NUREXONE BIOLOGIC INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2022

March 30, 2023

ITEM 1. ABOUT THIS ANNUAL INFORMATION FORM

In this annual information form ("**AIF**" or "**Annual Information Form**"), unless the context otherwise requires, the "**Company**", "**NurExone**", "**we**", "**us**" and "**our**" refers to NurExone Biologic Inc. together with its wholly-owned subsidiary, NurExone Biologic Ltd.

All financial information in this Annual Information Form is prepared in Canadian dollars, except where otherwise indicated, and using IFRS as issued by the International Accounting Standards Board.

In this AIF, all references to "C$" refer to Canadian dollars, all references to "US$" refer to U.S. dollars.

This AIF applies to the business activities and operations of the Company for the fiscal year ended December 31, 2022, with certain information updated to reflect changes occurring subsequent to December 31, 2022, up to the date of this AIF. Unless otherwise indicated, the information in this AIF is given as of March 30, 2023.

This Annual Information Form contains company names, product names, trade names, trademarks and service marks of the Company and other organizations, all of which are the property of their respective owners.

The information contained in this AIF, including news releases and other disclosure items of the Company, is available under the Company's profile on SEDAR at www.sedar.com. The Common Shares are traded on the TSXV under the symbol "NRX" and on the Frankfurt Stock Exchange under the symbol "NRX.V".

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This AIF contains "forward-looking statements" that reflect the Company's current expectations and projections about its future results. When used in this AIF, 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 AIF 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 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: the risk factors set forth under "*Item 5.2 – Risk Factors*"; 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 AIF or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties elsewhere in this AIF, 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 AIF are expressly qualified in their entirety by this cautionary statement.

MARKET AND INDUSTRY DATA

This AIF may contain market and industry data and forecasts obtained from third-party sources, industry publications and publicly available information. The Company believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this AIF, or analyzed or verified the underlying information relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Annual Information Form. Words below importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

"**ABCA**" means the *Business Corporations Act* (Alberta), including the regulations promulgated thereunder, as amended from time to time.

"**Affiliate**" means a corporation that is affiliated with another corporation as follows: (A) a corporation is an "Affiliate" of another corporation if: (i) one of them is the subsidiary of the other; or (ii) each of them is controlled by the same Person; (B) a corporation is "controlled" by a Person if: (i) voting securities of the corporation are held, other than by way of security only, by or for the benefit of that Person; and (ii) the voting securities, if voted, entitle the Person to elect a majority of the directors of the corporation; or (C) a Person beneficially owns securities that are beneficially owned by: (i) a corporation controlled by that Person; or (ii) an Affiliate of that Person or an Affiliate of any corporation controlled by that Person.

"**AIF**" or "**Annual Information Form**" has the meaning ascribed to it in *Item 1 – About this Annual Information Form.*

"**ANDA**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**Arrangement**" has the meaning ascribed to it in *Item 4 – General Development of the Business.*

"**Arrangement Agreement**", means the arrangement agreement dated March 10, 2022, between the Company and 1222150 B.C. Ltd. in respect of the spinout transaction.

"**Audit Committee**" means the audit committee of the Board.

"**Auditor**" has the meaning ascribed to it in *Item 16.1 – Interests of Experts*.

"**Awards**" has the meaning ascribed to it in *Item 7 – Description of the Capital Structure.*

"**BBR**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**Board**" means the board of directors of the Company.

"**cGCP**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**cGMP**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**Common Shares**" means common shares in the authorized capital of the Company.

"**Compensation Committee**" means the compensation committee of the Board.

"**Consolidation**" means the consolidation of the issued and outstanding Common Shares on the basis of ten (10) pre-consolidation Common Shares for every one (1) post-consolidation Common Share;

"**ENER Private Placement**" has the meaning ascribed to it in *Item 4 – General Development of the Business.*

"**ENER Subscription Receipts**" has the meaning ascribed to it in *Item 4 – General Development of the Business.*

"**Exchange Ratio**" has the meaning ascribed to it in *Item 4 – General Development of the Business.*

"**Equity Incentive Plan**" has the meaning ascribed to it in *Item 7 – Description of the Capital Structure.*

"**FDA**" means the Food and Drug Administration in the United States.

"**Globex**" has the meaning ascribed to it in *Item 4 – General Development of the Business.*

"**Hatch-Waxman Act**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**IFRS**" means International Financial Reporting Standards, as issued by the International Accounting Standards Board.

"**IND**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**IRB**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**Law**" or "**Laws**" means all laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgements, injunctions, determinations, awards, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any governmental entity or self-regulatory authority (including the Exchange).

"**Letter of Intent**" means the letter of intent between the Company and NurExone Ltd. dated April 22, 2021 as amended August 23, 2021 with respect to the RTO.

"**MSCs**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**NCEs**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**NDA**" means an investigational new drug application in the United States.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**NTBI**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**NurExone**" or the "**Company**" means NurExone Biologic Inc. (Formerly EnerSpar Corp.), a company incorporated under the Laws of Alberta.

"**NurExone Ltd.**" means NurExone Biologic Ltd., a private Company incorporated under the laws of Israel.

"**Option Plan**" has the meaning ascribed to it in *Item 7 – Description of the Capital Structure.*

"**Options**" has the meaning ascribed to it in *Item 7 – Description of the Capital Structure.*

"**Participant**" has the meaning ascribed to it in *Item 7 – Description of the Capital Structure.*

"**Person**" includes an individual, partnership, association, body corporate, trustee, executor, administrator or legal representative.

"**Polyrizon**" has the meaning ascribed to it in *Item 4 – General Development of the Business.*

"**Promoter**" means (A) a Person or company that, acting alone or in conjunction with one or more other persons, companies or a combination of them, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer; or (B) a Person or company that, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, directly or indirectly, receives in consideration of services or property or both services and property, 10% or more of the issued securities of a class of securities of the issuer or 10% or more of the proceeds from the sale of a class of securities of a particular issue, but a Person or company who receives the securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be considered a Promoter within the meaning of this definition where that Person or company does not otherwise take part in founding, organizing or substantially reorganizing the business.

"**R&D Milestones**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**Ramot**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**REMS**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**Restricted Shares**" has the meaning ascribed to it in *Item 7 – Description of the Capital Structure.*

"**RSUs**" has the meaning ascribed to it in *Item 7 – Description of the Capital Structure.*

"**RTO**" has the meaning ascribed to it under *Item 3.1 – Name, Address and Incorporation.*

"**SCI**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

"**Shareholders**" means the holders of the Common Shares.

"**Subsidiary**" has the meaning ascribed to it in *Item 4 – General Development of the Business.*

"**Surplus Escrow Agreement**" has the meaning ascribed to it in *Item 9 – Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer.*

"**TBI**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**Technion**" or "**TRDF**" has the meaning ascribed to it in *Item 5 – Description of the Business.*

"**Total Share Authorization**" has the meaning ascribed to it in *Item 7 – Description of the Capital Structure.*

"**Transaction Agreement**" means the securities exchange agreement made as amended on January 3, 2022 by and among NurExone Ltd., the NurExone Ltd. shareholders and the Company in respect of the RTO; and amending agreement made on April 12, 2022.

"**TSXV**" or the "**Exchange**" means the TSX Venture Exchange.

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

"**USPTO**" means the United States Patent and Trademark Office.

"**Warrants**" means Common Share purchase warrants of the Company, with each Warrant entitling the holder thereof to acquire one Common Share at the applicable exercise price.

"**Yissum**" has the meaning ascribed to it in *Item 4 – General Development of the Business.*

ITEM 2. TABLE OF CONTENTS

Page

ITEM 3. CORPORATE STRUCTURE

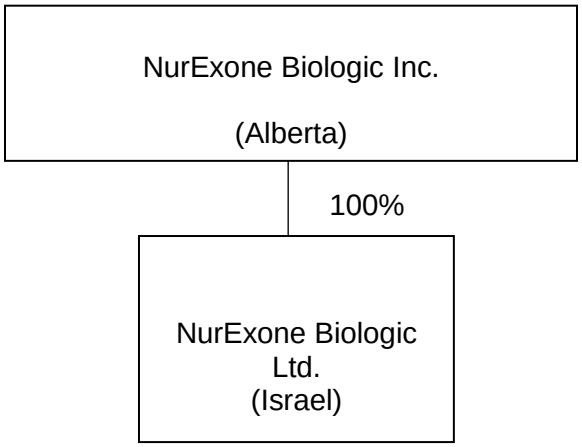
3.1 Name, Address and Incorporation

The full corporate name of the Company is NurExone Biologic Inc., which was incorporated on June 27, 2011, pursuant to the ABCA and is extra-provincially registered in Ontario. The Company's registered office is located at 1600, 421 7th Avenue SW, Calgary, Alberta, Canada, T2P 4K9 and its head office is located at 9 Mezada Street, BSR 3 Tower, 30 Fl., Bnei-Brak, Israel, 5120109.

On June 15, 2022, the Company completed a reverse takeover transaction with NurExone Ltd., pursuant to which the business of NurExone Ltd. became the business of the Company and the former shareholders of NurExone Ltd. became the majority shareholders of the Company (the "**RTO**"). In connection with the RTO, the Company changed its name to "NurExone Biologic Inc.".

3.2 Intercorporate Relationships

The Company has one subsidiary. The below diagram sets out the intercorporate structure of the Company, including jurisdictions of incorporation and the percentage of voting securities of the subsidiary beneficially owned, directly or indirectly, by the Company as of the date of this AIF.



ITEM 4. GENERAL DEVELOPMENT OF THE BUSINESS

4.1 History of the Company

History of the Company

The Company was founded in Alberta in 2011 as a Capital Pool Corporation, named Walmer Capital Corp., pursuant to the policies of the TSXV. The Company changed its name to EnerSpar Corp. simultaneously with completing its qualifying transaction on March 30, 2017, under Policy 2.4 of the TSXV policies.

In connection with its qualifying transaction, the Company entered into an agreement with Globex Mining Enterprises Inc. ("**Globex**") to acquire a 100% legal and beneficial interest in the Johan Beetz Feldspar Property, which is represented by four mineral claims in the Province of Quebec. In addition, the Company staked four additional claims adjoining the original claims acquired from Globex. Upon

completion of the its qualifying transaction pursuant to the policies of the TSXV, the Company's business was the acquisition, exploration and development of resource property especially in the field of industrial minerals.

In 2017, the industrial minerals sector was depressed, resulting in the Company seeking other business opportunities to enhance shareholder value.

On March 10, 2022, the Company and 1222150 B.C. Ltd, (the "**Subsidiary**"), a wholly-owned subsidiary of the Company, entered into the Arrangement Agreement with respect to a plan of arrangement (the "**Arrangement**") pursuant to the *Business Corporations Act* (British Columbia). The Subsidiary was incorporated on September 5, 2019. On March 17, 2022, the Company acquired 100% of the Subsidiary's outstanding shares for total consideration of C$0.01. The Subsidiary was acquired for purposes of facilitating the Arrangement and the Company's mining properties became assets of the Subsidiary. Pursuant to the Arrangement the Company spun out the Subsidiary, by way of distributing the securities of the Subsidiary held by the Company to the shareholders of the Company on a pro rata basis. The Arrangement was to divest the Company of its mineral assets prior to the RTO. No other assets of the Company were transferred to the Subsidiary.

Following completion of the Arrangement, the Subsidiary continued as a separate unlisted reporting issuer in the provinces of British Columbia, Alberta, and Ontario and the Subsidiary owns 100% of the Johan Beetz Feldspar property.

On April 22, 2021, as amended August 23, 2021, the Company entered into the Letter of Intent with NurExone Ltd. and on January 3, 2022, the Company and NurExone Ltd. entered into the Transaction Agreement in respect of the RTO.

RTO

On January 3, 2022, the Company, NurExone Ltd. and the NurExone Ltd. shareholders entered into the Transaction Agreement. A copy of the Transaction Agreement is available on SEDAR at www.sedar.com. The Transaction Agreement governed the reverse takeover transaction of NurExone Ltd. by the Company, pursuant to which the shareholders of NurExone Ltd. exchanged their NurExone Ltd. shares for Common Shares of the Company. The former shareholders of NurExone Ltd. became the majority shareholders of the Company and NurExone Ltd. became a wholly owned subsidiary of the Company. Following the completion of the RTO on June 15, 2022, the business of NurExone Ltd. became the business of the Company and the Company's Common Shares were listed and posted for trading on the TSXV as of June 22, 2022. In connection with the RTO, the company was renamed "NurExone Biologic Inc.".

Prior to the completion of the RTO, the Company completed a private placement ("**ENER Private Placement**") of 4,551,814 subscription receipts ("**ENER Subscription Receipts**") at an issue price of C$0.80 per ENER Subscription Receipt for aggregate gross proceeds of C$3,641,451. Each ENER Subscription Receipt was automatically exercised in connection with the RTO, for no additional consideration, into one (1) Common Share and one (1) Warrant. Each Warrant is exercisable for one (1) Common Share at a price of C$1.20 for a period of twenty four (24) months from the date of issuance. The ENER Private Placement closed on May 5, 2022.

Pursuant to the terms of Transaction Agreement:

- the Company completed the Consolidation.
- holders of issued and outstanding NurExone Ltd. shares received 17 Common Shares (post-Consolidation) for each NurExone Ltd. share held (the "**Exchange Ratio**"); and

- options, warrants and other securities convertible into NurExone Ltd. shares were exchanged, based on the Exchange Ratio, for equivalent securities to purchase post-Consolidation Common Shares on substantially similar terms and conditions.

In connection with the RTO:

- 35,296,149 Common Shares were issued to the former shareholders of NurExone Ltd. in exchange for all of the issued and outstanding shares of NurExone Ltd;
- 4,551,814 Common Shares were issued to holders of ENER Subscription Receipts; and
- 2,536,000 Common Shares were issued to the existing shareholders of Company upon the 10:1 Consolidation of the existing 25,360,000 pre-Consolidation Common Shares.

Following completion of the RTO and conversion of the Subscription Receipts, there were 42,383,963 Common Shares issued and outstanding and, assuming that all of the outstanding options and warrants were exercised into Common Shares, 61,759,764 Common Shares were issued and outstanding on a fully diluted basis.

For a history's of the Company and NurExone Ltd. prior to the completion of the RTO, see the Listing Statement of the Company dated May 12, 2022, available on the Company's SEDAR profile at www.sedar.com. References to the Listing Statement are for information purposes and are not considered incorporated by reference herein.

Updates following the RTO

On July 11, 2022, the Company signed a collaboration agreement with Polyrizon Ltd. ("**Polyrizon**") for intranasal administration of exosome therapy. The Company agreed to pay EUR €215,000 in three equal installments, subject to certain milestones. The Company has paid the first 1st installment. In addition, the Company agreed to pay US$3,350,000 upon completion of 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 US$50,000- US$2,500,000, the Company shall make a royalty payment of 2.25% from net income; (ii) for an income of US$2,500,000- US$10,000,000, the Company shall make a royalty payment of 2.75% from net income; (iii) for an income of US$10,000,000 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.

On July 18, 2022, NurExone 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 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.

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.

