

Action Summary – 5 June 2024

Analyst Theodore R. O'Neill – Update post release of 1Q24 results - Reiterate our Buy rating and CAD\$4 PT.

- **Exceeding expectations.** The company exceeded 1Q24 expectations by reporting an EPS loss of \$0.016 versus our loss estimate of \$0.022. There is no consensus. The \$0.01 favorable variance (see Figure 2) was due to lower R&D expense, partially offset by higher SG&A and non-operating expenses.
- **Closing in on milestones since the beginning of the year.**
 - **Expanded preclinical testing.** The company entered into a *Contract Research Organization* services agreement with Vivox Ltd. for animal experiments as part of the preclinical testing phase for the submission of an Investigational New Drug (“IND”) application to the US FDA. Aimed at assessing the safety and efficacy of the ExoPTEN drug before proceeding to clinical trials, which are anticipated to commence in 2025.
 - **Lab expansion.** In March it executed a lease for lab space with the Technion adding 195m².
 - **Key hire in licensing efforts.** In May, it announced it had hired Dr. Ram Petter, Ph.D., MBA, as a consultant, to assist in driving the Company’s strategic collaborations. With a background in the pharmaceutical industry, including significant tenure and pivotal roles at Teva Pharmaceuticals, Dr. Petter’s will focus on developing industry partnerships and licensing agreements.
 - **Broadening market reach in the U.S.** In late April, it announced it had received listing approval on the OTCQB and DTC eligibility under the symbol (OTCQB: NRXBF).
- **Revision to estimate.** With the higher share count our EPS losses for 2024 and 2025 decline to \$0.08 from a loss of \$0.09.
- **Shares appear to be priced below absolute and comparative metrics.** Our CAD\$4.00 price target is based on discounted future earnings. Using the current average peer 2025 Market cap to sales of 9.37x and assuming \$10MM in 2026 revenue, the market cap would be CAD\$94MM.

| | | | |
|----------------------------------|-----------------------------|-------------------------------|-----------------------|
| 6/04 closing price: CAD\$0.46 | Market cap: CAD\$31 million | Multiple of book: NMF | EV/2025 Sales: NMF |
| Shares outstanding: 67 million | Insider ownership: 9% | Avg. trading volume: ~100,000 | Dividend/Yield: NA/NA |

GAAP estimates (EPS in dollars – Revenue in USD millions)

| Period | EPS | Revenue | Op Margin |
|--------|----------|---------|-----------|
| 1Q23A | (\$0.02) | \$0.00 | |
| 2Q23A | (\$0.02) | \$0.00 | |
| 3Q23A | (\$0.03) | \$0.00 | |
| 4Q23A | (\$0.02) | \$0.00 | |
| FY23A | (\$0.08) | \$0.00 | NMF |
| 1Q24A | (\$0.02) | \$0.00 | |
| 2Q24E | (\$0.02) | \$0.00 | |
| 3Q24E | (\$0.02) | \$0.00 | |
| 4Q24E | (\$0.02) | \$0.00 | |
| FY24E | (\$0.08) | \$0.00 | NMF |
| 1Q25E | (\$0.02) | \$0.00 | |
| 2Q25E | (\$0.02) | \$0.00 | |
| 3Q25E | (\$0.02) | \$0.00 | |
| 4Q25E | (\$0.02) | \$0.00 | |
| FY25E | (\$0.08) | \$0.00 | NMF |

Cash balance (in USD millions)

| | |
|---------|----------|
| • 2021A | • \$2.23 |
| • 2022A | • \$2.52 |
| • 2023A | • \$1.77 |
| • 2024E | • \$0.63 |
| • 2025E | • \$0.89 |

Debt (in USD millions)

| | |
|---------|----------|
| • 2021A | • \$0.00 |
| • 2022A | • \$0.00 |
| • 2023A | • \$0.00 |
| • 2024E | • \$0.00 |
| • 2025E | • \$0.00 |

