Consolidated financial statements of

NervGen Pharma Corp.

(Expressed in Canadian Dollars)

For the years ended December 31, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
NervGen Pharma Corp.

Opinion

We have audited the accompanying consolidated financial statements of NervGen Pharma Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

February 23, 2022

NERVGEN PHARMA CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

as at	**December 31, 2021**	December 31, 2020
	$	$
Assets		
Current assets		
Cash	**16,928,857**	5,598,560
Accounts receivable	**64,002**	62,594
Prepaids and deposits (Notes 7, 12)	**427,577**	540,750
	17,420,436	6,201,904
Non-current assets		
Capital assets	**2,691**	1,996
Intangible assets (Note 8)	**473,152**	471,388
	475,843	473,384
	17,896,279	6,675,288
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9, 12)	**1,078,080**	755,072
	1,078,080	755,072
Shareholders' Equity		
Common shares (Note 10)	**42,403,307**	22,947,031
Reserves (Note 11)	**9,463,514**	5,295,229
Deficit	**(35,048,622)**	(22,322,044)
	16,818,199	5,920,216
	17,896,279	6,675,288

Nature of business (Note 1)
Commitments (Note 13)
Subsequent events (Note 16)

Approved by the Board

/s/ William J. Radvak Director *　/s/ Glenn A. Ives* Director

The accompanying notes are an integral part of these consolidated financial statements

NERVGEN PHARMA CORP.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
	$	$
Operating expenses		
Research and development (Note 14)	**6,871,526**	6,163,208
General and administration (Note 14)	**5,939,698**	5,032,676
Total operating expenses	**12,811,224**	11,195,884
Interest income	**(29,417)**	(18,852)
Foreign exchange (gain) loss	**(55,229)**	9,109
Net loss and comprehensive loss for the year	**(12,726,578)**	(11,186,141)
Basic and diluted net loss per share	**(0.32)**	(0.35)
Weighted average common shares outstanding (Note 11)	**39,289,224**	32,111,698

The accompanying notes are an integral part of these consolidated financial statements

NERVGEN PHARMA CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended December 31, 2021 $	Year Ended December 31, 2020 $
Operating activities		
Net loss for the year	**(12,726,578)**	(11,186,141)
Items not involving cash:		
Amortization of intangible asset	**40,572**	38,220
Depreciation	**2,054**	1,425
Stock-based compensation	**4,015,673**	3,415,360
Unrealized foreign exchange	**(31,377)**	16,610
Changes in non-cash working capital:		
Accounts receivable	**(1,408)**	59,908
Prepaid expenses	**113,173**	1,521,977
Accounts payable and accrued liabilities	**318,734**	(165,083)
	(8,269,157)	(6,297,724)
Investing activities		
Payments to acquire capital assets	**(2,749)**	(3,421)
Acquisition payments on intangible asset	**(42,336)**	-
	(45,085)	(3,421)
Financing activities		
Option and warrant exercises	**2,377,823**	310,151
Proceeds from issuance of common shares	**18,901,611**	8,708,534
Share issue costs - cash	**(1,666,272)**	(1,169,208)
	19,613,162	7,849,477
Effect of foreign exchange on cash	**31,377**	(46,820)
Net increase in cash	**11,330,297**	1,501,512
Cash, beginning of year	**5,598,560**	4,106,183
Cash, end of year	**16,928,857**	5,607,695

Cash paid for interest and taxes	$ -	$ -
Non-cash transactions:		
Fair value of options allocated to share capital	780,155	205,782
Fair value of warrants allocated to share capital	75,575	-
Finder's/Broker's warrants	683,342	217,631
Share issue costs in accounts payable and accrued liabilities	4,274	-

The accompanying notes are an integral part of these consolidated financial statements