ITEM 5. DESCRIPTION OF THE BUSINESS

5.1 General

The Business of NurExone

NurExone is 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 patent pending technology. NurExone's research and development activities are based in Israel.

The breakthrough treatment is based on licensed technologies from two of Israel's leading universities proven in preclinical studies. In a study conducted on rats at the Technion, Israel's Institute of Technology, the treatment showed spinal cord nerve regeneration following complete lesion of the spinal cord; allowing the rats to walk again. It is expected that this technology, after being approved in clinical trials, can be used in various conditions such as SCI, brain trauma injury and potentially other brain and neurological indications. 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 ("**BBR**") 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.

The 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 an preclinical study, demonstrating that intranasal administration of ExoPTEN led to significant motor improvement, sensory recovery, and faster urinary reflex restoration.

Pursuant to agreements with Technion Research and Development Foundation Ltd. ("**Technion**" or "**TRDF**") and Ramot at Tel Aviv University Ltd ("**Ramot**"), the licensors of the technology, the Company has an exclusive worldwide license 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 patent application, 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:

- NurExone Ltd. shares were issued to Ramot (which, following the completion of the RTO were equivalent to 1,683,000 Common Shares) and NurExone Ltd. warrants to purchase NurExone Ltd. shares were issued to TRDF. The warrants were exercised prior to the completion of the RTO in February 2021 for an aggregate amount of US$16,000 (the shares of NurExone Ltd. issued pursuant to the exercise of the warrants were equivalent to 3,927,000 Common Shares following the completion of the RTO).

- The Company paid a one-time license fee of US$40,000 to TRDF.

- The Company shall pay TRDF the following payments:

- 4.25% on net sales of products sold by the Company or its affiliates; and
- 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.
- A minimum royalty payment of US$20,000 payable as of the 3rd anniversary, which shall increase by 30% every year, to a limit of US$50,000.
- The Company shall also pay sublicense fees at the rate of 16%.

The Company has engaged Prof. Shulamit Levenberg from TRDF and Prof. Daniel Offen from Ramot, to be part time employees of the company signing part-time employment agreements, to continue working with NurExone's team in developing and commercializing this initiative.

The Approach

NurExone's new approach to SCI treatment is based on siRNA-PTEN loaded exosome platform technology. ExoPTEN holds a broad potential for variety of central nervous system indications and may offer a revolutionary non-invasive "of-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 development of additional safe, efficient and convenient methods for treating SCI.

The "Exosomes Project"

The research for the "Exosomes Project" that was conducted from January 2017 until May 2020, in Prof. Shulamit Levenberg's lab at the Technion, Haifa in collaboration with Prof. Daniel Offen from Tel Aviv University led to a novel proprietary treatment using intranasal administration of Exosomes driven from mesenchymal stem cells ("**MSCs**") loaded with siRNA-PTEN targeting complete spinal cord lesion in rats and enabled significant functional recovery.

The Technology

Axonal growth and functional recovery following SCI are limited, due to the poor innate regenerative capacity of adult central nervous system neurons and the hostile injury environment, comprised of inflammation, myelin-associated inhibitors, glial scar components and compromised blood supply.

Despite previous attempts to treat SCI via targeting extrinsic mechanisms controlling axonal regeneration, success has been limited in complete SCI. Alternative approaches have all failed to elicit robust regeneration of injured axons and substantial functional recovery.

The PTEN-mTOR pathway, limits axonal sprouting capability which is necessary to restore neuronal connection following complete or partial dissection of the SC.

Exosomes have emerged as promising nanocarriers for drug delivery and targeted therapy, as alternatives to stem cell therapy. They are natural membrane vesicles of endosomal origin, secreted by various cells including MSCs. They carry proteins, lipids, and genetic materials reflective of their cell origins, which facilitate intercellular communication and induce a multitude of biological effects, locally or distally. When intranasally administered, exosomes can pass the BBR and are better retained in injury sites than when delivered intravenously. Moreover, they are loadable with an array of therapeutic cargos for specific diseases.

Exosomes “Homing” to damaged areas in Mouse Brain Models

The new approach is based on the view that exosome administration has broad potential and offers an alternative

Industry Overview

Spinal Cord Injury (SCI)

Traumatic SCI is a sudden and unexpected catastrophic event that can be devastating and costly in human and social terms. It affects nearly one out of every 1,000 people each year and represents one of the leading causes of disability worldwide. Usually, it leads to permanent functional impairments, with various complications and limited spontaneous recovery or efficient treatments. A recent estimate showed that the annual incidence of SCI is approximately 54 cases per one million people in the United States, or about 17,730 new SCI cases each year. New SCI cases do not include those who die at the location of the incident that caused the SCI.

Most SCI are caused by car accidents (38%), followed by falls (30%), violence (14%), sports and other recreational activities (9%), medical errors (5%), and miscellaneous other factors (4%). The estimated number of people with SCI living in the US is approximately 291,000 persons. The average age at injury has recently increased from 29 years during the 1970s to 43 years.

According to the US Dana and Christopher Reeve Foundation, average expenses of SCI are as follows:

> First Year – people with high tetraplegia can expect to pay about one million dollars for care. Low tetraplegia produces about US$769,000 in medical expenses, while paraplegia costs about US$518,000. Injuries that produce incomplete motor function at any level cost an average of US$347,000.
>
> Second and Subsequent Years – those with high tetraplegia incur costs of about US$184,000 annually, compared to US$113,000 for people with low tetraplegia. Paraplegia costs about US$69,000 each year, while incomplete motor function costs are about US$42,000.
>
> Rehabilitation therapies must be coordinated comprehensively and effectively to treat the medical, physiological, and psychological consequences of the injury. SCI rehabilitation is complex and resource demanding with costs that may vary from US$88,000 or more (including the first admission and readmissions within the first two years after the lesion), depending on the country and the severity of the lesion. In the last two decades, research in the field of SCI has included more than 900 clinical trials.

Sources:

https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6438886/
https://www.nscisc.uab.edu/Public/Facts%20and%20Figures%202019%20-%20Final.pdf
https://www.nscisc.uab.edu/
https://www.spinalcord.com/blog/what-is-the-NurExone-spinal-cord-injury-cost

Brain Injury

Brain Injury has been identified as a second application of the company’s technology. There are two types of acquired brain injury: traumatic and non-traumatic.

(1) Traumatic brain injury (**"TBI"**) is defined as an alteration in brain function, or other evidence of brain pathology, caused by an external force. Examples of TBI include falls, assaults, motor vehicle accidents and sports injuries.

(2) Non-Traumatic Brain Injury (**"NTBI"**) is often referred to as an acquired brain injury. Damage to the brain is caused by internal factors, such as a lack of oxygen, exposure to toxins, pressure from a tumor and so on. Examples of NTBI include stroke, near-drowning, aneurysm, tumor, infectious diseases that affect the brain (such as meningitis) or lack of oxygen supply to the brain (such as heart attack).

Traumatic Brain Injury (TBI)

TBI is one of the major causes of death and disability worldwide. An estimated 1.7 million people sustain TBI each year in the United States, and more than 5 million people are coping with disabilities from TBI at an annual cost of more than US$76 billion.

As far as NurExone is aware, despite improved supportive and rehabilitative care of TBI patients, no effective pharmacological treatments are available for reducing TBI mortality and improving functional recovery because all phase II/III TBI clinical trials have failed.

Emerging preclinical data indicate that restorative therapies targeting multiple parenchymal cells including cerebral endothelial cells, neural stem/progenitor cells and oligodendrocyte progenitor cells enhance TBI-induced angiogenesis, neurogenesis, axonal sprouting, and oligodendrogenesis, respectively (Xiong et al., 2009). These interacting neuroplastic events in concert improve neurological function after TBI.

There is a compelling need to develop novel therapeutics specifically designed to stimulate neuroplasticity which subsequently promote neurological recovery after TBI

Non-Traumatic Brain Injury (NTBI)

The main NTBI is stroke which occurs when the blood supply to the brain is suddenly blocked or when a blood vessel in the brain bursts. Deprived of oxygen, nerve cells in the affected area of the brain are unable to function and die within minutes.

Although stroke is a disease of the brain, it can affect the entire body, leading to cognitive and memory deficits, speech problems, emotional difficulties, daily living problems, and pain.

Paralysis is a common outcome of stroke, often on one side of the body (hemiplegia). Paralysis may affect only the face, an arm or a leg, or it may affect one entire side of the body and face.

A person who suffers a stroke in the left hemisphere of the brain will show right-sided paralysis, or paresis. Likewise, a person with a stroke in the right hemisphere will show deficits on the left side of the body.

There are two main types of strokes: ischemic strokes and hemorrhagic strokes:

(1) Ischemic strokes occur as a result of an obstruction (clot) within a blood vessel supplying blood to the brain and account for 87% of all stroke episodes. Ischemic stroke is treated by removing the obstruction and restoring blood flow to the brain.

(2) Hemorrhagic strokes result from a weakened blood vessel that ruptures and bleeds into the surrounding brain. In hemorrhagic stroke, doctors attempt to prevent the rupture and bleeding of aneurysms and arteriovenous malformsations.

When blood flow to the brain is interrupted, some brain cells die immediately, while others remain at risk. The damaged cells can often be saved by early intervention with a clot-dissolving drug called tissue plasminogen activator (t-PA) if administered within three hours of the onset of the stroke.

About 2 million brains cells die per minute, during a stroke emergency.

Only 3% to 5% percent of those who suffer a stroke reach the hospital in time to receive treatment.

The appropriate response to a stroke is emergency action. Every minute lost, from the onset of symptoms to the time of emergency room contact, cuts into the limited window of opportunity for intervention.

General recovery guidelines show:

- 10% of stroke survivors recover almost completely
- 25% recover with minor impairments
- 40% experience moderate to severe impairments requiring special care
- 10% require care in a nursing home or other long-term care
- 15% die shortly after the stroke

Neuroprotective drugs are being developed to prevent the wave of damage after the initial attack.

Sources:
https ://www.hopkinsmedicine.org/health/conditions-and-diseases/stroke/types-of-stroke
https://www.christopherreeve.org/living-with-paralysis/health/causes-of-paralysis/stroke

Spinal Cord Injury - Facts and Figures at a Glance

Incidence – Given the current U.S. population size of 328 million people, a recent estimate showed that the annual incidence of SCI is approximately 54 cases per one million people in the United States, or about 17,730 new SCI cases each year. New SCI cases do not include those who die at the location of the incident that caused the SCI.

Prevalence – The estimated number of people with SCI living in the United States is approximately 291,000 persons, with a range from 249,000 to 363,000 persons.

Data Source: Lasfargues JE, Custis D, Morrone F, Carswell J, Nguyen T. A model for estimating spinal cord injury prevalence in the United States. Paraplegia. 1995;33(2):62-68.

Age at Injury – The average age at injury has increased from 29 to 43 since the 1970s. About 78% of new SCI are male.

Cause – Vehicle crashes are the most recent leading cause of injury, closely followed by falls. Acts of violence (primarily gunshot wounds) and sports/recreation activities are also relatively common causes.

Lengths of Stay – The lengths of stay in the hospital acute care unit have declined from 24 days in the 1970s to 11 days more contemporarily. Rehabilitation lengths of stay have also declined from 98 days in the 1970s to 31 days more recently.

Neurological Level and Extent of Lesion – Recently, incomplete tetraplegia is the most frequent neurological category of SCI. The frequency of incomplete and complete paraplegia is virtually the same. Less than 1% of persons experienced complete neurological recovery by the time of hospital discharge:

Re-Hospitalization – Since 2015, about 30% of persons with SCI were re-hospitalized one or more times during any given year following injury. Among those re-hospitalized, the lengths of hospital stays averages about 19 days. Diseases of the genitourinary system are the leading cause of re-hospitalization, followed by disease of the skin. Respiratory, digestive, circulatory, and musculoskeletal diseases are also common causes of re-hospitalization.

Historical Lifetime Costs – The average yearly expenses (health care costs and living expenses) and the estimated lifetime costs that are directly attributable to SCI vary greatly based on education, neurological impairment, and pre-injury employment history. The below estimates do not include any indirect costs such as losses in wages, fringe benefits, and productivity (indirect costs averaged US$76,327 per year in 2018 US dollars). All values in the table below are in USD.

	Average Yearly Expenses (in 2018 dollars)		Estimated Lifetime Costs by Age at Injury (discounted at 2%)	
Severity of Injury	First Year	Each Subsequent Year	25 years old	50 years old
High Tetraplegia (C1–C4) AIS ABC	$1,129,302	$196,107	$5,010,748	$2,753,822
Low Tetraplegia (C5–C8) AIS ABC	$816,019	$120,303	$3,661,165	$2,251,944
Paraplegia AIS ABC	$550,381	$72,909	$2,450,234	$1,608,015
Motor Functional at Any Level AIS D	$368,562	$44,766	$1,674,012	$1,181,564

Data Source: Economic Impact of SCI published in the journal Topics in Spinal Cord Injury Rehabilitation, Volume 16, Number 4, in 2011. ASIA Impairment Scale (AIS) is used to grade the severity of a person's neurological impairment following spinal cord injury.

Data Source:
National Spinal Cord Injury Statistical Center, Facts and Figures at a Glance. Birmingham, AL: University of Alabama at Birmingham, 2019.

The Study

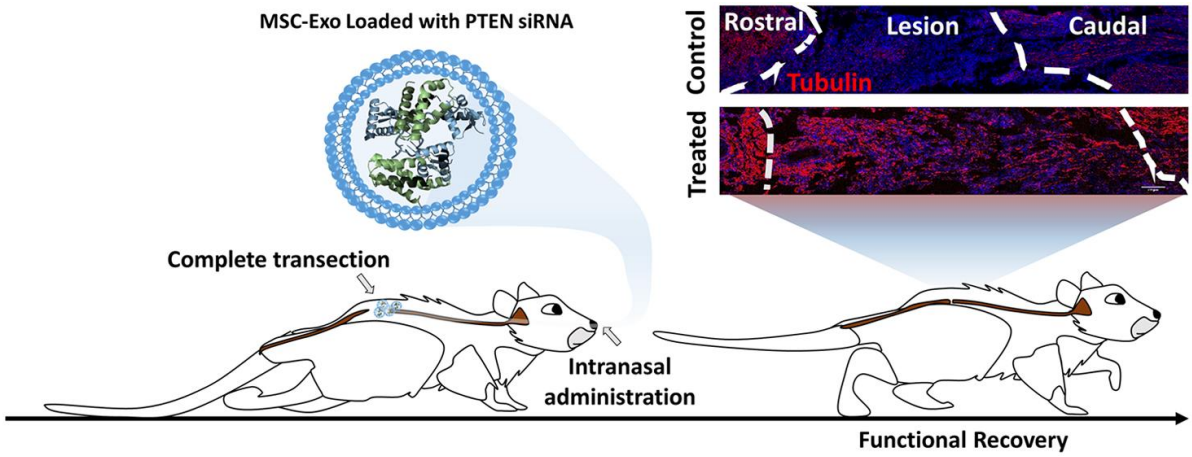
The study was conducted in 2018 and 2019, at Prof. Shulamit Levenberg's lab at the Technion in collaboration with Prof. Daniel Offen from Tel Aviv University for NurExone's benefit under the license agreement (see "*Item 5.1 General – The Business of NurExone*").