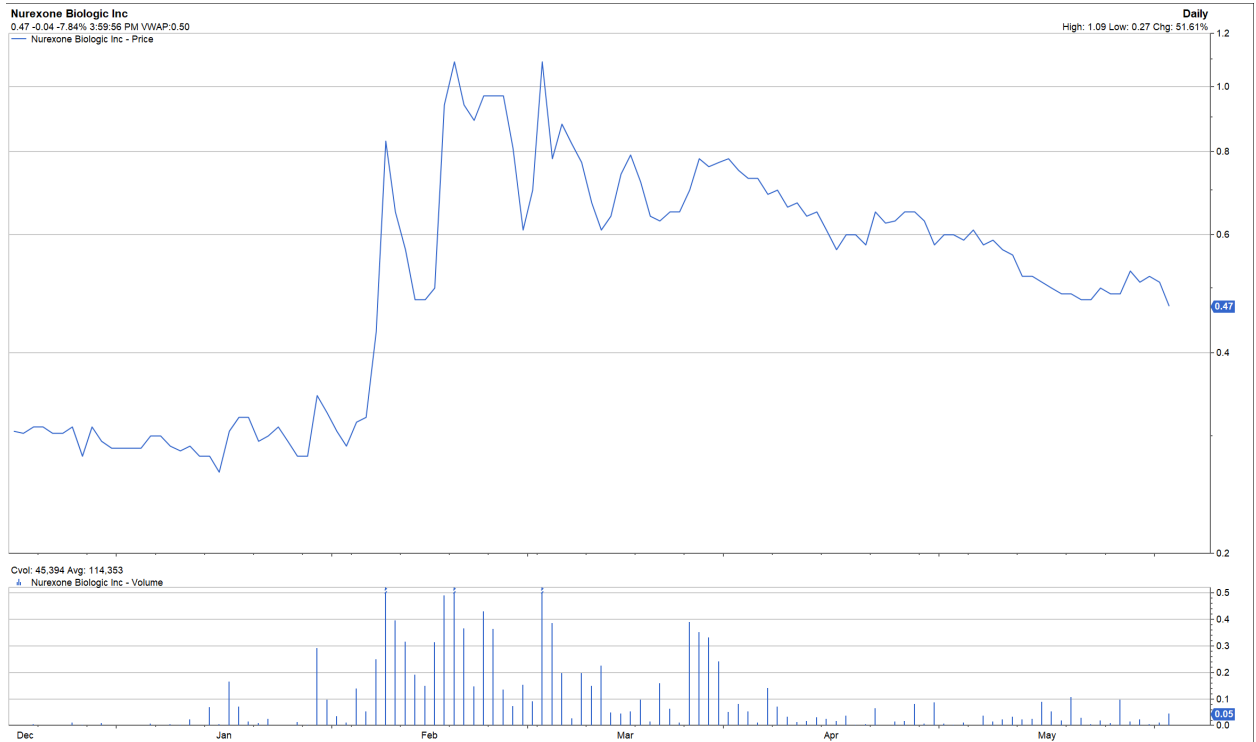
Note: Numbers may not add due to rounding or share count. See our full model at the back of this report.

Risks/Valuation

- Risks include Highly regulated business, commercial development and marketing.
- Our CAD\$4.00 target is derived using a discounted future earnings model.

Company description: NurExone Biologic Inc. is a TSX Venture Exchange-listed pharmaceutical company that is developing a platform for biologically guided ExoTherapy to be delivered non-invasively to patients with traumatic spinal cord injuries.

Figure 1 – NurExone Biologic Inc. - Trading snapshot (CAD\$)



Source: FactSet

Quarterly Results

Exceeding expectations. The company exceeded 1Q24 expectations by reporting an EPS loss of \$0.016 versus our loss estimate of \$0.022. There is no consensus. The \$0.01 favorable variance (see Figure 2) was due to lower R&D expense, partially offset by higher SG&A and non-operating expenses.