NERVGEN PHARMA CORP.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Common Shares				Total Shareholders'
	Number	Amount	Reserves	Deficit	Equity
		$	$	$	$
Balance December 31, 2019	**29,351,659**	**15,293,689**	**1,683,734**	**(11,135,903)**	**5,841,520**
Option exercises	323,675	515,933	(205,782)	-	310,151
Stock-based compensation	-	-	3,415,360	-	3,415,360
Common share financings (net)	5,492,541	7,355,040	184,286	-	7,539,326
Broker warrants	-	(217,631)	217,631	-	-
Loss and comprehensive loss	-	-	-	(11,186,141)	(11,186,141)
Balance December 31, 2020	**35,167,875**	**22,947,031**	**5,295,229**	**(22,322,044)**	**5,920,216**
Balance December 31, 2020	**35,167,875**	**22,947,031**	**5,295,229**	**(22,322,044)**	**5,920,216**
Common share financings (net)	9,334,357	16,906,065	325,000	-	17,231,065
Option exercises	1,084,930	1,960,335	(780,155)	-	1,180,180
Warrant exercises	602,422	1,273,218	(75,575)	-	1,197,643
Broker warrants	-	(683,342)	683,342	-	-
Stock-based compensation	-	-	4,015,673	-	4,015,673
Loss and comprehensive loss	-	-	-	(12,726,578)	(12,726,578)
Balance December 31, 2021	**46,189,584**	**42,403,307**	**9,463,514**	**(35,048,622)**	**16,818,199**

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of business

NervGen Pharma Corp. (the "Company" or "NervGen") is a publicly traded company incorporated on January 19, 2017 under the Business Corporations Act (British Columbia). The corporate office of the Company is located at Suite 1703, 595 Burrard Street, Vancouver, BC, V7X 1J1, Canada, and the registered office is located at Suite 2600, 595 Burrard Street, Vancouver, BC, V7X 1L3, Canada.

NervGen's common shares commenced trading on the TSX-V under the symbol "NGEN" on March 15, 2019 and on the U.S. over-the counter OTCQB® market, on May 3, 2019 under the trading symbol "NGENF". NervGen subsequently uplisted to the OTCQX® on June 10, 2019.

The Company has two wholly owned subsidiaries: NervGen US Inc. incorporated in the State of Delaware on June 11, 2018 and NervGen Australia Pty Ltd. registered in Queensland on December 8, 2020.

The Company's principal business activity is the discovery, development and commercialization of pharmaceutical treatments of nervous system damage due to injury or disease. NervGen is advancing its lead compound, NVG-291, for the treatment of multiple sclerosis ("MS"), spinal cord injury ("SCI") and Alzheimer's disease.

The Company continues to evaluate and monitor the impact or any potential impacts of the COVID-19 pandemic to the business. The pandemic has an impact on the Company's third-party vendors which could result in the interruption of operations and result in development delays including the ongoing pre-clinical, manufacturing and clinical activities related to NVG-291. As the COVID-19 health crisis further develops, the Company will continue to rely on guidance and recommendations from local health authorities, Health Canada and the Centers for Disease Control and Prevention to update the Company's policies.

2. Significant accounting policies

a) *Basis of measurement and statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting and Interpretations Committee ("IFRIC").

The financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of NervGen and its subsidiaries is the Canadian dollar.

The financial statements were approved by the Company's Board of Directors and authorized for issue on February 23, 2022.

b) *Going Concern*

These consolidated financial statements have been prepared in accordance with IFRS accounting principles applicable to a going concern using the historical cost basis.

Management has forecasted the Company will have sufficient working capital to operate for the ensuing 12 months. While the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing, or that such financing will be on terms acceptable to the Company, to meet future operational needs which may result in the delay, reduction, or discontinuation of ongoing development programs.