The study presented intranasal administrations of MSC derived exosomes loaded with siRNA-PTEN (ExoPTEN), to rats with complete spinal cord lesions and enabled significant functional recovery.

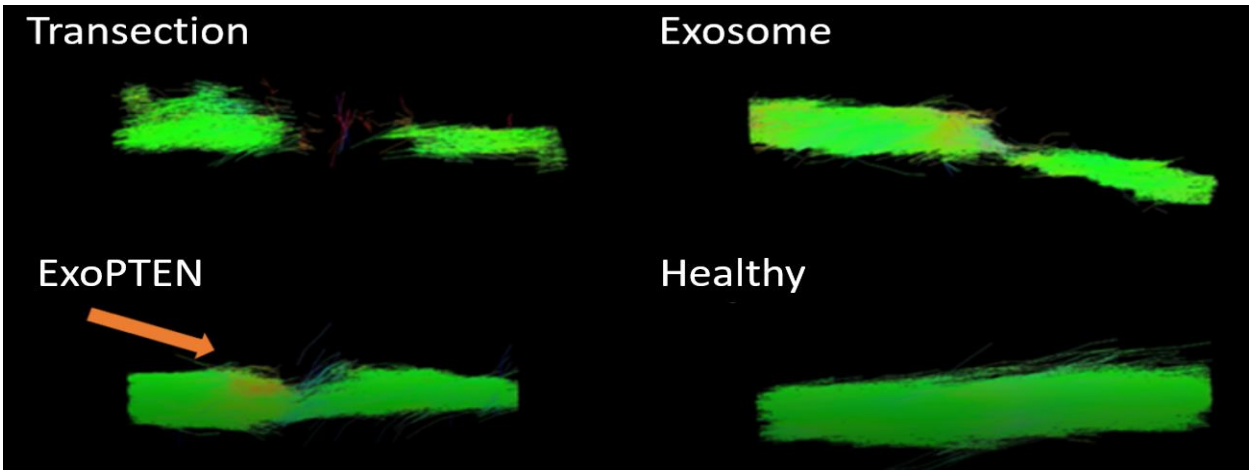
The resulting article was published on August 27, 2019, on the ACS (American Chemical Society) website and is available online: https://pubs.acs.org/doi/10.1021/acsnano.9b01892

Abstract: Individuals with SCI usually suffer from permanent neurological deficits, and spontaneous recovery and therapeutic efficacy are limited. The study demonstrate that when given intranasally, exosomes derived from MSC-Exo could pass the BBB and migrate to the injured spinal cord area. Furthermore, MSC-Exo loaded with phosphatase and tensin homolog small interfering RNA (ExoPTEN)

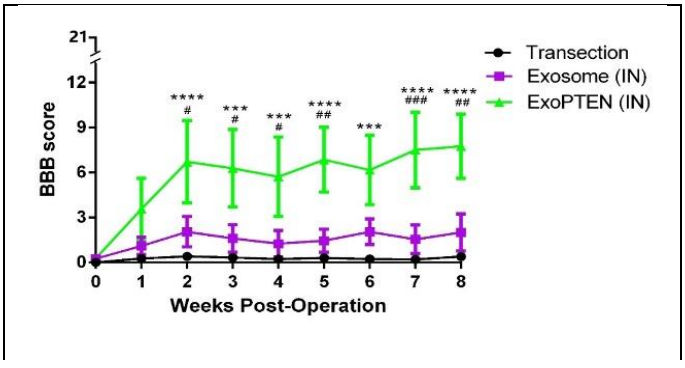
could attenuate the expression of PTEN in the injured spinal cord region following intranasal administrations. In addition, the loaded MSC-Exo considerably enhanced axonal growth and neovascularization, while reducing microgliosis and astrogliosis. The intranasal ExoPTEN therapy could also partly improve structural and electrophysiological function and, most importantly, significantly elicited functional recovery in rats with complete SCI. The results imply that intranasal ExoPTEN may be used clinically to promote recovery in individuals that suffered SCI.

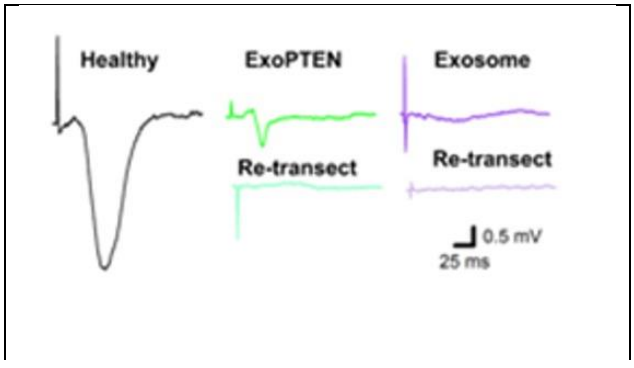


The study indicates the ability to make new connections, effectively repairing the break in the spinal cord, at least partially. In patients, success might result in partial recover, but even this is a better outcome than has be possible up to now.



<u>Intranasal ExoPTEN promotes axon growth and functional recovery:</u>





Weekly BBB locomotor scores of SCI rats left untreated (Transection), or treated with Intranasal Exosome (Exosome IN), or intranasal Exosome with siRNA-PTEN (ExoPTEN in).

BBB score: Ranges from 0 to 21. 0 means total paralysis while 21 means perfect walking

Representative electrophysiological traces in healthy (black), ExoPTEN-treated (green, and re-transection below in cyanine), and exosome-treated rats (purple, retransection below in pink)

The patent application was developed by TRDF and Ramot, which was exclusively granted to NurExone's use to commercialize the technology.

The outcome of the research, as set out in the patent application, can be summarized as follows:

(1) Pharmaceutical composition comprising extracellular vesicles (Evs) loaded with a PTEN inhibitor.

(2) Pharmaceutical composition comprising Evs loaded with an exogenous PTEN inhibitor, for use in treating a neurological disease, disorder or condition.

(3) Method of treating a neurological disease, disorder or condition, comprising administering a therapeutically effective amount of membrane particles loaded with a PTEN inhibitor to the subject, thereby treating the neurological disease or condition. The membrane particles may be Evs derived from cells.

(4) Isolated Evs loaded with a PTEN inhibitor.

(5) The Evs selected from the group consisting of exosomes, microvesicles, membrane particles, membrane vesicles, ectosomes and exovesicles.

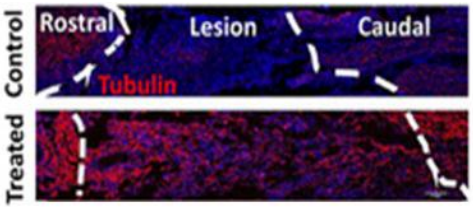
(6) Evs are a combination of exosomes and microvesicles. Exosomes may be derived from adherent cells expressing mesenchymal markers.

(7) The adherent cells expressing mesenchymal markers are selected from mesenchymal stem cells, oral mucosa stem cells or olfactory ensheathing cells.

(8) Evs such as exosomes, are derived from adherent cells expressing markers from neural crest cells.

Intranasal administration of ExoPTEN led to:

- Significant motor improvement
- Sensory recovery
- Faster urinary reflex restoration at in the SCI animal model



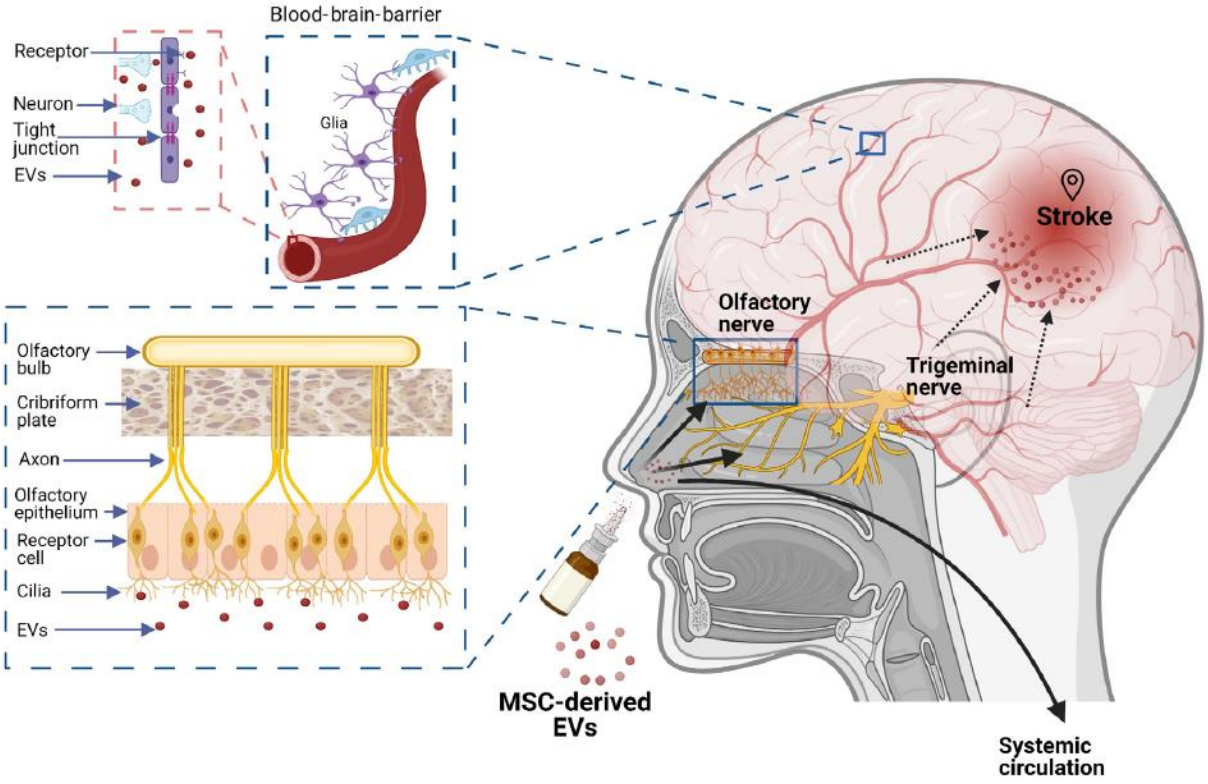
Products Under Development

The products are being developed by NurExone under the license agreements with TRDF and Ramot.

Initial indications are support that there is a potential for an off the shelf (not personalized) product, which could be developed to treat patients shortly after an accident with the aim of improving chances of recovery and, reducing the damage from SCI. The aim will be to have the ability to treat any SCI,

including new injuries and long-term existing injuries. Activating any level of recovery, partial or otherwise may make a significant change for the patient, improving their quality of life.

The below schematic diagram of key aspects of Evs transport through the nose to the central nervous system. The olfactory and trigeminal nerves can serve as direct nose-to-brain routes that bypass the BBB. The top box depicts transport through the following route: Evs are absorbed by the cilia of olfactory receptor cells and pass through the axons to the olfactory bulb. Small amounts of Evs may enter via an indirect pathway by systemic circulation and need to pass the BBB through receptor-mediated transcellular transport or endocytosis (lower box). Evs will actively migrate to the area of injury or inflammation regardless of the mode of entry. Evs, extracellular vesicles.



Source:
https://stemcellsjournals.onlinelibrary.wiley.com/doi/full/10.1002/stem.3456

Business Model and Growth Strategy

The Global Spinal Cord Trauma Market

The Global Spinal Cord Trauma Market which was valued at US$2.28 billion in 2017 is projected to reach US$3.04 billion by 2025 with a CAGR of 3.7% according to a report by Persistent Market Research. The increasing incidences of spine related injuries owing to motor accident, workplace injuries, stroke, and cancer related motor disability along with hyperextension of the spine and vertebral dislocation will spur the growth in the market. An increasing regulatory support to reduce SCIs coupled with scientific advancements in the robotics operated exoskeleton market as well as stem cell research will help the market grow. However, the economic burden of the disease and lack of insurance coverage is a major challenge for paraplegics, making it difficult for them to seek and adapt technological advancements in the field. This is set to change as some companies are revolutionizing the treatment

options for paraplegics by their path breaking innovations ranging from improved exoskeleton support systems to stem cell and small molecule-based treatment solutions.

Sources:
http://www.aviseanalytics.com/robotic-exoskeletons-and-stem-cells-offer-hope-to-paraplegics/
https://www.nscisc.uab.edu/Public/Facts%20and%20Figures%202019%20-%20Final.pdf

Marketing Plans and Strategies

NurExone is 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 patent pending technology. As the business is focused on research and development activities, the current marketing plans and strategies do not concentrate on a specific product but rather are aimed at general company awareness and scientific achievements.

The Business Plan

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 at 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;

(4) Operating full scale lab facility;

(5) Conduct external in-vivo experiments; and

(6) Conduct pre-IND meeting.

As an update on the R&D Milestones, on January 12, 2023, received a notice of allowance from the USPTO for U.S. Patent Application NO. 17/042,441. 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 this request in the 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 will be guided biologically 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. 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.

Specialized Skill and Knowledge

The Company believes that its success is largely dependent on the performance of its management and key employees, many of whom have specialized experience relating to our industry, services, regulatory environment, customers and business. The assembled management team and the Board has experience in the management and growth of successful emerging enterprises.

The Company also has a strategic advisory board to assist in assessing and rationalizing the many pipeline opportunities available to the Company. The advisory board helps the Company in determining whether a product can improve patient outcomes, integrate into a clinician's workflow, and navigate the commercial landscape.

See also "*Item 5.2 – Risk Factors".*

Competitive Conditions

Exosomes play an important role in various cellular functions. They transfer DNA, RNA, and proteins to other cells, thereby altering the function of the targeted cells. Exosomes are commonly found in blood, urine, and saliva. Exosomes are also present in other body fluids, such as synovial fluid, amniotic fluid, semen, vaginal fluid, breast milk, and more.

It has been long known that stem cells have the potential to exert therapeutic effects, but it has only recently been recognized that exosomes play an important role in how stem cells exert their cellular functions.

In recent years, exosomes have been gaining momentum as a novel strategy for accessing the therapeutic effects of stem cells without the risks and difficulties of administering the cells to patients. For this reason, new market entrants have been popping up worldwide with accelerating frequency.

Over the past few years, an explosion of competitors has been developing exosome therapeutics and diagnostics. Leaders from across the exosome industry are profiled below.

Companies Commercializing Exosomes

- Aegle Therapeutics – is the first extracellular vesicle company to be cleared by the FDA to enter the clinical trials in humans. Aegle is using bone marrow- MSC derived extracellular vesicles to treat severe dermatological disorders.

- Aethlon Medical (NASDAQ: AEMD) – tumor-derived exosomes represent a significant unmet need in cancer care. Aethlon has demonstrated that the affinity mechanism of the Hemopurifier® can capture tumor-derived exosomes underlying several forms of cancer, including breast, ovarian and metastatic melanoma.

- Anjarium Biosciences – is developing a Hybridosome™ technology to engineer Evs (including exosomes) to act as smart carriers. The technology allows therapeutic and diagnostic cargoes to be added into the lumen, as well as modification of vesicle surface properties (i.e. targeting ligands).