Figure 2 – NurExone Biologic Inc. – Quarterly Variance Analysis

| | 2024 | 2024 | <u>Better/(worse)</u> <u>than forecast</u> |
|---------------------------------|--------------------|------------------|---|
| | <u>Q1E</u> | <u>Q1A</u> | |
| Income Statement | | | |
| Total Revenue | \$0.0 | \$0.0 | \$0.0 |
| Total cost of revenue | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total Gross Profit | 0.0 | 0.0 | 0.0 |
| Operating expenses: | | | |
| SG&A | 450.0 | 225.0 | 225.0 |
| R&D | <u>600.0</u> | <u>695.0</u> | <u>(95.0)</u> |
| Total Expenses | <u>1,050.0</u> | <u>920.0</u> | <u>130.0</u> |
| Earnings (loss) from Operations | <u>(1,050.0)</u> | <u>(920.0)</u> | 130.0 |
| Total Other income/(expense) | <u>14.9</u> | <u>(47.0)</u> | <u>(61.9)</u> |
| Earnings before taxes | <u>(1,035.1)</u> | <u>(967.0)</u> | 68.1 |
| Tax expense/(benefit) | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Net income | <u>(\$1,035.1)</u> | <u>(\$967.0)</u> | <u>\$68.1</u> |
| EPS excluding fx | <u>(\$0.02)</u> | <u>(\$0.02)</u> | \$0.01 |
| Diluted common shares | 48,000 | 56,528 | (8,528) |

Source: Company filings and Litchfield Hills Research LLC

Valuation Methodology

The value of NRX could come from multiple avenues. It could be acquired, form partnerships, license products or technology. We believe NRX is undervalued, and we support that belief with two valuation techniques: discounted future earnings and sales metrics compared to peers. To determine our price target, we use a discounted future earnings model. Depending on the regulatory approval process, the timing of the first revenues may be this year or next. The following valuation techniques are being used:

- 1) The discounted value of all future earnings, used for our price target (see Figure 3)
- 2) Valuation based on peer sales metrics (see Figure 4)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of CAD\$4.00 is based on a discounted earnings model, which is calculated in USD because that is how the company reports results and then converted to CAD\$. Figure 3 shows the implied value of all future earnings discounted at 12%. It is based on reaching breakeven in 2H26 and implies a stock value of \$2.53, which we round to \$3.00, which is ~CAD\$4.00 at the current exchange rate.

Figure 3 – NurExone Biologic Inc. – US\$ Discounted Future Earnings

| Discounted Earnings: | | \$2.53 |
|-----------------------------|----------|----------------|
| Year | EPS | Discounted EPS |
| 2024 | (\$0.08) | (0.08) |
| 2025 | (\$0.08) | (0.07) |
| 2026 | (\$0.05) | (0.04) |
| 2027 | \$0.00 | 0.00 |
| 2028 | \$0.10 | 0.06 |
| 2029 | \$0.20 | 0.11 |
| 2030 | \$0.28 | 0.14 |
| 2031 | \$0.42 | 0.19 |
| 2032 | \$0.44 | 0.18 |
| 2033 | \$0.46 | 0.17 |
| Terminal Value: | | 1.87 |

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

To develop peer comparisons, we selected companies in the same general markets that also had or were developing a drug delivery platform with a market cap of <\$300MM, see Figure 5. We included companies engaged in exosome research/delivery platforms or other types of platforms. If we compare NRX to a simple average of its peers, the shares sell at a significant discount on the one measure we can use for comparison: Sales multiple. For this analysis, we take the current one-year out sales multiple (2025 peer average sales multiple of 9.4x) and apply it as if it were 2025 and look into 2026 when the company could reach breakeven. We assume the company will raise more capital and the share count will rise to 80M. The implied share price is \$1.57 (CAD\$1.60), see Figure 3. This supports our view that the shares are undervalued. The companies we used in Figure 5 are in similar business lines, although none of them is a perfect match.

Figure 4 – NurExone Biologic Inc. – Peer Driven Valuation

| | |
|---|----------------------------|
| Average Out-year 2025 Sales Multiple for Peers | 9.4 |
| NRX potential 2026 revenue | USD\$10MM |
| Implied Market Cap in 2025 at the Average out-year sales multiple | \$94MM |
| NRX 2024 Estimated share count | 80MM |
| Implied Share Price | USD\$1.18/CAD\$1.60 |

