current liabilities***

Total non-current liabilities were notably higher in both the third and second quarters of 2024, due to liabilities related to governmental grants from the IIA.

***Total equity***

Total shareholder equity increased in the third quarter of 2024 compared to the second quarter, mainly due to the completion of a private placement. Equity was also significantly higher in the first quarter of 2024, due to the completion of fundraising activities, including the exercise of warrants and a private placement.

However, since the first quarter of 2023, total shareholder equity has decreased due to an increase in accumulated deficit and a reduction in cash assets.

**NurExone Biologic Inc.**

## Management's Discussion and Analysis

For the nine months period ended September 30, 2024, and 2023

**LIQUIDITY AND CAPITAL RESOURCES***The following table summarizes the Company's statements of cash flows as of September 30, 2024, and 2023:*

<u>(USD in thousands)</u>	Nine months ended		
	September 30,		
	2024	2023	Change
	<u>Unaudited</u>	<u>Unaudited</u>	
Net cash used in operating activities	\$ (3,153)	\$ (2,308)	\$ (845)
Net cash used in investing activities	(613)	(53)	(560)
Net cash provided by financing activities	5,701	1,042	4,659
Exchange differences on balances of cash and cash equivalents	47	(1)	48
Net (decrease) increase in cash and cash equivalents	1,982	(1,320)	3,302
Cash and cash equivalents at the beginning of the period	541	2,463	(1,922)
Cash and cash equivalents at the end of the period	\$ 2,523	\$ 1,143	\$ 1,380

Cash flows from operating activities

The cash used in operating activities for the nine-month period ended September 30, 2024, was \$3,153, compared to \$2,308 for the same period in 2023. This increase of \$845 is primarily attributable to the following factors:

- The net loss for the nine-month period ended September 30, 2024, was \$3,497, as compared to the same period in 2023, being \$2,902, which represents an increase of \$595 driven by the Company's core research and development activities.
- The depreciation and amortization for the nine-month period ended September 30, 2024, was \$46, compared to the same period ended in 2023, being \$30, which represents an increase of \$16.
- The share-based compensation for the nine-month period ended September 30, 2024, was \$626 as compared to the same period ended in 2023, being \$452, which represents an increase of \$174, mainly due to forfeited unvested options and share-based compensation expenses.
- The royalty payments revaluation for the nine-month period ended September 30, 2024, was \$34, compared to the same period in 2023, being \$9, which represents an increase of \$25.
- The employees and payroll accruals for the nine-month period ended September 30, 2024, was (\$130), as compared to the same period in 2023, being (\$54), which represents an increase of \$76.
- The other receivables for the nine-month period ended September 30, 2024, was (\$89), as compared to the same period in 2023, being 68, which represents an increase of \$157.
- The other payables for the nine-month period ended September 30, 2024, was (\$143), as compared to the same period in 2023, being 89, which represents a decrease of \$232, reflecting varying activities levels and purchases to support them.

## **NurExone Biologic Inc.**

### Management's Discussion and Analysis

For the nine months period ended September 30, 2024, and 2023

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#### Cash flows from investing activities

The cash used in investing activities for the nine-month period ended September 30, 2024, was \$613 compared to \$53 for the same period in 2023. This increase of \$560 is primarily due to expenditure on lab equipment, leasehold improvement of the laboratories and offices, and an increase in restricted cash.

#### Cash flows from financing activities

The cash provided by financing activities for the nine-month period ended September 30, 2024, was \$5,701, compared to \$1,042 for the same period in 2023. This increase of \$4,659 is primarily attributable to the following factors:

- The proceeds from the issuance of private placement for the nine-month period ended September 30, 2024, was \$1,330, as compared to the same period in 2023, being \$737, which represents an increase of \$593.
- The proceeds from the issuance of warrants reserve for the nine-month period ended September 30, 2024, was \$1,297, as compared to the same period in 2023, being \$325, which represents an increase of \$972.
- The proceeds from the exercise of warrants for the nine-month period ended September 30, 2024, was \$3,034, reflecting an increase from the same period in 2023 when no proceeds were recorded.