- ArunA Bio – is harnessing the natural abilities of neural exosomes to cross the BBB and enhance the body's anti-inflammatory, self-repair and protective mechanisms to treat neurodegenerative disorders. Its proprietary neural exosomes inherently cross the blood-brain barrier and enable drugs and drug-combinations to naturally target cells and treat patient's neurological disorders.

- Capricor Therapeutics – has an exclusive worldwide license agreement with Cedars-Sinai Medical Center for IP related to the development of exosomes originating from cardiosphere-derived cells (CDCs) for regenerative medicine applications.

- Ciloa – a pioneer in the development of vaccines and exosome-based therapies. Based in Montpellier, it was created in 2011 by Robert Mamoun and Bernadette Trentin. Ciloa has an exclusive patented technology for the in vivo development of recombinant exosomes in therapeutic and preventive applications.

- Clara Biotech – is focused on providing the tools researchers need to harness the full potential of exosomes, including therapeutic, diagnostic and clinical applications. The company is developing a high-throughput lab tool (ExoSS) that aims to automate exosome prootcols, making its world-class exosome isolation service possible in any lab at rates of up to 100 samples/hour.

- Codiak Biosciences – has a technology that capitalizes on the unique properties of exosomes. It has been shown to deliver nucleic acids, proteins, lipids, and small molecules to various cell types.

- Creative Medical Technologies Holdings – has a patent application that covers the use of the company's AmnioStem product as a production tool for the generation of exosomes to regenerate damaged brain tissue after a stroke.

- Direct Biologics – is a market leading innovator and Current Good Manufacturing Practice (Cgmp) manufacturer of regenerative products currently in a multi-center, Phase II, randomized clinical trial for the study of its ExoFlo extracellular vesicle product.

- EverZom – is developing a GMP compliant extracellular vesicle manufacturing platform. As a CDMO for Evs, EverZom aims to overcome the challenge of producing Evs at commercial scale with a breakthrough patented production method. The process consists of applying a turbulence stimulation on cells resulting in an increase of the EV production yield by 100 times with minor impact on cell viability.

- EXOCEL BIO – manufactures and sells MSC-derived exosomes, known as NEXGEN REGEN™.

- Evox Therapeutics – is a platform technology company spearheading the development of exosome therapeutics for the treatment of life-threatening diseases. It is combining groundbreaking exosome technology and has built a comprehensive IP portfolio encompassing key aspects of EV-based nucleic acid and protein delivery technology. Coupled with targeting technology and proprietary manufacturing and purification methods, the company is set to develop transformational therapeutics across a wide range of disease areas.

- EV Therapeutics – is a pre-clinical stage start-up developing a novel immune checkpoint inhibitor combination therapy based modified extracellular vesicles (mEVs) that significantly enhance immunotherapy efficacy in advanced stage metastatic colorectal cancers and other gastrointestinal tract cancers. Its therapeutic platform consists of reactivating suppressed T-cell function, which in turn allows the patient's immune system to synergistically benefit by responding to immunotherapy. Its platform technology can also be used to prevent minimal residual disease recurrence (i.e. cancer vaccine).

- ExoCoBio – is focusing on stem cell-derived exosomes, to develop innovative therapeutic as well as cosmetic products.

- Exopharm – is a regenerative medicine biopharmaceutical company seeking to develop and commercialize exosomes as therapeutic agents – initially a product called Plexaris™ and later a product called Exomeres™. Exopharm's LEAP Technology also provides a key step in the downstream manufacturing process to isolate and purify exosomes from adult stem cells and other sources.

- Exosome Diagnostics – has launched the first instrument for exosomal protein (exoprotein) capture and analysis directly from any biofluid.

- Exosome Sciences – is working to discover exosome-based biomarkers to diagnose and monitor Alzheimer's disease, Chronic Traumatic Encephalopathy (CTE), and other related conditions.

- Exosomics Siena SpA – has developed an exosome-based liquid biopsy that functions as a non-invasive cancer diagnostic.

- Exogenus Therapeutics (Exo-T) – is a biotechnology company dedicated to pre-clinical and clinical development of exosome-based therapeutics for skin lesions.

- ILIAS – developed a unique platform technology EXPLOR™ that makes it possible to load specific proteins into exosomes in a controllable way. Unlike the conventional methods employing passive loading of cargoes, EXPLOR™ allows active and reversible loading of target proteins into exosomes with high efficiency. ILIAS built a robust pipeline that covers inflammatory and metabolic diseases as well as cancers. Its therapeutic exosomes showed promising efficacy profiles in non-clinical studies.

- Invitrx's EX-MSC – is an exosome allograft derived from Wharton's Jelly MSCs and is sourced from a proprietary blend of cells developed for growth and repair. Exosomes and other Evs are isolated from their parent cells and concentrated to produce the Exosomal product.

- NanoView Biosciences – was founded on a technology platform that uniquely identifies and characterizes exosomes. Its ExoView™ platform provides the ability to measure up to four markers on a EV, with single binding event sensitivities.

- TAVEC Pharmaceuticals – is developing the next-generation of potent anti-cancer gene therapies using the power of injectable, miRNA loaded exosomes. It has demonstrated an ability to deliver high levels of specific miRNA, including widely known cancer disruptive targets such as miR195, directly to cancer cells. Using in vivo models, its miRNA-loaded exosomes inhibit cancer growth and prolong lifespan. The company is focused on exploiting a cancer cells natural pre-disposition to taking up large quantities of certain types of exosomes to insert microRNAs that will disrupt the cancer growth instruction set.

- VivaZome Therapeutics Pty Ltd. – was formed to develop and commercialize exosome-based therapies, with a focus on treatments for debilitating and/or life-threatening disorders which are not adequately managed by current therapies.

- XOStem, Inc. – while there is limited information available about the company, XOStem appears to be developing engineered exosomes for regenerative skin care, joint care, and other therapies.

Source : https ://bioinformant.com/companies-developing-exosome-technologies/

Intangible Properties

NurExone's material owned intellectual property consists of licensed IP, which is comprised of the following:

(1) A patent application that was submitted in March 2019 under the reference: PCT/IL2019/050355. It provides pharmaceutical compositions comprising membrane vesicles, including ESVs including those referred to as exosomes, loaded with an exogenous PTEN inhibitor. Methods of treating neurological diseases, disorders or conditions using the extracellular vesicles are provided. Isolated extracellular vesicles loaded with a PTEN inhibitor are provided as well.

(2) A patent application that was submitted in June 2020 under the reference: PCT/IL2020/050641. It provides methods and systems for enhanced production and/or secretion of extracellular vesicles from at least one three-dimensional porous scaffold having a population of stem cells cultured thereon, utilizing various shear stress conditions on a variety of stem cells, processes, trade secrets and know-how.

(3) A notice of allowance received from the USPTO on January 12, 2023 for U.S. Patent Application NO. 17/042,441. 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 considers its licensed intellectual property portfolio to be an important contributor to its business and therefore devotes resources to maintaining and augmenting its portfolio. The Company's patent strategy is to pursue the broadest possible patent protection on proprietary formulations, products and technology to achieve the maximum duration of patent protection available. Where appropriate, and consistent with management's objectives, patents are pursued once concepts have been validated through appropriate laboratory work. To that end, patents will continue to be sought in relation to those components or concepts that management of the Company perceives to be important.

For additional information on intellectual property risks, see "*Item 5.2 – Risk Factors*".

Regulatory Environment

The Company's product candidates and its research and development (R&D) activities are subject to regulation for safety, efficacy, quality and ethics by various governmental authorities around the world, which regulate, among other things, the research, development, testing, manufacture, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, marketing and import and export of pharmaceutical products. In the U.S., drugs and biological products are subject to regulation by the FDA. Drug approval laws require licensing of manufacturing facilities, carefully controlled research and testing of products, government review and approval of experimental results prior to giving approval to sell drug products. Regulators also typically require that rigorous and specific standards such as Good Manufacturing Practices, Good Laboratory Practice and Good Clinical Practices ("**cGCP**") are followed in the manufacture, testing and clinical development, respectively, of any drug product. The processes for obtaining regulatory approvals in the U.S., along with subsequent compliance with applicable statutes and regulations, require the expenditure of substantial time and financial resources.

The principal steps required for drug approval in the U.S. are as follows:

Pre-Clinical Toxicology Studies

Non-clinical studies are conducted in vitro and in animals to evaluate pharmacokinetics, metabolism and possible toxic effects to provide evidence of the safety of the drug candidate prior to its administration to humans in clinical studies and throughout development.

Initiation of Human Testing

The process of conducting clinical trials with a new drug cannot begin until the Company has submitted to the appropriate regulatory authorities an application to do so and the required number of days have lapsed without objection from the regulatory authority. (In certain jurisdictions, a no objection letter or approval may be required before the clinical trial can proceed.) In the U.S., this application is called an Investigational New Drug ("**IND**") application.

An IND sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data and any available clinical data or literature, among other things, to the FDA as part of an IND, unless the sponsor is relying on prior FDA findings of safety or efficacy of the drug product, in which case, some of the above information may be omitted. Some preclinical testing may continue even after the IND is submitted. An IND automatically becomes effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions related to one or more proposed clinical trials and places the trial on a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. As a result, submission of an IND may not result in the FDA allowing clinical trials to commence.

Two key factors influencing the rate of progression of clinical trials are the rate at which patients can be enrolled to participate in the research program and whether effective treatments are currently available for the disease that the drug is intended to treat. Patient enrollment is largely dependent upon the incidence and severity of the disease, the treatments available and the potential side effects of the drug to be tested and any restrictions for enrollment that may be imposed by regulatory agencies.

Clinical Trials

Clinical trials involve the administration of an investigational new drug to human subjects under the supervision of qualified investigators in accordance with current Good Clinical Practices ("**GCP**") requirements, which include the requirement that all research subjects provide their informed consent in writing for their participation in any clinical trial, and review and approval by regulatory bodies and

ethics review boards or institutional review boards. Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the trial procedures, the parameters to be used in monitoring safety and the efficacy criteria to be evaluated and a statistical analysis plan. In the U.S., a protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. In addition, an institutional review board ("**IRB**") for each clinical trial site participating in the clinical trial must review and approve the plan for any clinical trial before it commences, and the IRB must continue to oversee the clinical trial while it is being conducted, including any changes. Information about certain clinical trials, including a description of the study and study results, must be submitted within specific timeframes to the National Institutes of Health for public dissemination on their ClinicalTrials.gov website.

Human clinical trials are typically conducted in three sequential phases, which may overlap or be combined. In Phase 1, the drug is initially introduced into a small group of healthy human subjects or subjects with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion and, if possible, to gain an initial indication of its effectiveness. The number of subjects in a Phase 1 trial typically ranges from 20 to 80. Phase 2 trials are typically initiated if the Phase 1 studies do not reveal unacceptable toxicity levels. In Phase 2, the drug typically is administered through controlled studies to a limited subject population with the target disease or condition to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the drug for specific targeted diseases and to determine dosage tolerance and optimal dosage. The number of subjects in a Phase 2 study typically ranges from 100 to 300. If the Phase 2 trials present evidence of effectiveness, the clinical sponsor typically meets with FDA to try to come to an agreement on the structure of the Phase 3 studies. In Phase 3, the drug is administered to an expanded subject population, generally at geographically dispersed clinical trial sites in two adequate and well-controlled clinical trials, in order to generate enough data to statistically evaluate the efficacy and safety of the product candidate for approval, to establish the overall risk-benefit profile of the product candidate and to provide adequate information for the labeling of the product candidate. The number of subjects in a Phase 3 trial usually ranges from several hundred to about 3,000 people. In the U.S., in the case of a 505(b)(2) NDA, which is a marketing application in which sponsors may rely on information from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference, some of the above-described studies and preclinical studies may not be required or may be abbreviated. Bridging studies may be needed, however, to demonstrate the applicability of the studies that were previously conducted by other sponsors to the drug that is the subject of the marketing application.

The manufacture of investigational drugs for the conduct of human clinical trials is subject to Current Good Manufacturing Practice ("**cGMP**") requirements. Investigational drugs and active pharmaceutical ingredients imported into the U.S. are also subject to regulation by the FDA relating to their labeling and distribution.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and the IRB, and more frequently if serious adverse events occur. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, or at all. Furthermore, in the U.S., the FDA or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to subjects. Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board or committee. This group regularly reviews accumulated data and advises the study sponsor regarding the continuing safety of trial subjects, potential trial subjects, and the continuing validity and scientific merit of the clinical trial. We may also suspend or terminate a clinical trial based on evolving business objectives or competitive climate.

In most cases in the U.S., the FDA requires two adequate and well controlled Phase 3 clinical trials to demonstrate the efficacy of the drug. A single Phase 3 trial with other confirmatory evidence may be sufficient in rare instances where the study is a large multicenter trial demonstrating internal consistency and a statistically very persuasive finding of a clinically meaningful effect on mortality, irreversible morbidity or prevention of a disease with a potentially serious outcome and confirmation of the result in a second trial would be practically or ethically impossible.

New Drug Application

Upon successful completion of Phase 3 clinical trials, the company sponsoring a new drug then assembles all the pre-clinical and clinical data and other testing relating to the product's pharmacology, chemistry, manufacture, and controls, and submits it to the FDA as part of a an NDA in the U.S. The NDA is then reviewed by the applicable regulatory body for approval to market the drug.

As part of the approval process, the FDA will inspect the facility or the facilities at which the drug is manufactured. The FDA will not approve the product unless compliance with cGMP is satisfactory and the NDA contains data that provide substantial evidence that the drug is safe and effective in the indication studied. In addition, before approving an NDA, the FDA will typically inspect one or more clinical sites to assure compliance with cGCP.

The testing and approval process for an NDA requires substantial time, effort and financial resources, and may take several years to complete. Data obtained from preclinical and clinical testing are not always conclusive and may be susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. The FDA may not grant approval of an NDA on a timely basis, or at all. In the U.S., the submission of most NDAs is additionally subject to a substantial application user fee and the manufacturer and/or sponsor under an approved new drug application are also subject to annual program fees. Both fees are typically increased annually.

Even if the FDA approves a product candidate, the relevant authority may limit the approved indications for use of the product candidate, require that contraindications, warnings or precautions be included in the product labeling, including a black box warning, require that post-approval studies, including Phase 4 clinical trials, be conducted to further assess a drug's safety after approval, require testing and surveillance programs to monitor the product after commercialization, or impose other conditions, including distribution restrictions or other risk management mechanisms. For example, the FDA may require a risk evaluation and mitigation strategy ("**REMS**"), as a condition of approval or following approval to mitigate any identified or suspected serious risks and ensure safe use of the drug. The REMS plan could include medication guides, physician communication plans, assessment plans, and elements to assure safe use, such as restricted distribution methods, patient registries or other risk minimization tools. A REMS could materially affect the potential market and profitability of the product. The FDA may prevent or limit further marketing of a product based on the results of post-marketing studies or surveillance programs. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes, and additional labeling claims, are subject to further testing requirements, notification, and regulatory authority review and approval. Further, should new safety information arise, additional testing, product labeling or regulatory notification may be required.