Source: Litchfield Hills Research LLC and FactSet

Figure 5 – NurExone Biologic Inc. – Comp Table

| FactSet Ticker | Company Name | Closing Price | Market Cap \$MM | EV \$MM | 2025 Consensus Multiples | | |
|----------------|---------------------------------------|---------------|-----------------|---------|--------------------------|-------------|---------------|
| | | | | | Market Cap / Sales | EV /Sales | Price to Book |
| XOMA-US | XOMA Corporation | \$25.79 | 300 | 283 | 11.13 | 10.41 | 2.40 |
| ZVRA-US | Zevra Therapeutics, Inc. | \$4.65 | 195 | 196 | 2.12 | 1.90 | 4.40 |
| VXRT-US | Vaxart, Inc. | \$0.82 | 144 | 125 | 6.62 | 5.15 | 1.52 |
| CAPR-US | Capricor Therapeutics, Inc. | \$5.68 | 181 | 144 | 2.30 | 1.61 | 6.74 |
| COYA-US | Coya Therapeutics, Inc. | \$7.62 | 111 | 74 | 16.50 | 8.43 | |
| ANVS-US | Annovis Bio Inc | \$6.55 | 73 | 66 | | | |
| RVPH-US | Reviva Pharmaceuticals Holdings, Inc. | \$1.37 | 41 | 29 | | | 25.14 |
| ASMB-US | Assembly Biosciences, Inc. | \$15.15 | 84 | (28) | | | 1.31 |
| MOC-PL | Molecure SA | \$3.79 | 64 | 52 | | | 3.25 |
| INNO-CA | InnoCan Pharma Corporation | \$0.21 | 56 | 52 | | | 15.35 |
| MTNB-US | Matinas BioPharma Holdings, Inc. | \$0.16 | 41 | 31 | | | 2.44 |
| SABS-US | SAB Biotherapeutics, Inc. | \$2.64 | 24 | (14) | | | 1.11 |
| MSCL-CA | Satellos Bioscience Inc | \$0.37 | 42 | 18 | | | 1.19 |
| IIQ-AU | Inoviq Ltd | \$0.31 | 28 | 25 | 26.74 | 23.37 | 3.99 |
| MARI-AT | Marinomed Biotech AG | \$15.20 | 23 | 45 | | | |
| BCLI-US | Brainstorm Cell Therapeutics Inc. | \$0.49 | 34 | 32 | | | |
| RLF-CH | RELIEF THERAPEUTICS Holding AG | \$1.40 | 20 | 4 | | | 0.48 |
| SNTI-US | Senti Biosciences, Inc. | \$0.30 | 14 | 27 | | | 0.45 |
| VBIV-US | VBI Vaccines, Inc. | \$0.61 | 18 | 53 | | | 1.87 |
| OCEL-US | Zeo ScientifiX Inc. | \$0.95 | 6 | 5 | | | |
| EVOK-US | Evoke Pharma, Inc. | \$0.48 | 4 | (0) | 0.19 | (0.11) | |
| CING-US | Cingulate, Inc. | \$0.70 | 4 | 3 | | | |
| ALBT-US | Avalon GloboCare Corp. | \$0.30 | 3 | 31 | | | |
| Average | | | | | 9.37 | 7.25 | 4.78 |

Source: Litchfield Hills Research LLC and FactSet

Guidance and Financial Forecasts

The company provides no guidance. The company is pursuing a multi-prong strategy for growth including potential acquisition, commercialization, partnerships, and joint ventures. Our forecasts assume there is no revenue before 2026. In our 2023 research reports, we had assumed a 2024 capital raise of ~CAD\$6MM, which the company completed in 1Q24. The company continues to meet its milestones, which we highlight in Figure 6.

Figure 6 – NurExone Biologic Inc. – Future Research and Development Milestones

| Research and development milestones (*) | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 |
|--|------|------|------|------|------|------|------|------|
| Establish in-house laboratories and offices ⁽¹⁾ | »»»» | ⊙ | | | | | | |
| In-vivo experiments for IND submission ⁽²⁾ | »»»» | »»»» | »»»» | »»»» | »»»» | ⊙ | | |
| IND submission to the FDA ⁽³⁾ | »»»» | »»»» | »»»» | »»»» | »»»» | »»»» | »»»» | ⊙ |
| IND clearance, clinical trial design & manufacturing scale-up ⁽⁴⁾ | »»»» | »»»» | »»»» | »»»» | »»»» | »»»» | »»»» | ⊙ |
| First-in-human clinical trial I/IIa ⁽⁵⁾ | »»»» | »»»» | »»»» | »»»» | »»»» | »»»» | »»»» | ⊙ |