2. Significant accounting policies cont'd

These consolidated financial statements do not reflect the adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and settle its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such amounts could be material.

c) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries NervGen US Inc. and NervGen Australia Pty Ltd. The subsidiaries are fully consolidated from the date at which control is determined to have occurred and are deconsolidated from the date that the Company no longer controls the entity. Intercompany transactions, balances, and gains and losses on transactions between subsidiaries are eliminated.

d) Foreign currency

Transactions in foreign currencies are translated to the functional currency at the rate on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange as at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

e) Cash

Cash consists of amounts held in banks. Interest from cash is recorded on an accrual basis. The Company does not have any cash equivalents.

f) Research and development costs

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred.

Development activities involve a plan or design for the discovery, preclinical and clinical evaluation and manufacturing of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria will be deemed by the Company to have been met when revenue is received by the Company and a determination that it has sufficient resources to market and sell its product offerings. Upon a determination that the criteria to capitalize development expenditures have been met, the expenditures capitalized will include the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures will be expensed as incurred.

Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. No development costs have been capitalized to date.

g) Intangible assets

The Company has acquired certain intellectual property licenses. The Company expenses patent costs, including license fees and other maintenance costs, until such time as the Company has certainty over the future recoverability of the intellectual property at which time it capitalizes the costs incurred. The Company will capitalize costs directly related to the acquisition of licensed patents.

The Company does not hold any intangible asset with an indefinite life.

2. Significant accounting policies cont'd

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in research and development expenses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

h) Government assistance

Government assistance, including grants and investment tax credits are recorded as a reduction of the related expense or cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received. Investment tax credits related to current expenditures are included in the determination of profit or loss as the expenditures are incurred when there is reasonable assurance they will be realized.

i) Income taxes

Current tax and deferred tax are recognized in the Company's profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity.

Current income taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has been deemed probable that future taxable profit will allow the deferred tax asset to be recovered.

j) Basic and diluted loss per common share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share.

k) Equipment

Property and equipment are recorded at cost net of accumulated depreciation. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

2. Significant accounting policies cont'd

Depreciation is recognized using the straight-line method based on an expected life of the assets.

Computer equipment	2 years

Impairment of long-lived assets:

The Company's long-lived assets are reviewed for indications of impairment at the date of preparing each statement of financial position. If an indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying value of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. For the purpose of impairment testing, the Company determined it has one cash-generating unit. The recoverable amount is the greater of the asset's fair value less cost to sell and value in use.

l) Stock-based compensation

The Company has a stock-based compensation plan (the "Plan") available to officers, directors, employees and consultants with grants under the Plan approved by the Company's Board of Directors. The number of options available to be granted under the Plan is fixed at an amount approved by shareholders at the Company's annual general meeting up to a maximum of 20% of the Company's outstanding common shares. Under the Plan, the exercise price of each option is determined by the Board of Directors. Vesting is provided for at the discretion of the Board of Directors and the expiration of options is to be no greater than 10 years from the date of grant. The Company uses the fair value-based method of accounting for officers, directors and employee awards granted under the Plan. The Company calculates the fair value of each stock option grant using the Black Scholes option pricing model at the grant date. The stock-based compensation cost of the options is recognized as stock-based compensation expense over the relevant vesting period of the stock options using an estimate of the number of options that will eventually vest.

Stock options awarded to non-employees are accounted for at the fair value of the goods received or the services rendered. The fair value is measured at the date the Company obtains the goods or the date the counterparty renders the service. If the fair value of the goods or services cannot be reliably measured, the fair value of the options granted will be used.

m) Financial instruments

Financial assets

The Company's financial assets are comprised of cash, deposits and accounts receivable. All financial assets are initially recorded at fair value plus directly attributable transaction costs except for fair value through profit or loss where costs are expensed. Financial assets are designated upon inception into one of three categories: fair value through profit or loss ("FVTPL"); fair value through other comprehensive income ("FVOCI"); or amortized cost.

Subsequent to initial recognition, the financial assets are measured in accordance with the following:

- FVTPL: Financial instruments or assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a financial instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented net in profit or loss in the period in which it arises. The Company has classified its cash as fair value through profit or loss.
- Amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Finance income

2. Significant accounting policies cont'd

from these financial instruments is recorded in net income (loss) using the effective interest rate method. Deposits and accounts receivable are classified as amortized cost.