## **WORKING CAPITAL DISCUSSION**

As of September 30, 2024, the Company's working capital was \$2,388, compared to \$74 as of December 31, 2023.

This increase is primarily due to a rise in cash and cash equivalents, which amounted to \$2,523 as of September 30, 2024, up from \$541 as of December 31, 2023. The increase is mainly attributed to private placements and the exercise of warrants during the first and third quarters of 2024.

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

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 needs.

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.

## NurExone Biologic Inc.

### Management's Discussion and Analysis

For the nine months period ended September 30, 2024, and 2023

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## COMMITMENTS AND CONTINGENT LIABILITIES

### Lease Obligation

The Company incurs a lease obligation for vehicle leases with a total fixed monthly payment of \$2.4. These vehicle leases are governed by non-cancellable terms, which extend for three years, with the lease payments being amortized over this term. The lease obligations will continue to be in effect until May 31, 2025. As of September 30, 2024, the total remaining lease obligation is \$19.5, which reflects the full outstanding amount owed for all vehicles leased under this agreement. This obligation is expected to be settled in monthly payments throughout the duration of the lease term.

### License Agreement:

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

In consideration for the exclusive worldwide license agreement:

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

The Company's aggregate contingent obligations for payments to TRDF, a related party, based on the license term for minimum royalty payments, as of and for the periods ended September 30, 2024, and December 31, 2023., amounted to the following fair values:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
	<b>Unaudited</b>	
Current liabilities – other payables	\$ 34	\$ 26
Non-current liabilities – royalty payments	71	71
<b>Total</b>	<b>\$ 105</b>	<b>\$ 97</b>

### Secured credit cards

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

## NurExone Biologic Inc.

### Management's Discussion and Analysis

For the nine months period ended September 30, 2024, and 2023

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#### CONTRACT ENGAGEMENTS

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

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

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

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

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

Upon the completion of the first milestone, NurExone Ltd decided to place the project on hold, effective as of March 31, 2024. This suspension means that all further activities related to the project are postponed until further notice. If NurExone Ltd later decides to proceed with the collaboration, it would involve completing the remaining product development milestones. At that time, both parties would engage in discussions to reach a mutual agreement on the necessary steps to advance the project in alignment with the original objectives and timelines.

#### TRANSACTIONS WITH RELATED PARTIES

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

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

#### Key management personnel compensation

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

<u>Expenses</u>	Nine months ended	
	September 30,	
	2024	2023
	Unaudited	Unaudited
Key management personnel – Salary and related expenses	\$ 512	\$ 379
Key management personnel – Share-based compensation	350	291
Director's fees – Service provider expenses	23	21
Director's fees – Share-based compensation	46	39
<b>Total</b>	<b>\$ 931</b>	<b>\$ 730</b>

**NurExone Biologic Inc.**

## Management's Discussion and Analysis

For the nine months period ended September 30, 2024, and 2023

<u>Balances</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>
	<u>Unaudited</u>	
Balances owing to the Chief Executive Officer	\$ 18	\$ 71
Balances owing to the Chief Financial Officer	18	71
Balances owing to the Vice President of Strategic Development	6	56
Balances owing to directors	15	9
<b>Total</b>	<b>\$ 57</b>	<b>\$ 207</b>

**Related Party**

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

As of September 30, 2024, TRDF holds 3,927,000 Common Shares, representing 4.63% on a fully diluted basis, including Common Shares and Warrants.