√ for completion of research and development milestones

⊙ for target of research and development milestones

Source: Company MD&A for the quarter ended Mar 2024, dated May 28, 2024

- 1) On March 1, 2024, NurExone Ltd entered into a laboratories and offices Lease Agreement with Technion and commenced a construction project with Biopharmax to establish in-house laboratories and offices.
- 2) On April 1, 2024, NurExone Ltd entered into a CRO services agreement with Vivox. Vivox will provide CRO services to NurExone, as a prerequisite to commencing Human Trials under the planned Investigational New Drug.
- 3) Compile and submit the IND application, which includes manufacturing information and Chemistry, Manufacturing, and Controls ("CMC") data, preclinical data, and clinical trial plans.
- 4) Preparation for the initiation of Phase I clinical trials, as follows:
 - a. IND Clearance: After regulatory review, obtain clearance from regulatory agencies to proceed with clinical trials.
 - b. Clinical Trial Design: Develop the protocol for Phase I/IIa clinical trials, including dosing, patient eligibility criteria, and endpoints.
 - c. Manufacturing Scale-Up: Optimize the manufacturing process to produce clinical-grade materials.
- 5) Preparation for the initiation of Phase I/IIa clinical trials, as follows:
 - a. Clinical Site Selection: Identify and prepare clinical trial sites and investigators.
 - b. Patient Recruitment: Begin recruiting patients for Phase I/IIa clinical trials.
 - c. Initiate Phase I clinical trials with a small group of patients to assess safety and dosing.

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

Figure 7 – NurExone Biologic Inc. – Income Statement (US\$000)

| December ending year | 2021A | 2022A | 2023A | | | | 2023A | 2024E | | | | 2024E | 2025E | | | | 2025E |
|----------------------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Year | Year | Q1A | Q2A | Q3A | Q4A | Year | Q1A | Q2E | Q3E | Q4E | Year | Q1E | Q2E | Q3E | Q4E | Year |
| Total revenue | \$0.00 | \$0.00 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cost of Goods | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Gross Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R&D | 573 | 1,391 | 374 | 457 | 402 | 308 | 1,541 | 225 | 500 | 600 | 800 | 2,125 | 450 | 500 | 600 | 800 | 2,350 |
| SG&A | <u>1,140</u> | <u>4,150</u> | <u>345</u> | <u>603</u> | <u>762</u> | <u>406</u> | <u>2,116</u> | <u>695</u> | <u>600</u> | <u>600</u> | <u>600</u> | <u>2,495</u> | <u>600</u> | <u>600</u> | <u>600</u> | <u>600</u> | <u>2,400</u> |
| Total Operating Expenses | 1,713 | 5,541 | 719 | 1,060 | 1,164 | 714 | 3,657 | 920 | 1,100 | 1,200 | 1,400 | 4,620 | 1,050 | 1,100 | 1,200 | 1,400 | 4,750 |
| Operating Income | (1,713) | (5,541) | (719) | (1,060) | (1,164) | (714) | (3,657) | (920) | (1,100) | (1,200) | (1,400) | (4,620) | (1,050) | (1,100) | (1,200) | (1,400) | (4,750) |
| Total Other Items | 66 | <u>(2,628)</u> | 14 | 20 | 6 | <u>(22)</u> | 18 | <u>(47)</u> | <u>(1)</u> | <u>(1)</u> | <u>(1)</u> | <u>(49)</u> | 15 | <u>(1)</u> | <u>(1)</u> | <u>(1)</u> | 13 |
| Pre-Tax Income | (1,647) | (8,169) | (705) | (1,040) | (1,158) | (736) | (3,639) | (967) | (1,101) | (1,201) | (1,401) | (4,669) | (1,035) | (1,101) | (1,201) | (1,401) | (4,737) |
| Taxes (benefit) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tax Rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Net Income (loss) | (\$1,647) | (\$8,169) | (\$705) | (\$1,040) | (\$1,158) | (\$736) | (\$3,639) | (\$967) | (\$1,101) | (\$1,201) | (\$1,401) | (\$4,669) | (\$1,035) | (\$1,101) | (\$1,201) | (\$1,401) | (\$4,737) |
| EPS | (\$0.10) | (\$0.22) | (\$0.02) | (\$0.02) | (\$0.03) | (\$0.01) | (\$0.08) | \$0.02 | (\$0.02) | (\$0.02) | (\$0.02) | (\$0.08) | (\$0.02) | (\$0.02) | (\$0.02) | (\$0.02) | (\$0.08) |
| Diluted Shares Outstanding | 16,452 | 37,734 | 42,855 | 42,885 | 43,534 | 49,615 | 44,722 | 56,528 | 57,000 | 57,000 | 57,000 | 56,882 | 58,000 | 58,000 | 58,000 | 58,000 | 58,000 |