Approvals in the U.S. pursuant to the Hatch-Waxman Act

Section 505 of the FDCA describes three types of marketing applications that may be submitted to the FDA to request marketing authorization for a new drug. A Section 505(b)(1) NDA is an application that contains full reports of investigations of safety and efficacy. A Section 505(b)(2) NDA is an application that contains full reports of investigations of safety and efficacy but where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference. This regulatory pathway enables the applicant to

rely, in part, on the FDA's prior findings of safety and efficacy for an existing product, or published literature, in support of its application. Section 505(j) establishes an abbreviated approval process for a generic version of approved drug products through the submission of an Abbreviated New Drug Application ("**ANDA**"). An ANDA provides for marketing of a generic drug product that has the same active ingredients, dosage form, strength, route of administration, labeling, performance characteristics and intended use, among other things, to a previously approved product. ANDAs are termed "abbreviated" because they are generally not required to include preclinical (animal) and clinical (human) data to establish safety and efficacy. Instead, generic applicants must scientifically demonstrate that their product is bioequivalent to, or performs in the same manner as, the innovator drug through in vitro, in vivo or other testing. The generic version must deliver the same amount of active ingredients into a subject's bloodstream in the same amount of time as the innovator drug and can often be substituted by pharmacists under prescriptions written for the reference listed drug. In seeking approval for a drug through an NDA, applicants are required to list with the FDA each patent with claims that cover the applicant's drug or a method of using the drug. Upon approval of a drug, each of the patents listed in the application for the drug is then published in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book. Drugs listed in the Orange Book can, in turn, be cited by potential competitors in support of approval of an ANDA or 505(b)(2) NDA.

Upon submission of an ANDA or a 505(b)(2) NDA, an applicant must certify to the FDA that (1) no patent information on the drug product that is the subject of the application has been submitted to the FDA; (2) such patent has expired; (3) if the patent has not expired the date on which such patent expires and the date on which approval is sought after patent expiration; or (4) such patent is invalid or will not be infringed upon by the manufacture, use or sale of the drug product for which the application is submitted. Generally, the ANDA or 505(b)(2) NDA cannot be approved until all listed patents have expired, except where the ANDA or 505(b)(2) NDA applicant challenges a listed patent through the last type of certification, also known as a Paragraph IV certification. If the applicant does not challenge the listed patents or indicates that it is not seeking approval of a patented method of use, the ANDA or 505(b)(2) NDA application will not be approved until all of the listed patents claiming the referenced product have expired.

If the ANDA or 505(b)(2) NDA applicant has provided a Paragraph IV certification to the FDA, the applicant must send notice of the Paragraph IV certification to the NDA holder and patent owner(s) once the application has been accepted for filing by the FDA. The NDA and patent holders may then initiate a patent infringement lawsuit in response to the notice of the Paragraph IV certification. If the Paragraph IV certification is challenged by an NDA holder or the patent owner(s) asserts a patent challenge to the Paragraph IV certification, the FDA may not approve that application until the earlier of 30 months from the receipt of the notice of the Paragraph IV certification, the expiration of the patent, when the infringement case concerning each such patent was favorably decided in the applicant's favor or settled, or such shorter or longer period as may be ordered by a court. This prohibition is generally referred to as the 30-month stay. In instances where an ANDA or 505(b)(2) NDA applicant files a Paragraph IV certification, the NDA holder or patent owner(s) regularly take action to trigger the 30-month stay, recognizing that the related patent litigation may take many months or years to resolve. Thus, approval of an ANDA or 505(b)(2) NDA could be delayed for a significant period of time depending on the patent certification the applicant makes and the reference drug sponsor's decision to initiate patent litigation.

The U.S. Drug Price Competition and Patent Term Restoration Act of 1984 (the "**Hatch-Waxman Act**") establishes periods of regulatory exclusivity for certain approved drug products, during which the FDA cannot approve (or in some cases accept) an ANDA or 505(b)(2) application that relies on the branded reference drug. For example, the holder of an NDA, including a 505(b)(2) NDA, may obtain five years of marketing exclusivity upon approval of a new drug containing new chemical entities ("**NCEs**") that have not been previously approved by the FDA. A drug is an NCE if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the therapeutic activity of the drug substance. During the exclusivity period, the FDA may not accept for

review an ANDA or a 505(b)(2) NDA submitted by another company that contains the previously approved active moiety. However, an ANDA or 505(b)(2) NDA may be submitted after four years if it contains a certification of patent invalidity or non-infringement.

The Hatch-Waxman Act also provides three years of marketing exclusivity to the holder of an NDA (including a 505(b)(2) NDA) for a particular condition of approval, or change to a marketed product, such as a new formulation for a previously approved product, if one or more new clinical studies (other than bioavailability or bioequivalence studies) was essential to the approval of the application and was conducted/sponsored by the applicant. This three-year exclusivity period protects against FDA approval of ANDAs and 505(b)(2) NDAs for the condition of the new drug's approval. As a general matter, the three-year exclusivity does not prohibit the FDA from approving ANDAs or 505(b)(2) NDAs for generic versions of the original, unmodified drug product. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA; however, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and efficacy.

Employees

As at the date of this AIF, the Company and its subsidiaries have 8 full-time employees and 8 part-time employees .

Foreign Operations

As of the date of this AIF, the Company has operations or business in Israel, United States and Canada.

See "*Item 5.2 – Risk Factors*".

5.2 Risk Factors

The following are certain risk factors relating to the Company's business which prospective investors should carefully consider before deciding whether to purchase Common Shares. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of the Company's operations could be materially adversely affected.

Risk Related to the Company

NurExone depends on highly skilled personnel to grow and operate its business. If NurExone is not able to hire, retain, and motivate its key personnel, its business may be adversely affected.

NurExone's success depends in part upon a number of key employees, including members of senior management who have extensive experience in the industry. Competition for talented senior management is intense and NurExone's ability to successfully develop and maintain a competitive market position will depend in part on its ability to attract and retain highly qualified and experienced management. The loss of the services of key personnel could have a materially adverse effect on NurExone's business.

Internal control over financial reporting may not prevent or detect misstatements, and projections of any evaluation of effectiveness to future periods may be subject to changes in conditions or deterioration in compliance with procedures.

NurExone has a limited administrative staff, meaning internal controls which rely on segregation of duties in many cases are not possible. The Company does not have the resources, size and scale to hire additional staff to address this potential weakness at this time. To help mitigate the impact of this, NurExone relies on the performance of compensating procedures and senior management's review and approval.

As a venture issuer, the Company will not be required to certify the design and evaluation of its disclosure controls and procedure ("**DC&P**") and internal controls over financial reporting ("**ICFR**"), and as such NurExone has not completed such an evaluation. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in National Instrument 52-109 Certification of Disclosure In Issuers' Annual and Interim Filings may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Possible failure to realize anticipated benefits of future acquisitions could impact NurExone's business.

NurExone may in the future complete acquisitions to strengthen its position in the industry or its intellectual property portfolio. Achieving the benefits of any future acquisitions depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as NurExone's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with its own. To the extend the Company acquires any assets, the benefits depend on the Company's ability to utilize its resources to maximize such assets, The integration of acquired businesses requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect NurExone's ability to achieve the anticipated benefits of these and future acquisitions.

Going concern and early-stage operations.

The Company is in a development stage, has incurred recurring losses, has not generated any revenues and expects to continue to fund its operations through raising adequate funds in the foreseeable future. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

There is inherent technology and development risk in NurExone's business and industry.

The NurExone approach utilizes technology principally architected and developed by TRDF and Ramot.

There can be no assurances that NurExone will meet its targeted development or integration timelines such that it will be able to offer solutions at competitive pricing, or that NurExone can continue to enhance and improve the responsiveness, functionality and features of its technology and enable the solutions to scale at a reasonable cost. In addition, there is a risk that third parties may have applied for or been granted patents for certain processes or technology which NurExone has already deployed or intends to deploy, in which case NurExone may incur additional costs or be prohibited from using or implementing certain product features or processes in one or more countries. NurExone utilizes technology and software. Accordingly, they may contain errors, or "bugs", that could be detected at any

point. Such errors could materially and adversely affect NurExone's reputation, resulting in claims and/or significant costs to NurExone. The costs incurred in correcting any errors and satisfying any such claims may be substantial and could adversely affect NurExone's operating margins. While NurExone plans to continually test its solutions for errors, errors may be found in the future.

NurExone maintains data on cloud storage servers, which could be the target of a security breach.

NurExone's business faces certain security risks. NurExone's products and services involve storage using cloud-based hosting service and also physical storage. Although data is stored in specialized security groups and are externally encrypted, storage hardware and networking infrastructure is provided by a third party, and security breaches and cyberattacks expose it to a risk of loss of this information, litigation and potential liability. If an actual or perceived breach of security and/or cyberattack occurs, the market perception of the effectiveness of NurExone's security measures could be harmed, NurExone could lose users and it may incur significant legal and financial exposure, including legal claims and regulatory fines and penalties. Computer viruses, break-ins, cyberattacks or other security problems could lead to misappropriation of proprietary information and interruptions, delays, or cessation in service to clients. Any failure to adequately address these risks could have an adverse effect on the business and reputation of the Company.

Risks Related to Worldwide Economic Conditions

Currency exchange rates fluctuations could adversely affect NurExone's operating results.

NurExone is exposed to the effects of fluctuations in currency exchange rates. Since NurExone conducts some of its business in currencies other than US dollars but reports its operating results in US dollars, it faces exposure to fluctuations in currency exchange rates. Consequently, exchange rate fluctuations between the US dollar and other currencies could have a material impact on NurExone's operating results.

Downturns in general economic and market conditions may reduce demand for NurExone's products and could negatively affect NurExone's revenue, operating results and cash flow.

Recent events in the financial markets have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, financial developments seemingly unrelated to NurExone or to NurExone's industry could materially adversely affect NurExone over the course of time. Volatility in the market could hurt NurExone's ability to raise capital. Potential price inflation caused by an excess of liquidity in countries where NurExone conducts business may increase the costs incurred to sell NurExone's products and may reduce NurExone's profit margins. As a result of downturns in general economic and market conditions, potential customers may not be interested in purchasing NurExone products. Any of these events, or other events caused by turmoil in world financial markets may have a material adverse effect on NurExone's business, operating results and financial conditions.

Catastrophic events and economic, political and market conditions may impact NurExone's business.

Any of its existing and future facilities may be harmed or rendered inoperable by attack or security intrusion by a computer hacker, natural or man-made disasters, including earthquakes, tornadoes, hurricanes, wildfires, floods, nuclear disasters, war, acts of terrorism or other criminal activities, infectious disease outbreaks (including the COVID-19 coronavirus) and power outages, any of which may render it difficult or impossible for NurExone to operate its business for some period of time. Any disruptions in NurExone's operations could negatively impact its business and results of operations, and harm its reputation. In addition, NurExone may not carry sufficient business interruption insurance to

compensate for the losses that may occur. Any such losses or damages could have a material adverse effect on the Company's business, financial condition and results of operations.

Infectious disease outbreaks (including COVID-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, BSE, avian influenza, or other material outbreaks of disease) could result in restrictions adversely effecting NurExone's business operations.

Conditions in Israel may affect NurExone's business, results of operations and financial condition.

NurExone's head office operations are in Israel. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. As a result, NurExone is vulnerable to the political, economic, legal, regulatory and military conditions affecting Israel and the Middle East. Armed conflicts between Israel and its neighbouring countries and territories occur periodically and a protracted state of hostility has, in the past, resulted in security and economic difficulties for Israel. Any such hostilities or escalation thereof, armed conflicts or violence in the region could adversely affect NurExone's business, results of operations and financial condition. To date, such conflicts have not had a material effect on business, results of operations or financial condition. In addition, NurExone may be adversely affected by other events or factors affecting Israel such as the interruption or curtailment of trade between Israel and its trading partners, a significant downturn in the economic or financial condition of Israel, a significant downgrading of Israel's internal credit rating, labour disputes and political instability, including riots and uprisings.

Furthermore, there are a number of countries, primarily in the Middle East, as well as some Muslim countries, including Malaysia and Indonesia that restrict business with Israel or Israeli companies. There may also be certain countries or businesses that may exert pressure on NurExone's partners, customers or others not to do business with Israel or Israeli companies. Restrictive laws or policies directed towards Israel or Israeli businesses could have a material adverse effect on NurExone's business, results of operations and financial condition.

Generally, under Israeli Law, citizens and permanent residents of Israel are obligated to perform military reserve duty for extended periods of time through the age of 45 (or older for citizens with certain occupations) and are subject to being called to active duty at any time under emergency circumstances. In response to increased hostilities, there have been periods of significant call-ups of military reservists. It is possible that there will be additional call-ups in the future, which may include officers and key personnel of NurExone, which could disrupt business operations for a significant period of time.

NurExone must hold various approvals authorizing its activities in Israel. In order for NurExone to carry on business operations in Israel, it must: (i) be registered with the Registrar of Companies; (ii) be registered with the Israel Tax Authorities; and (iii) hold a business license which is issued by the local municipality in which the business operates. Furthermore, in order to carry on operations in accordance with the International Organization for Standardization ("**ISO**") standards, NurExone is also required to hold ISO certificates. Although NurExone believes that all such required registrations, certificates and licenses are in good standing as of the date hereof, if renewals or new permits, business licenses, or approvals are required in connection with NurExone's activities and are not granted or are delayed, or if existing permits, business licenses or approvals are revoked or substantially modified, NurExone may suffer a material adverse effect. If new standards are applied to renewals or new applications, it could prove costly to NurExone to meet any new level of compliance.

Risks Related to Intellectual Property

NurExone's intellectual property rights are valuable, and any failure or inability to protect them could adversely affect its business.

NurExone's success depends substantially upon the intellectual property that forms the basis of its products, primarily consisting of unpatented proprietary technology, processes, trade secrets, and know-how, developed by NurExone, and unregistered trademarks. To protect its intellectual property rights, NurExone relies upon trade secret, copyright, trademark, passing-off laws, and other statutory and common law protections in Israel, the United States, and international markets. NurExone also protects its intellectual property through the use of non-disclosure agreements and other contracts, disclosure and invention assignment agreements, confidentiality procedures, and technical measures. There can be no assurance that these measures will be successful in any given case, particularly in those countries where the laws do not afford NurExone protection for its intellectual property rights as robust as those available under Israeli, Canadian, and United States Laws. NurExone may be unable to prevent the misappropriation, infringement or violation of its intellectual property rights, breaching any contractual obligations, or independently developing intellectual property that is similar to its own, any of which could reduce or eliminate NurExone's competitive advantages, adversely affect NurExone's revenues, or otherwise harm its business.

Assertions by third parties of infringement or other violations of NurExone's intellectual property rights could result in significant costs and substantially harm NurExone's business and operating results.

Third parties may in the future assert claims of infringement, misappropriation or other violations of intellectual property rights against NurExone. Any such claim against NurExone, even those without merit could cause NurExone to incur substantial costs defending against the claim and could distract its management. An adverse outcome of a dispute may require NurExone to pay substantial damages, cease making, licensing or using solutions that are alleged to infringe or misappropriate the intellectual property of others, expend additional development resources to attempt to redesign its services or otherwise develop non-infringing technology, which may not be successful, or enter into potentially unfavourable royalty or license agreements in order to obtain the right to use technologies or intellectual property rights.