<u>Signed Date</u>	<u>Type of Agreement</u>	<u>Service Period and additional details</u>	<u>Total Consideration</u>
June 23, 2020	License Agreement	September 2020 – October 2021	\$40
August 18, 2021	License Agreement	1 <sup>st</sup> Amendment Fundraising milestones update	-
January 25, 2022	License Agreement	2 <sup>nd</sup> Amendment Patents extension	-
	License Agreement	Royalty payment 3 <sup>rd</sup> anniversary – June 23, 2023	\$20
	License Agreement	Royalty payment 4 <sup>th</sup> anniversary – June 23, 2024	\$26
February 15, 2021	Sponsored Research	Sep 2020 – Dec 2021	\$621
October 12, 2021	Sponsored Research	1 <sup>st</sup> Amendment Period extension: Jan 2022 – Mar 2022	-
April 1, 2022	Sponsored Research	2 <sup>nd</sup> Amendment April 2022 – September 2023	\$411
May 15, 2022	Lab Services	May 2022 – December 2022	\$30
February 27, 2023	Lab Services	January 2023 – June 2023	\$43
July 3, 2023	Lab Services	July 2023 – September 2023	\$20
October 15, 2023	Lab Services	October 2023 – December 2023	\$20
February 15, 2024	Lab Services	January 2024 – March 2024	\$20
May 29, 2024	Lab Services	April 2024 – June 2024	\$20
	Other Services	January 2023 – March 2023	\$1
	Other Services	April 2023 – June 2023	\$7
	Other Services	July 2023 – September 2023	\$5
	Other Services	October 2023 – December 2023	\$2
	Other Services	January 2024 – March 2024	\$6
	Other Services	April 2024 – June 2024	\$14
	Other Services	June 2024 – September 2024	\$22

**NurExone Biologic Inc.**

## Management's Discussion and Analysis

For the nine months period ended September 30, 2024, and 2023

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

<u>Assets related to related party transactions</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>		
	<u>Unaudited</u>			
Restricted deposit for lease agreement	\$ 14	\$ -		
<u>Liabilities re: related party transactions</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>		
	<u>Unaudited</u>			
Other accounts payable	\$ 23	\$ 52		
<u>Expenses</u>	<u>Nine months ended September 30, 2024</u>	<u>September 30, 2023</u>	<u>Three months ended September 30, 2024</u>	<u>2023</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Transactions	\$ 101	\$ 195	\$ 39	\$ 27

The Company discontinued outsourced research, development, and laboratory services from TRDF starting in the third quarter of 2024 after completing its own lab and offices facility. This strategic shift toward in-house operations enables the Company to manage its R&D activities more directly, enhancing efficiency and oversight.

For clarity, if the Company decides to terminate any service agreements with TRDF, this decision will not affect the standing License Agreement with TRDF.

The License Agreement remains fully intact and valid, irrespective of the status of any related service agreements, ensuring the Company's commitments under the License Agreement with TRDF are upheld independently.

This approach provides a stable legal and operational framework, allowing the Company to retain critical IP rights and benefits tied to the License Agreement while adjusting its service arrangements as needed.

This independent structure supports operational flexibility without compromising essential licensing terms.

## **NurExone Biologic Inc.**

### Management's Discussion and Analysis

For the nine months period ended September 30, 2024, and 2023

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## **OUTSTANDING SHARE DATA**

As of November 26, 2024, the data on the outstanding shares is as follows:

- (1) 70,893,598 Common Shares were issued and outstanding.
- (2) 7,399,424 Common Share purchase options, detailed as follows:
  - 1,815,900 options exercisable at CAD\$0.51 per Common Share, 3,101,395 options exercisable at CAD\$0.33 per Common Share, 1,084,109 options exercisable at CAD\$0.32 per Common Share, and 1,398,020 options
- (3) 2,000,000 Restricted Stock Units.
- (4) 14,313,424 Common Share purchase warrants, detailed as follows:
  - 3,159,359 warrants exercisable at CAD\$0.70 per Common Share, 6,498,153 warrants exercisable at CAD\$0.35 per Common Share, 2,140,456 warrants exercisable at CAD\$0.34 per Common Share, and 2,515,456 warrants exercisable at CAD\$0.48 per Common Share.

## **RISKS AND UNCERTAINTIES**

Several risk factors 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 several risks including, without limitation, the risks discussed under the heading "Risk Factors" on pages 44 to 51 of the Company's Annual Information Form dated August 28, 2024, a copy of which is available under the Company's SEDAR+ profile at [www.sedarplus.com](http://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.