Source: Company reports and Litchfield Hills Research LLC

Figure 8 – NurExone Biologic Inc. – Balance Sheet (US\$000)

| December ending year | FY2025E | FY2024E | FY2023A | FY2022A | FY2021A |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Balance sheet | | | | | |
| Current Assets | | | | | |
| Cash and S.T.I. | \$888 | \$625 | \$1,770 | \$2,517 | \$2,233 |
| Accounts receivable | 300 | 300 | 212 | 175 | 603 |
| Inventories | 0 | 0 | 0 | 0 | 0 |
| Other assets | 0 | 0 | 0 | 0 | 0 |
| Total Current Assets | 1,188 | 925 | 1,982 | 2,692 | 2,836 |
| Net PP&E | 125 | 125 | 158 | 51 | 0 |
| Other non-current assets | 50 | 50 | 30 | 51 | 0 |
| Total Assets | \$1,363 | \$1,100 | \$2,170 | \$2,794 | \$2,836 |
| Current Liabilities | | | | | |
| Accounts payable | \$350 | \$350 | \$317 | \$298 | \$259 |
| Accrued expenses | 375 | 375 | 299 | 305 | 87 |
| Other current liabilities | 0 | 0 | 1,292 | 0 | 1,285 |
| Total current liabilities | 725 | 725 | 1,908 | 603 | 1,631 |
| Conv. and Long Term Debt | 0 | 0 | 0 | 0 | 0 |
| Other non-current | 100 | 100 | 73 | 95 | 28 |
| Total Liabilities | 825 | 825 | 1,981 | 698 | 1,659 |
| Stockholders' Equity | | | | | |
| Preferred stock | 0 | 0 | 0 | 0 | 0 |
| Common stock | 0 | 0 | 0 | 0 | 0 |
| Additional paid-in-capital | 24,000 | 19,000 | 14,246 | 12,514 | 3,426 |
| Retained earnings | (23,462) | (18,726) | (14,057) | (10,418) | (2,249) |
| Cum. trans. adj. and treasury stock | 0 | 0 | 0 | 0 | 0 |
| Total stockholders' equity | 538 | 275 | 189 | 2,096 | 1,177 |
| Total Liabilities and equity | \$1,363 | \$1,100 | \$2,170 | \$2,794 | \$2,836 |

Source: Company reports and Litchfield Hills Research LLC

Figure 9 – NurExone Biologic Inc. – Cash Flow (US\$000)

| | <u>2025E</u> | <u>2024E</u> | <u>2023A</u> | <u>2022A</u> |
|-------------------------------|--------------|--------------|--------------|--------------|
| Net Income | (\$4,737) | (\$4,669) | (\$3,639) | (\$8,169) |
| Accounts receivable | 0 | (88) | (37) | 428 |
| Inventories | 0 | 0 | 0 | 0 |
| Other assets | 0 | 0 | 0 | 0 |
| PP&E | 0 | 33 | (107) | (51) |
| Other non-current | 0 | (20) | 21 | (51) |
| Accounts payable | 0 | 33 | 19 | 39 |
| Accrued expenses | 0 | 76 | (6) | 218 |
| Other current liabilities | 0 | (1,292) | 1,292 | (1,285) |
| Conv. and Long Term Debt | 0 | 0 | 0 | 0 |
| Other non-current | 0 | 27 | (22) | 67 |
| Preferred stock | 0 | 0 | 0 | 0 |
| Common stock | 0 | 0 | 0 | 0 |
| Additional paid-in-capital | 5,000 | 4,754 | 1,732 | 9,088 |
| Stock subscription receivable | 0 | 0 | 0 | 0 |
| Other | | | | |
| Total Cash Flow | \$263 | (\$1,146) | (\$747) | \$284 |

Source: Litchfield Hills Research LLC

Disclosures:

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We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

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