Intellectual property claims are expensive and time consuming to defend and if resolved adversely, could have a significant impact on NurExone's business, financial condition, and operating results.

NurExone is actively engaged in enforcement and other activities to protect its intellectual property rights. If it became necessary to resort to litigation to protect these rights, any proceedings could be burdensome, costly and divert the attention of management, and NurExone may not prevail. Any repeal or weakening of intellectual property Laws or diminishment of procedures available for the enforcement of intellectual property rights in Israel, Canada, the United States, or internationally could make it more difficult for NurExone to adequately protect its intellectual property rights, negatively impacting their value and increasing the cost of enforcing its rights.

If NurExone is unable to protect the confidentiality of its proprietary information and know-how, the value of its technology and products could be adversely affected.

NurExone relies upon unpatented proprietary technology, processes, trade secrets and know-how. Any disclosure to or misappropriation by third-parties of its confidential or proprietary information could enable NurExone's competitors to duplicate or surpass NurExone's technological achievements,

potentially eroding its competitive position in the market, and negatively impacting NurExone's business and operating results.

NurExone protects its confidential and proprietary information in part through non-disclosure agreements and other contracts, disclosure and invention assignment agreements, with all employees, consultants, advisors, and any third-parties, who have access to its confidential and proprietary information, and employs confidentiality procedures and technical measures, there can be no certainty that these measures or procedures will be sufficient to prevent improper disclosure of such confidential and proprietary information, or to prevent it from falling into the hands of NurExone's competitors and other third parties. There can be no certainty that parties to contracts used by NurExone to protect its confidential and proprietary information will not be terminated or breached, and NurExone may not have adequate remedies for any such termination or breach. Legal remedies may be insufficient or ineffective to meaningfully protect NurExone's confidential and proprietary information or compensate NurExone for losses that may occur in the event of unauthorized use or disclosure.

Adverse litigation judgments or settlements resulting from legal proceedings in the normal course of business could reduce NurExone's profits or limit its ability to operate.

NurExone is subject to allegations, claims and legal actions arising in the ordinary course of its business, which may include claims by third parties, including employees or regulators. The outcome of many of these proceedings cannot be predicted. If any of these proceedings were to be determined adversely to us, a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief were issued against NurExone, its business, financial condition and results of operations could be materially adversely affected.

Risk Related to the Common Shares

There may be no an active trading market for the Common Shares.

An active trading market may not develop for the Common Shares or, if developed, may not be sustained. The lack of an active market may impair an investor's ability to sell their Common Shares at the time they wishes to sell them or at a price that they consider reasonable. The lack of an active market may also reduce the fair market value of the Common Shares. An inactive market may also impair an investor's ability to raise capital by selling its Common Shares and may impair the Company's ability to acquire other companies by using its Common Shares as consideration.

Takeover of the Company

While the Company has not formally adopted a shareholder rights plan, the Company may introduce such a plan at any time, including in the event a takeover bid is made for the Company. The provisions of such a plan could make it more difficult for a third party to acquire a majority of the Common Shares, the effect of which may be to deprive shareholders of a control premium that might otherwise be realized in connection with an acquisition of the Company. Conversely, in the event a shareholder rights plan is not adopted, the Company may be acquired by a third party for a lower price per Common Share than if a shareholder rights plan been in place, as such a plan could allow the Company more time to interest other or competing buyers and thereby realize a higher price per Common Share.

It may be difficult to enforce civil liabilities under Canadian securities Laws.

The majority of the directors and officers of the Company are based in Israel, and most of the Company's assets, and assets of the directors, officers, and the promoter of the Company are located outside of Canada. Therefore, a judgment obtained against the Company, or any of these persons, including a judgment based on the civil liability provisions of the Canadian securities Laws, may not be collectible

in Canada and may not be enforced by an Israeli court. It also may be difficult to effect service of process on these persons in Canada or to assert Canadian securities “aw claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of Canadian securities Laws reasoning that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli Law and not Canadian Law is applicable to the claim. If the Canadian “aw is found to be applicable, the content of applicable Canadian “aw must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli Law. There is little binding case Law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against the Company or Officers and Directors in Israel, it may be difficult to collect any damages awarded by either a Canadian or a foreign court.

Significant sales of Common Shares after the expiry of lock-up or escrow restrictions could adversely affect the market price of the Common Shares.

The Common Shares held by certain directors, executive officers and control persons of the Company will be subject to escrow pursuant to the policies of the Exchange. Sales of a substantial number of the Common Shares in the public market after the expiry of lock-up or escrow restrictions, or the perception that these sales could occur, could adversely affect the market price of the Common Shares, and may make it more difficult for investors to sell Company at a favorable time and price.

The Company will not have any control over the research and reports that securities or industry analysts publish about the Company or its business.

The trading market for the Common Shares will, to some extent, depend on the research and reports that securities or industry analysts publish about the Company or its business. The Company will not have any control over these analysts. If one or more of the analysts who covers the Company should downgrade the Common Shares or change their opinion of the Company’s business prospects, the Company’s share price would likely decline. If one or more of these analysts ceases coverage of the Company or fails to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which could cause the Company’s share price or trading volume to decline.

Risks Related to the Industry

Negative developments in the field of exosomes could damage public perception of any product candidates that NurExone develops, which could adversely affect NurExone’s ability to conduct business or obtain regulatory approvals for such product candidates.

Exosome therapeutics are novel and unproven therapies, with no exosome therapeutic approved to date. Exosome therapeutics may not gain acceptance of the public or the medical community. To date, other efforts to leverage natural exosomes have generally demonstrated an inability to generate exosomes with predictable biologically active properties or to manufacture exosomes at a suitable scale to treat more than a small number of patients. Some studies have used natural exosomes without an intended or understood mechanism of action or pharmacology. Other studies included payloads but generated inconclusive results. NurExone’s success will depend on its ability to demonstrate that its exosomes can overcome these challenges.

If one of NurExone’s current or future product candidates is unable to successfully establish promising research, it may indicate that NurExone will not be able to realize any benefits from its intellectual property portfolio. This may also indicate a decrease in the probability of its success for other targets using the same modality in the same or different cell types, as well as for its engineered exosome approach more generally. Such failures could negatively affect the public or medical community’s perception of its intellectual property portfolio and exosome therapeutics in general.

Additionally, NurExone's success will depend upon physicians who specialize in the treatment of diseases targeted by its product candidates, prescribing treatments that involve the use of its product candidates, if approved, in lieu of, or in addition to, existing treatments with which they are more familiar and for which greater clinical data may be available. Adverse events in clinical trials of NurExone's product candidates, or in clinical trials of others developing similar products, and the resulting publicity, as well as any other adverse events in the field of exosome therapeutics, could result in a decrease in demand for any product that NurExone may develop. These events could also result in the suspension, discontinuation, or clinical hold of, or modification to, its clinical trials. Any future negative developments in the field of exosomes and their use as therapies could also result in greater governmental regulation, stricter labeling requirements and potential regulatory delays in the testing or approvals of NurExone's product candidates. Any increased scrutiny could delay or increase the costs of obtaining marketing approval for any of its product candidates.

Even if a product candidate NurExone develops receives marketing approval, it may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.

If any product candidate NurExone develops receives marketing approval, whether as a single agent therapeutic or in combination with other therapies, its commercial success will depend upon its degree of market acceptance by physicians, patients, third-party payors and others in the medical community. If the product candidates it develops do not achieve an adequate level of acceptance, it may not generate significant product revenues and may not become profitable. The degree of market acceptance of any product candidate, if approved for commercial sale, will depend on a number of factors, including:

- the efficacy and safety of such product candidates as demonstrated in clinical trials;
- the potential advantages of such product candidates compared to alternative treatments, including with regards to convenience and ease of administration;
- the clinical indications for which its product candidates are approved by the FDA, MHRA or other regulatory authority, if any;
- product labeling or product insert requirements of the FDA, MHRA or other regulatory authorities, including any limitations or warnings contained in a product's approved labeling;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- public perception of new therapies, including exosome therapies;
- the strength of marketing and distribution support;
- the ability to offer its products, if approved, for sale at competitive prices;
- the timing of market introduction of competitive products;
- the ability to obtain sufficient coverage and adequate reimbursement from third-party payors, including with respect to the use of the approved product as a combination therapy; and
- the prevalence and severity of any side effects.

Even if a potential product displays a favorable efficacy and safety profile in preclinical studies and clinical trials, market acceptance of the product will not be fully known until after it is launched. If its product candidates do not achieve an adequate level of acceptance following regulatory approval, if ever, it may not generate significant product revenue and may not become profitable.

The regulation may change, resulting in a longer or much more expensive regulatory approval process or NurExone may fail to meet regulatory requirements.

ITEM 6. DIVIDENDS

6.1 Dividends or Distributions

There are no restrictions in the Company's articles or elsewhere which could prevent the Company from paying dividends. The Company does not contemplate paying any dividends on any Common Shares in the immediate future, as it anticipates investing all available funds to finance the growth of the Company's business. The Board will determine if, and when, to declare and pay dividends in the future from funds properly applicable to the payment of dividends based on the Company's financial position at the relevant time. All of the Common Shares will be entitled to an equal share in any dividends declared and paid on a per share basis.

ITEM 7. DESCRIPTION OF CAPITAL STRUCTURE

7.1 Share Capital

Common Shares

The authorized share structure of the Company consists of an unlimited number of Common Shares without nominal or par value. As of the date of this AIF, there are 42,855,159 Common Shares issued and outstanding on a non-diluted basis.

The holders of Common Shares are entitled to receive notice of and attend any meeting of the Shareholders and are entitled to cast one vote for each Common Share held. The holders of Common Shares will be entitled to receive dividends if, as and when declared by the Board and to receive a proportionate share, on a per share basis, of the assets of the Company available for distribution in the event of a liquidation, dissolution or winding-up of the Company.

Warrants

As of the date of this AIF, an aggregate of 15,223,806 Warrants are issued and outstanding. Each Warrant is exercisable for one (1) Common Share per Warrant at an exercise price of C$1.20 per Common Share.

Options

As of the date of this AIF, an aggregate of 4,058,495 Options are issued and outstanding. Each Option is exercisable for one (1) Common Share per Option at an exercise price of C$0.80 per Common Share.

7.2 Awards under the Company's Equity Incentive Plan

Equity Incentive Plan

At the annual and special meeting of shareholders of the Company held on December 19, 2022, the shareholders approved the adoption of a new equity incentive plan of the Company (the "**Equity Incentive Plan**"). The Equity Incentive Plan replaced the previous option plan of the Company (the "**Option Plan**"). All directors, officers, employees, management company employees and consultants of the Company and/or its affiliates ("**Participants**") are eligible to receive Awards (as herein defined) under the Equity Incentive Plan, subject to the terms of the Equity Incentive Plan. Awards include Common Share purchase options ("**Options**"), restricted share awards ("**Restricted Shares**"), restricted share units ("**RSUs**", and together with Options and Restricted Shares, "**Awards**"), under the Equity Incentive Plan.

Purpose of the Equity Incentive Plan

The Equity Incentive Plan serves several purposes for the Company. One purpose is to advance the interests of the Company by developing the interests of Participants in the growth and development of the Company by providing such persons with the opportunity to acquire a proprietary interest in the Company. All Participants are considered eligible to be selected to receive an Award under the Equity Incentive Plan. Another purpose is to attract and retain key talent and valuable personnel, who are necessary to the Company's success and reputation, with a competitive compensation mechanism. Finally, the Equity Incentive Plan will align the interests of Participants with those of shareholders by devising a compensation mechanism which encourages the prudent maximization of distributions to shareholders and long-term growth.

The Equity Incentive Plan is administered by the Board.

Equity Incentive Plan Maximum and Limits

The number of Common Shares reserved for issuance to Participants under the Equity Incentive Plan and all other share compensation arrangements of the Company (including the Common Shares reserved for issuance pursuant to the Option Plan) will be 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 as of the Effective Date (the "**Total Share Authorization**"). If any Award is terminated, cancelled, forfeited or has expired without being fully exercised, any unissued Common Shares which had been reserved to be issued upon the exercise of the Award will be returned to the Total Share Authorization and become available to be issued under Awards subsequently granted under the Equity Incentive Plan.

Awards that by their terms are to be settled solely in cash shall not be counted against the maximum number of Common Shares available for the issuance of Awards under the Equity Incentive Plan.

No Awards, other than Options, may vest before the date that is one year following the date it is granted or issued, although the vesting required of any such Awards may be accelerated for a Participant who dies or who ceases to be an eligible Participant under the Equity Incentive Plan or in connection with a Change in Control (as such term is defined in the Equity Incentive Plan).

The number of Common Shares issuable to insiders, at any time, under all security based compensation arrangements of the Company (including the Equity Incentive Plan) may not exceed ten percent (10%) of the Company's issued and outstanding Common Shares as at the date of the grant or issuance; and the number of Common Shares issued to insiders within any one-year period, under all security based compensation arrangements of the Company (including the Equity Incentive Plan) may not exceed ten percent (10%) of the Company's issued and outstanding Common Shares. The maximum aggregate number of Common Shares that are issuable pursuant to Awards issued or granted, as applicable, to any one Participant under the Equity Incentive Plan, together with all other share based compensation, granted or issued in any 12 month period to any one Participant must not exceed five percent (5%) of the Common Shares issued and outstanding, calculated as at the date any Award is granted or issued to the Participant (unless the Company has obtained the requisite disinterested shareholder approval). The aggregate number of Options which may be granted to any one Participant that is a consultant of the Company in any 12 month period must not exceed two percent (2%) of the issued Common Shares of the Company calculated at the first such grant date. In addition, the aggregate number of Options granted to all persons retained to provide investor relations activities must not exceed two percent (2%) of the issued Common Shares of the Company in any 12 month period calculated at the first such grant date (and including any Participant that performs investor relations activities and/or whose role or duties primarily consist of investor relations activities) and any such Options granted to any person retained to provide investor relations activities must vest in a period of not less than 12 months from the date of

grant of the Award and with no more than twenty-five percent (25%) of the Options vesting in any three month period notwithstanding any other provision of the Equity Incentive Plan.

Adjustments

In the event of any subdivision of the Common Shares into a greater number of Common Shares, any consolidation of Common Shares into a lesser number of Common Shares, any reclassification, reorganization or other change affecting the Common Shares, any merger, amalgamation or consolidation of the Company with or into another corporation, or any distribution to all holders of Common Shares or other securities in the capital of the Company, of cash, evidences of indebtedness or other assets of the Company (excluding an ordinary course dividend in cash or Common Shares) or any transaction or change having a similar effect, appropriate adjustments shall, subject to the prior acceptance of the TSXV if applicable, be made in the number and class of Common Shares subject to the Equity Incentive Plan and to any outstanding Awards, and in the exercise price per Common Share of any outstanding Awards.

Amendment Provision

The Board may amend, suspend or terminate the Equity Incentive Plan at any time or amend or revise the terms of any granted Award without the consent of the Participants, provided that such suspension, termination, amendment or revision: (a) may not adversely alter or impair the rights of any Participant, without the consent of such Participant except as permitted by the provisions of the Equity Incentive Plan; (b) must be in compliance with applicable law and with the prior approval, if required, of the shareholders of the Company, the TSXV, or any other regulatory body having authority over the Company; and (c) be subject to shareholder approval, where required by law or the requirements of the TSXV.