- Fair value through other comprehensive income ("FVOCI"): Financial instruments that are held for collection of contractual cash flows and for selling the financial instruments, where the financial instruments' cash flows represent solely payments of principal and interest, are measured at FVOCI.

  Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in net income (loss). When the financial instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to net income (loss) except for equity investments classified as FVOCI. The Company currently has no assets that are measured under FVOCI.

Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost and contract assets, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

Financial liabilities

The Company's financial liabilities are comprised of accounts payable and accrued liabilities. Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs, and subsequently at amortized cost using the effective interest rate method.

A financial liability is derecognized when its contractual obligations are discharged, cancelled or expired.

n) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and to explore and evaluate additional product development opportunities. These equity financing transactions may involve issuance of common shares together with warrants. Depending on the terms and conditions of each of the equity financing transactions, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated in the transaction. Warrants are assigned a value, based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency or finders' fees or other transaction costs are accounted for as share-based payments.

o) Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid in short term cash bonuses if the Company expects to pay these amounts as approved by the Board of Directors as a result of past services provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies cont'd

p) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are assessed by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount on provisions is recognized in finance costs. A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

q) New standards and interpretations not yet adopted

In January 2020, the IASB issued amendments to Presentation of Financial Statements ("IAS 1") to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impacts of adoption.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the consolidated financial statements of the Company.

3. Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are accounted for prospectively.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are discussed below:

Intangible assets

The Company estimates the useful lives of intangible assets from the date they are available for use in the manner intended by management and periodically reviews the useful lives to reflect management's intent about developing and commercializing the assets.

Valuation of stock-based compensation and warrants

Management will measure the costs for stock-based compensation and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected risk-free interest rate, future employee turnover rates, future exercise behaviors and corporate performance. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of stock-based compensation and warrants.

Functional currency

Management considers the determination of the functional currency of the Company a significant judgment. Management has used its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and considered various factors including the currency of historical and future expenditures and the currency in which funds from financing activities are generated. A Company's functional currency is only changed when there is a material change in the underlying transactions, events and conditions.

3. Key sources of estimation uncertainty cont'd

Deferred taxes

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

4. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company has one reportable operating segment being the research and development of pharmaceutical drugs. The Company's intangible assets are registered in the US, and as of December 31, 2021, the Company had deposits of approximately $311,000 (December 31, 2020 - $0) held by Australian vendors and other current assets of approximately $209,000 (December 31, 2020 - $0), in Australia. All other assets are held in Canada.

5. Capital disclosures

The Company defines its capital as share capital, warrants and options. The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its businesses.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue shares or issue debt (secured, unsecured, convertible and/or other types of available debt instruments).

There were no changes to the Company's capital management policy during the year. The Company is not subject to any externally imposed capital requirements.

6. Financial risk management

(a) Fair value

The Company's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, deposits, accounts payable and accrued liabilities. The fair value of these instruments approximate their carry values due to their short-term maturity.

(b) Classification of financial instruments

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is measured using level 1 inputs.

The Company has exposure to the following risks from its use of financial instruments: credit, interest rate, currency and liquidity risk. The Company reviews its risk management framework on a quarterly basis and makes adjustments as necessary.

6. Financial risk management cont'd

(c) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations.

The Company will manage credit risk associated with its cash by maintaining minimum standards of R1-med or A-high investments and the Company will invest only in highly rated Canadian corporations which are capable of prompt liquidation.

(d) Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company believes that its exposure to interest rate risk is not significant.

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The ability to do so relies on the Company maintaining sufficient cash in excess of anticipated needs. As at December 31, 2021, the Company's liabilities consist of accounts payable and accrued liabilities that have contracted maturities of less than one year.

(f) Currency risk

Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk from employee costs as well as the purchase of goods and services primarily in the United States and Australia and cash balances held in foreign currencies.