### **War in Israel**

Starting from October 7, 2023, Israel is in the War of Iron Swords ("the War"). This situation has resulted in a notable increase in military activity along the southern and northern borders of the country. As of the date of this report, the events of the War have disrupted business and economic activity in Israel. The continuation of the War for an extended period may have consequences for many industries. The Company has maintained its operations in Israel and completed its labs and offices, which are now fully operational in Haifa, located in the northern region that is also affected by missiles and rockets. Further, many Israeli citizens are obligated to perform several days, and in some cases, more, of annual military reserve duty each year until they reach the age of 40 (or older for certain reservists) and, in the event of a military conflict, may be called to active duty. As of today, these events have had no material impact on the Company's operations.

## **OFF-BALANCE SHEET ARRANGEMENTS**

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

## NurExone Biologic Inc.

### Management's Discussion and Analysis

For the nine months period ended September 30, 2024, and 2023

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## SUBSEQUENT EVENTS

- (1) On November 1, 2024, the Company entered into a Market Making Services Agreement with Independent Trading Group (ITG) Inc. (“**ITG**”). ITG will trade the securities of the Company on the TSXV for the purposes of maintaining an orderly market and contributing to market liquidity. In consideration of the services provided by ITG, the Company will pay ITG a monthly service fee of CAD\$5, plus all applicable taxes. The agreement is for an initial term of one month and renewable thereafter. Costs related to the engagement of ITG will be paid from the general working capital of the Company. ITG will not receive shares or options as compensation. The capital used for market-making will be provided by ITG. ITG, which operates out of Toronto, Ontario, is a Dealer Member, as defined by the Canadian Investment Regulatory Organization. The Company and ITG are unrelated and unaffiliated entities, and, at the time of the agreement for ITG’s services, to the knowledge of the Company, neither ITG nor its principals had an interest, directly or indirectly, in the securities of the Company.
- (2) On November 1, 2024, the Company entered an Investor Relations Services Agreement with Oak Hill Financial Inc (“**Oak Hill**”). Oak Hill, an arm’s length party to the Company, will provide certain investor relations services to the Company including, without limitation, in relation to providing strategic advice with respect to the Company’s stakeholder communication initiatives and to expand market awareness. The Agreement shall be for an initial one-month term, for a monthly fee of CAD\$10, plus applicable taxes, which may be automatically renewed at the Company’s discretion.
- (3) On November 13, 2024, the Company announced that the European Medicines Agency (the “**EMA**”) has granted Orphan Medicinal Product Designation for the Company’s ExoPTEN therapy, marking a significant step toward making this potential treatment available for acute spinal cord injury patients across Europe. This designation supports the development of ExoPTEN and opens a pathway for faster entry into European markets, where the Company expects demand for effective spinal cord injury therapies to be high. Designed to provide nerve regeneration and functional recovery following spinal cord injury, ExoPTEN uses mesenchymal stem cell-derived extracellular vesicles loaded with siRNA targeting PTEN, a key protein in nerve regeneration. The EMA’s Orphan Medicinal Product Designation offers valuable incentives, including 10 years of market exclusivity upon approval, access grants, and incentives from the European Commission and Member States. Additionally, the Company may benefit from free or reduced-cost scientific advice and assistance with clinical trial design, which can streamline the regulatory process and reduce development costs. Moreover, some European Union countries also provide tax credits and other financial incentives to support orphan drug development. Earlier, on October 30, 2023, the Company announced that the U.S. FDA had granted Orphan Drug Designation to its mesenchymal stem cell (MSC)-derived small extracellular vesicles (EVs) loaded with modified siRNA targeting the PTEN protein for the treatment of acute spinal cord injury.
- (4) On November 19, 2024, the Company issued 50,000 shares of common stock following the exercise of outstanding warrants from January Private Placement. The warrants were exercised at a price of CAD\$0.35 per share, generating total proceeds of CAD\$17.5.

## ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com) as well as on the Company’s website at [www.nurexone.com](http://www.nurexone.com).

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