The following amendments to the Equity Incentive Plan will require disinterested shareholder approval: (a) any increase to the maximum number of Common Shares issuable under the Equity Incentive Plan; (b) any amendment which reduces the exercise price of an Option or any cancellation of an Option and replacement of such Option with an Option with a lower exercise price; (c) any amendment which extends the expiry date of any Award beyond the original expiry date; (d) any amendment which increases the maximum number of Common Shares that may be issuable to insiders at any time or issued to insiders under the Equity Incentive Plan and any other proposed or established share compensation arrangement in a one-year period; (e) a change in the termination provision of an Award; and (f) any amendment to the definition of an “Eligible Participant” under the Equity Incentive Plan.

Options

The exercise price for each Option shall be established in the discretion of the Board; provided, however, that (a) the exercise price per Common Share shall be not less than the Discounted Market Price (as defined in the Equity Incentive Plan) of a Common Share on the effective date of grant of the Option. With the approval of the Board, a Participant may elect to exercise an Option, in whole or in part, on a ‘net exercise’ (“**Net Exercise**”) basis. In connection with a Net Exercise of Options, a Participant would receive Common Shares equal in value to the difference between the Option price and the fair market value of the Common Shares on the date of exercise, computed in accordance with the Equity Incentive Plan.

The term of each Option shall be fixed by the Board but shall not exceed 10 years from the date of grant thereof, subject to certain limited exceptions. Notwithstanding the foregoing, should the expiration date for an Option fall within a Black-Out Period (as defined in the Equity Incentive Plan), such expiration date shall be automatically extended without any further act or formality to that date which is the 10th business day after the end of the Black-Out Period.

Restricted Shares

The Equity Incentive Plan, if approved, will provide the Board with additional equity-based compensation alternatives in the form of Restricted Shares. Restricted Shares may only be granted with prior approval of the TSXV. The Board may grant Restricted Shares under the Equity Incentive Plan, pursuant to which a Participant will receive a Share that may be subject to certain vesting or performance conditions, as determined by the Board. Consideration is furnished in the form of the Participant's services to the Company; however, the Board may also determine a cash purchase price payable for Restricted Shares. Restricted Shares may be subject to vesting conditions based on such service or performance criteria as the Board specifies, including the attainment of one or more performance goals. Restricted Shares may not be transferred or sold until all applicable vesting or performance conditions have been met. A Participant's Restricted Shares will be subject to a right of repurchase or will otherwise be forfeited as to which the vesting restrictions have not lapsed prior to the Participant's retirement, resignation or involuntary termination (with or without cause). Participants holding Restricted Shares will have no right to vote the Common Shares or to receive any dividends or other distributions paid in cash or Common Shares during the period in which the Restricted Shares are subject to vesting conditions.

Restricted Share Units

The Board may grant RSUs under the Equity Incentive Plan, which represent rights to receive Common Shares on a future date determined in accordance with the Participant's award agreement. No monetary payment is required for receipt of RSUs or the Common Shares issued in settlement of the award, the consideration for which is furnished in the form of the Participant's services to the Company. The Board may grant RSU awards subject to the attainment of one or more performance goals, or may make the awards subject to vesting conditions. RSUs may not be transferred by the Participant. RSUs may be settled in cash, Common Shares or any combination of these.

Unless otherwise provided by the Board, a Participant will forfeit any RSUs which have not vested prior to the Participant's termination of service. Participants have no voting rights or rights to receive cash dividends with respect to RSU awards until Common Shares are issued in settlement of such awards. However, the Board may grant RSUs that entitle their holders to dividend equivalent rights consistent with the requirements of Policy 4.4, which are rights to receive a cash payment equal in value to the dividends the Company pays.

Cessation of Service and Transferability

The Board may provide the circumstances in which Awards shall be exercised, vested, paid or forfeited in the event a Participant ceases to provide service to the Company prior to the end of a performance period or exercise or settlement of such Award. Any Awards granted must expire within a reasonable period, not exceeding 12 months, following the date a Participant ceases to be an eligible Participant under the Equity Incentive Plan.

Subject to limited exceptions in the Equity Incentive Plan for certain Awards, an Award may be exercised by a liquidator, executor or administrator, as the case may be, of the estate of the Participant.

Options, RSUs and Restricted Shares will be subject to forfeiture or repurchase, as applicable, in the case of termination of service of a Participant. In the case of termination for cause, all unvested RSUs, Options and Restricted Shares shall immediately be forfeited or cancelled, or, in the case of Restricted Shares, subject to a repurchase right by the Company for equivalent cash consideration paid by the Participant to acquire such Restricted Shares. In the case of termination not for cause, resignation, permanent disability, retirement, death or leave of absence, vested Options will be subject to an period of time as specified in the Equity Incentive Plan in which they will be exercisable.

ITEM 8. MARKET FOR SECURITIES

8.1 Trading Price and Volume

The Common Shares have been listed and posted for trading on the TSXV under the symbol "NRX" since June 22, 2022. The Company is a reporting issuer in British Columbia, Alberta and Ontario.

The following table sets forth, for the periods indicated, reported high and low trading prices (in the currencies in which such securities were listed and posted for trading) and the volume traded on the TSXV.

Month	Stock Symbol	High Trading Price (C$)	Low Trading Price (C$)	Share Volume
June 2022 (1)	NRX	0.80	0.60	48,881
July 2022	NRX	0.60	0.38	119,840
August 2022	NRX	0.48	0.40	85,445
September 2022	NRX	0.43	0.40	96,546
October 2022	NRX	0.43	0.35	65,013
November 2022	NRX	0.41	0.35	159,008
December 2022	NRX	0.42	0.38	25,280

Notes:

(1) The Common Shares were listed and posted for trading on the TSXV on June 22, 2022. June trading price and volume data represents the trading period from June 22, 2022 to June 30, 2022.

8.2 Prior Sales

Since June 22, 2022, the date the Company's Common Shares were listed and posted for trading on the TSXV, to December 31, 2022, the Company has not issued any securities that are not listed or quoted on a marketplace.

ITEM 9. ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

The following table sets out the number of Common Shares held, to the knowledge of the Company, in escrow or that are subject to a contractual restriction on transfer as of the date of this AIF.

Designation of Class	Number of securities held in escrow or that are subject to a contractual restriction on transfer as of the date of this AIF	Percentage of Class
Common Shares	14,816,250[(1)(2)(3)]	35%

Notes:

(1) 5,355,000 Common Shares are subject to an escrow agreement between the Company, Computershare Trust Company of Canada and a certain securityholder of the Company in the form of TSXV Escrow Agreement Surplus Security – Form D (the "**Surplus Escrow Agreement**"). 595,000 Common Shares will be released from escrow on June 20, 2023; 595,000 Common Shares will be released from escrow on December 20, 2023; 892,500 Common Shares will be released from escrow on June 20, 2024; 892,500 Common Shares will be released from escrow on December 20, 2024; and 2,380,000 Common Shares will be released from escrow on June 20, 2025.

(2) 90,000 Common Shares are subject to an escrow agreement between the Company, Computershare Trust Company of Canada and a certain securityholder of the Company in the form of TSXV Escrow Agreement Value Security – Form D. 45,000 Common Shares will be released from escrow on June 20, 2023; and 45,000 Common Shares will be released from escrow on December 20, 2023.

(3) 9,371,250 Common Shares are subject to seed share resale restriction rules of the TSXV, which was a condition of the Company listing on the TSXV. 1,874,250 Common Shares will have their resale restrictions lifted on June 20, 2023; 1,874,250 Common Shares will have their resale restrictions lifted on December 20, 2023; 1,874,250 Common Shares will have their resale restrictions lifted on June 20, 2024; 1,874,250 Common Shares will have their resale restrictions lifted on December 20, 2024; and 1,874,250 Common Shares will have their resale restrictions lifted on June 20, 2025.

Voluntary Lock Up Agreement

In addition to the Common Shares subject to escrow or seed share resale restrictions as described above, the shareholders listed below entered into voluntary lock-up agreements with the Company. Pursuant to the terms of the lock-up agreements, the shareholders are permitted to sell up to 25% of their shares during the two years following the completion of the RTO. The lock up agreement's restrictions in some cases extend the restrictions of certain Common Shares subject to the Surplus Escrow Agreement, meaning that although the shareholders are permitted to sell an aggregate of 45% of their holdings during the first two years pursuant to the escrow agreement (or up to 80% in the case of seed sale resale restrictions), the shareholders below may only sell up to 25% of their holdings in accordance with the terms of the lock-up agreements.

The follow is a list of shareholders who have entered into lock-up agreements:

TRDF, Yoram Drucker, Ramot, Yehuda Attias, Ron Mayron, Eyal Flom, Gabi Eldor, Prof. Shulamit Levenberg, Prof. Daniel Offen, Amram Drei, Moshe Reuven, Or Drucker, Ziv Drucker, Shir Drucker, Chen Drucker, Safir Properties Inc., Iris Bincovich and Dr. Maya Halperin.

ITEM 10. DIRECTORS AND OFFICERS

10.1 Name, Occupation and Security Holding

The following table sets out the name, province or state and country of residence, positions and offices held with the Company, period served as a director and/or officer and the principal occupations during the last five (5) years, for each person who serves as a director and/or officer of the Company as at the date of this AIF. Each director shall hold office until the next annual general meeting of the Company, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated in accordance with the Company's Articles.

Name, Residence and Positions Held [(1)]	Director or Officer Since	Principal Occupation for Previous Five Years[(1)]
Yoram Drucker[(3)] *Macabim - Reut, Israel* *Director and Vice President, Strategic Development*	June 15, 2022	Executive VP, Business Development, InnoCan Pharma, prior thereto independent businessman and consultant.
Dr. Lior Shaltiel *Modiin, Israel* *Director and Chief Executive Officer*	June 15, 2022	VP and Partner at a boutique Chinese investment bank operating in Israel.
Eyal Flom[(2)] *Kfar Saba, Israel* *Director*	June 15, 2022	Independent lawyer in Israel since 1997 and director at several public companies.
Ron Mayron[(2)(3)] *Hod Hasaron, Israel* *Director*	June 15, 2022	Independent businessman and corporate director since 2014; prior thereto, VP of Israel and Africa and chief executive officer of Teva Israel Ltd.
Oded Orgil[(2)(3)] *Toronto, Ontario* *Director*	June 15, 2022	External Director, Founder & President at 5X Capital Management, President at Canada Israel Chamber of Commerce, CEO at Ocean Falls Blockchain Corp.
James (Jay) Richardson *Toronto, Ontario* *Director*	January 3, 2022	Served as the chief executive officer or chairman of listed public companies.
Eran Ovadya *Givatayim, Israel* *Chief Financial Officer*	June 15, 2022	Served as chief financial officer of Silenseed, VVT Medical and Procore, Forrest.

Notes:

(1) Information has been furnished by the respective persons individually.
(2) Member of the Audit Committee of the Board.
(3) Member of the Compensation Committee.

As at the date of this AIF, the directors and executive officers of the Company, as a group, beneficially owned or controlled or directed, directly or indirectly, 4,660,000 Common Shares, representing approximately 11% of the 42,855,159 issued and outstanding Common Shares on a non-diluted basis. The information as to the Common Shares beneficially owned or controlled or directed, directly or indirectly, by the directors and executive officers, not being within the knowledge of the Company, has been furnished by such directors and executive officers.

10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease Trade Orders

Other than as disclosed below, to the best of management's knowledge, no proposed director of the Company has, within 10 years before the date of this AIF, been a director or officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied that person or company access to any exemption under securities legislation for a period of more than 30 consecutive days, or (ii) was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days.

Mr. Richardson, in his capacity as a director, consented to be appointed as Director, Chief Executive Officer and Chair of Great Lakes Graphite when it was already under a cease trade order, in order to attempt a financial reorganization in 2019. Since then, under his guidance, Great Lakes Graphite has made a proposal under Part III of the Bankruptcy and Insolvency Act (Canada) to its creditors which has been accepted by a supermajority of its creditors and received Court Approval.

Mr. Richardson, was the Chief Financial Officer and a director of the predecessor of the Company when it was issued a cease trade order by the Alberta Securities Commission on May 6, 2021 for failing to file its annual audited financial statements for the year ended December 31, 2020 and its related management's discussion and analysis, and officer certifications which were due to be filed on April 30, 2021. The cease trade order was revoked on May 28, 2021.

Bankruptcies

To the best of management's knowledge, no proposed director of the Company: (i) is or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties and Sanctions

To the best of management's knowledge, no proposed director of the Company has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

10.3 Conflicts of Interest

Certain of the directors and/or officers of the Company serve as directors and/or officers of other companies or have shareholdings in other companies. Such associations may give rise to conflicts of interest from time to time. To the knowledge of the Company, there are no known existing or potential material conflicts of interest between the Company and any director or officer of the Company.

Any conflicts of interest will be subject to and governed by the Law applicable to directors' and officers' conflicts of interest and fiduciary duties, including the procedures prescribed by the ABCA respecting disclosable interests. The ABCA requires, among other things, that directors and officers of the Company, who are also directors or officers of, or who have a material interest in, a party which enters into a material contract or transaction with the Company, or otherwise have a material interest in a material contract or transaction entered into by the Company, must disclose their interest and, in certain instances, refrain from voting on any resolution of the Board to approve the contract or transaction.

ITEM 11. PROMOTERS

11.1 Promoters

The Company does not have any Promoters.

ITEM 12. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

12.1 Legal Proceedings

From time to time, the Company may be involved in disputes or regulatory inquiries that arise in the ordinary course of its business. The Company does not believe that the outcome of any individual existing legal or regulatory proceeding to which it is a party will have a material adverse effect on its results of operations, financial condition or overall business in each case, taken as a whole. The Company is neither a party to, nor is any of its property the subject matter of, any legal proceedings, nor are any such proceedings known to the Company to be contemplated by any party during the financial year ended December 31, 2022 or during the period commencing January 1, 2023 to the date of this AIF.

12.2 Regulatory Actions

There have been no penalties or sanctions imposed against the Company by a court during the financial year ended December 31, 2022, or during the period commencing January 1, 2023 to the date of this AIF. There have been no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision. The Company has not entered into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority during the financial year ended December 31, 2022, or during the period commencing January 1, 2023 to the date of this AIF.

ITEM 13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

13.1 Interest of Management and Others in Material Transactions

No director or executive officer of the Company or a Person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of the Company's outstanding voting securities, nor any of their respective associates or Affiliates have any material interest, direct or indirect, in any transaction within the last three (3) years before the date of this AIF, or in any proposed transaction, that has materially affected or will materially affect the Company or a subsidiary of the Company.

ITEM 14. TRANSFER AGENTS AND REGISTRARS

14.1 Transfer Agents and Registrars

The transfer agent and registrar of the Company is Computershare Trust Company of Canada., located at #800, 324 - 8th Avenue SW, Calgary, Alberta, T2P 2Z2.

ITEM 15. MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contract entered into by the Company within the most recently completed financial year and through to the date of this AIF, or prior thereto and that is still in effect as of the date hereof, are set out in the below table.

#	The Contracting Party	General Nature of the Contract	Signing Date	Details
1	TRDF and Ramot	License Agreement	June 23, 2020	See the summary of the license agreement set out in Item 5 – Description of the Business.
2	TRDF	Sponsored Research Agreement	February , 2021	The performance of the Research by the Researcher commenced on September 1st, 2020 and shall end at the latest on March 31, 2022. NurExone will pay TRDF NIS 2,000,000 ~ US$625,000.
4	TRDF & Ramot	Amendment No. 1 to License Agreement	August 18, 2021	To update the commitment of NurExone for additional fundraising until December 2021; and to extend the period to achieve the milestones by up to three years following the original milestones.
5	TRDF	Amendment No. 1 to Sponsored Research Agreement	October 12, 2021	To update the commitment of NurExone for additional fundraising until December 2021; and to extend the period to achieve the milestones by up to three years following the original milestones.

#	The Contracting Party	General Nature of the Contract	Signing Date	Details
6	TRDF & Ramot	Amendment No. 2 to License Agreement	January 25, 2022	To extend the exclusively granted IP to NurExone.
7	TRDF	Amendment No. 2 to the Sponsored Research Agreement	April 1, 2022	The Sponsored Research Agreement was extended until the end of Q3 2023 and reflecting the need to achieve the milestones in the license agreement, for a total consideration of US$411,000 in three (3) installments on half year basis (Q2 2022, Q4 2022, Q2 2023). Termination clause has been entered into the amendment agreement as NurExone has a right to choose its research partner and termination agreement will not result in the termination of the License Agreement.
8	NurExone Ltd.	Transaction Agreement	January 3, 2022, as amended on April 12, 2022	The securities exchange agreement made, as amended, on January 3, 2022 by and among NurExone Ltd., the NurExone Ltd. shareholders and the Company in respect of the RTO together with the amending agreement made on April 12, 2022.
9	NurExone Ltd.	Arrangement Agreement	March 10, 2022	The arrangement agreement dated March 10, 2022, between the Company and 1222150 B.C. Ltd. in respect of the spinout transaction.

ITEM 16. INTERESTS OF EXPERTS

16.1 Interests of Experts

Ziv Haft, CPA (Isr.) a BDO Member Firm (the "**Auditor**"), whose principal office is located at Amot BDO House, 48 Menachem Begin Rd., Tel Aviv, are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada, Israel and any applicable legislation or regulations.

The Auditor nor any of the directors, officers, employees and partners thereof, beneficially own, directly or indirectly, any securities of the Company or its associates and Affiliates.

ITEM 17. ADDITIONAL INFORMATION

17.1 Audit Committee Information

The overall purpose of the Audit Committee is to provide oversight of the Company's financial management and the design and implementation of an effective system of internal financial controls, to review and report to the Board on the integrity of the financial statements of the Company, and to oversee, report on and make recommendations to the Board in respect of financial and non-financial risks faced by the Company. The Audit Committee has specific responsibilities relating to the Company's financial reports, external auditors, internal controls, regulatory reports and returns, and legal and compliance matters that have a material impact on the Company. In fulfilling its responsibilities, the Audit Committee meets regularly with the external auditors and members of management.

Audit Committee Charter

The Board has adopted a written charter for the Audit Committee, which is disclosed in Appendix A to this AIF.

Composition of the Audit Committee

The Company's Audit Committee is currently comprised of three directors consisting of Ron Mayron, Eyal Flom, and Oded Orgil (Chair). Mr. Mayron and Mr. Orgil are considered "independent", as such terms are defined in NI 52-110. Mr. Flom would not be considered "independent", as such term is defined in NI 52-110. Each of the Audit Committee members are considered "financially literate", as such term is defined in NI 52-110. Each Audit Committee member has the industry experience necessary to understand and analyze financial statements of the Company, as well as the understanding of internal controls and procedures necessary for financial reporting.

The mandate of the Audit Committee will be to assist the Board in fulfilling its oversight responsibilities relating to financial accounting, reporting and internal controls for the Company. The Audit Committee will be responsible for: conducting reviews and discussions with management and the external auditors relating to the audit and financial reporting; oversee the work of the external auditors; evaluate audit services and pre-approve related fees; pre-approval of non-audit related fees; obtain and review an annual written report of the external auditor; review and approve hiring policies relating to hiring personnel connected to the present and former external auditors; review the audited annual financial statements; review public disclosure guidance regarding financials; and to serve an oversight function, including assessing the integrity of internal controls and financial reporting procedures.

Relevant Education and Experience

Each member of the Audit Committee is financially literate and, collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Charter. The following is a description of the education and experience of each member of the Audit Committee that is, in addition to such member's general business experience, relevant to the performance of his or her responsibilities as a member of the Audit Committee.

Oded Orgil – Chair of the Audit Committee

Oded Orgil has over 25 years of experience in Capital Markets as a Financial Advisor and Senior Executive for both bank-owned and national independent firms. As a financial advisor with Merrill Lynch he achieved executive status early in his career working with families, business owners, and professionals managing their wealth and estate planning. He moved on to hold Senior Executive positions with Canaccord Genuity and Manulife Financial. He was CEO of Gravitas Securities, a national

full-service boutique investment firm. During his time there Mr. Orgil oversaw the firm's expansion to Vancouver, San Jose, and New York. In his career on Bay Street, Mr. Orgil has participated in over $10 Billion of capital market transitions and acquisitions. Prior to entering the financial services sector, Mr. Orgil practiced law with a downtown Toronto firm. Mr. Orgil is an active member of the community and has been President of the Canada Israel Chamber of Commerce since 2010. He is a member of the board of directors of Adcore Inc (TSX:ADCO). He holds a Bachelor of Laws (BA) from The University of Western Ontario and a Bachelor of Arts in Political Science from York University. As a result of his education, business and public company experience, and certifications, Mr. Orgil has public company experience giving him an understanding of financial statements and the accounting principles used in reading and preparing financial statements.

Eyal Flom – Member of the Audit Committee

Eyal Flom has practiced as an independent lawyer in Israel since 1997. Prior thereto, Mr. Flom was an associate at Manusavitch Gotfried Law Firm, located in Israel, where he was engaged in commercial and corporate law, intellectual property registration and litigation matters. Mr. Flom has served as the Israeli Pharmaceutical Association legal counsel since April 1995. Mr. Flom has also served as a director in several start-up companies in the field of technology and biotech. Mr. Flom is a member of the board of directors of Innocan Pharma Corporation (CSE:INNO) and Revium Recovery. Mr. Flom obtained his LLM from Tel Aviv University and his MBA from Derby University (Tel Aviv Campus). Through Mr. Flom's extensive experience in law and board memberships, he has gained extensive knowledge of accounting principals and the preparation of financial statements.

Ron Mayron – Member of the Audit Committee

Ron Mayron was a senior executive in Teva Pharmaceuticals Industries Ltd. until 2014 and has since been a consultant and board member to several public and private healthcare companies. Since 2014, Mr. Mayron served as chief executive officer of Ron Med Ltd., a private consulting firm, while also acting as a board member to several healthcare companies, including Biolight Ltd. and Icecure Ltd. (both traded on the TASE). Between 2009 and 2013 Mr. Mayron was Vice President – Israel & Africa and chief executive officer of Teva Israel Ltd. at Teva Pharmaceutical Industries Ltd. Mr. Mayron is a member of board of Innocan Pharma Inc. (CSE:INNO) and Ice Cure Medical (NASDAQ: ICCM). Mr. Mayron has a B.Sc. in Industrial & Management Engineering from Ben-Gurion University of the Negev in Israel and an M.B.A from Tel Aviv University. Through Mr. Mayron's extensive experience in executive positions, consulting and board memberships, he has gained extensive knowledge of accounting principals and the preparation of financial statements.

Audit Committee Oversight

Since the commencement of the financial year ended December 31, 2022, and to the date of this AIF, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

Reliance on Certain Exemptions

Since the commencement of the financial year ended December 31, 2022 and to the date of this AIF, the Company has not relied on:

i. the exemption in section 2.4 (De Minimis Non-Audit Services) of NI 52-110, which exempts all non-audit services provided by the Company's auditor from the requirement to be pre-approved by the Audit Committee if such services are less than 5% of the auditor's annual fees charged to the Company;

ii. the exemption in subsection 6.1.1(4) (Circumstances Affecting the Business or Operations of the Venture Issuer) of NI 52-110;

iii. the exemption in subsection 6.1.1(5) (Events Outside Control of Member) of NI 52-110;

iv. the exemption in subsection 6.1.1(6) (Death, Incapacity or Resignation) of NI 52-110; or

v. an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions).

Pre-Approval Policies and Procedures

The Audit Committee is responsible for pre-approving any non-audit services to be provided to the Company by the external auditor and the fees for those services.

External Auditor Service Fees

Year Ended December 31	Audit Fees[(1)]	Audit Related Fees[(2)]	Tax Fees[(3)]	All Other Fees[(4)]
2022	US$113,000	Nil	Nil	Nil
2021	C$26,520	Nil	C$3,448	Nil

Notes:

(1) "Audit Fees" include fees necessary to perform the annual audit of the Company's consolidated financial statements and for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions and requests for rulings or technical advice from tax authorities.

(4) "All Other Fees" include all other non-audit services.

Additional information concerning the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under the Company's Equity Incentive Plan, is contained in the information circular of the Company dated November 10, 2022 prepared in connection with the annual and special meeting of the shareholders of the Company held on December 19, 2022. Additional financial information concerning the Company, including the Company's audited financial statements, the notes thereto, the auditor's report thereon and related management's discussion and analysis for the year ended December 31, 2012, can be found on the Company's profile on SEDAR at www.sedar.com. Additional information relating to the Company may be found on the Company's profile on SEDAR at www.sedar.com.

APPENDIX A
AUDIT COMMITTEE CHARTER

NUREXONE BIOLOGIC INC. (THE "COMPANY")

Duties and Responsibilities

External Auditor

(a) To recommend to the board of directors of the Company (the "**Board**"), for shareholder approval, an external auditor to examine the Company's accounts, controls and financial statements on the basis that the external auditor is accountable to the Board and the Committee as representatives of the shareholders of the Company.

(b) To oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.

(c) To evaluate the audit services provided by the external auditor, pre-approve all audit fees and recommend to the Board, if necessary, the replacement of the external auditor.

(d) To pre-approve any non-audit services to be provided to the Company by the external auditor and the fees for those services.

(e) To obtain and review, at least annually, a written report by the external auditor setting out the auditor's internal quality-control procedures, any material issues raised by the auditor's internal quality-control reviews and the steps taken to resolve those issues.

(f) To review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company. The Committee has adopted the following guidelines regarding the hiring of any partner, employee, reviewing tax professional or other person providing audit assurance to the external auditor of the Company on any aspect of its certification of the Company's financial statements:

(i) No member of the audit team that is auditing a business of the Company can be hired into that business or into a position to which that business reports for a period of three years after the audit;

(ii) No former partner or employee of the external auditor may be made an officer of the Company or any of its subsidiaries for three years following the end of the individual's association with the external auditor;

(iii) The Chief Financial Officer ("**CFO**") must approve all office hires from the external auditor; and

(iv) The CFO must report annually to the Committee on any hires within these guidelines during the preceding year.

(g) To review, at least annually, the relationships between the Company and the external auditor in order to establish the independence of the external auditor.

Financial Information and Reporting

(a) To review the Company's annual audited financial statements with the Chief Executive Officer ("**CEO**") and CFO and then the full Board. The Committee will review the interim financial statements with the CEO and CFO.

(b) To review and discuss with management and the external auditor, as appropriate:

(i) The annual audited financial statements and the interim financial statements, including the accompanying management discussion and analysis; and

(ii) Earnings guidance and other releases containing information taken from the Company's financial statements prior to their release.

(c) To review the quality and not just the acceptability of the Company's financial reporting and accounting standards and principles and any proposed material changes to them or their application.

(d) To review with the CFO any earnings guidance to be issued by the Company and any news release containing financial information taken from the Company's financial statements prior to the release of the financial statements to the public. In addition, the CFO must review with the Committee the substance of any presentations to analysts or rating agencies that contain a change in strategy or outlook.

Oversight

(a) To review the internal audit staff functions, including:

(i) The purpose, authority and organizational reporting lines;

(ii) The annual audit plan, budget and staffing; and

(iii) The appointment and compensation of the controller, if any.

(b) To review, with the CFO and others, as appropriate, the Company's internal system of audit controls and the results of internal audits.

(c) To review and monitor the Company's major financial risks and risk management policies and the steps taken by management to mitigate those risks.

(d) To meet at least annually with management (including the CFO), the internal audit staff, and the external auditor in separate executive sessions and review issues and matters of concern respecting audits and financial reporting.

(e) In connection with its review of the annual audited financial statements and interim financial statements, the Committee will also review the process for the CEO and CFO certifications (if required by law or regulation) with respect to the financial statements and the Company's disclosure and internal controls, including any material deficiencies or changes in those controls.

Membership

(a) The Committee shall consist solely of three or more members of the Board, the majority of which the Board has determined has no material relationship with the Company and is otherwise "unrelated" or "independent" as required under applicable securities rules or applicable stock exchange rules.

(b) Any member may be removed from office or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director. Each member of the Committee shall hold office until the close of the next annual meeting of shareholders of the Company or until the member ceases to be a director, resigns or is replaced, whichever first occurs.

(c) The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.

(d) All members of the Committee must be "financially literate" (i.e., have the ability to read and understand a set of financial statements such as a balance sheet, an income statement and a cash flow statement).

Procedures

(a) The Board shall appoint one of the directors elected to the Committee as the Chair of the Committee (the "**Chair**"). In the absence of the appointed Chair from any meeting of the Committee, the members shall elect a Chair from those in attendance to act as Chair of the meeting.

(b) The Chair will appoint a secretary (the "**Secretary**") who will keep minutes of all meetings. The Secretary does not have to be a member of the Committee or a director and can be changed by simple notice from the Chair.

(c) No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by resolution in writing signed by all the members of the Committee. A majority of the members of the Committee shall constitute a quorum, provided that if the number of members of the Committee is an even number, one-half of the number of members plus one shall constitute a quorum, and provided that a majority of the members must be "independent" or "unrelated".

(d) The Committee will meet as many times as is necessary to carry out its responsibilities. Any member of the Committee or the external auditor may call meetings.

(e) The time and place of the meetings of the Committee, the calling of meetings and the procedure in all respects of such meetings shall be determined by the Committee, unless otherwise provided for in the articles of the Company or otherwise determined by resolution of the Board.

(f) The Committee shall have the resources and authority necessary to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms (including termination) of special counsel, advisors or other experts or consultants, as it deems appropriate.

(g) The Committee shall have access to any and all books and records of the Company necessary for the execution of the Committee's obligations and shall discuss with the CEO or the CFO such records and other matters considered appropriate.

(h) The Committee has the authority to communicate directly with the internal and external auditors.

Reports

The Committee shall produce the following reports and provide them to the Board:

(a) An annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of this Charter. The performance evaluation should also recommend to the Board any improvements to this Charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make this report.

(b) A summary of the actions taken at each Committee meeting, which shall be presented to the Board at the next Board meeting.