Fluctuations in the U.S. dollar exchange rate could have a significant impact on the Company's results. Assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in an increase or decrease in loss and comprehensive loss for the year ended December 31, 2021 of $78,000 (December 31, 2020 - $181,000). Fluctuations in the AUS dollar would have a minimal impact on loss and comprehensive loss in the year.

Balances in U.S. dollars are as follows:

	December 31, 2021 $U.S.	December 31, 2020 $U.S.
Cash	**1,008,421**	1,437,337
Vendor deposits	**-**	346,902
Accounts payable and accrued liabilities	**(390,833)**	(360,312)
	617,588	1,423,927

7. Prepaid expenses

	December 31, 2021 $	December 31, 2020 $
Prepaid insurance	**46,737**	37,719
Prepaid consulting to Company director (Note 12)	**15,750**	7,875
Prepaid retainer	**2,523**	2,839
Prepaid listing fees	**31,201**	32,366
Prepaid software	**20,369**	4,492
Vendor deposits	**310,997**	455,459
	427,577	540,750

(Expressed in Canadian Dollars)

8. Intangible asset

In June 2018, the Company entered into an exclusive worldwide licensing agreement to research, develop and commercialize a patented technology, with Case Western Reserve University ("CWRU") in Cleveland, Ohio with potential to bring new therapies for spinal cord injury and other conditions associated with nerve damage.

CWRU was issued 439,000 common shares of the Company valued at $87,800 on closing and a cash payment of $32,920 (U.S. $25,000). An additional 162,659 common shares valued at $81,330 were issued in September 2018.

The license costs are being amortized straight-line over the remaining life of the licensed patent of 15 years. During the year ended December 31, 2021, the Company paid a project milestone payment related to the acquisition of licensed patents of $42,336 (December 31, 2020 - $0) as a result of the commencement of its Phase 1 clinical trial and recognized amortization of $40,572 (December 31, 2020 - $38,220).

Continuity of the intangible asset is as follows:

Intangible asset – Case Western Reserve license	Total $
Balance, December 31, 2019	**509,608**
Amortization expense	(38,220)
Balance, December 31, 2020	**471,388**
Milestone acquisition payment	42,336
Amortization expense	(40,572)
Balance, December 31, 2021	**473,152**

Under the exclusive worldwide licensing agreement with CWRU to research, develop and commercialize patented technologies, the Company has commitments to pay various annual license fees, patent costs, milestone payments and royalties on revenues, contingent on the achievement of certain development and regulatory milestones. The future royalties which may be due upon the regulatory approval of products derived from licensed technologies cannot be reasonably estimated.

As at December 31, 2021, the Company is obligated to pay the following:

- An annual minimum royalty of U.S. $25,000 per year that increases up to a maximum of U.S. $50,000 per year upon the achievement of certain milestones.
- Project milestone payments based on clinical development, estimated to total U.S.$1,850,000.

9. Accounts payable and accrued liabilities

	December 31, 2021 **$**	December 31, 2020 $
Accounts payable	352,546	171,768
Accrued liabilities	451,471	420,050
Amount owing to key management personnel	274,063	163,254
	1,078,080	755,072

10. Share capital

Authorized

Unlimited common shares.

Escrowed securities

In connection with the IPO completed on March 13, 2019, an aggregate of 8,425,000 common shares were placed in escrow.

Pursuant to the escrow agreements, 1,263,750 common shares of the Company remain in escrow as at December 31, 2021 and will be released in March 2022.

Equity Issuances

Fiscal 2021
During the year ended December 31, 2021, 1,084,930 options were exercised for cash proceeds of $1,180,180 and 602,422 warrants were exercised for cash proceeds of $1,197,643. In addition to the cash proceeds received, the original fair value related to these options and warrants of $780,155 and $75,575 respectively, were transferred from reserves to share capital.

The Company completed an overnight marketed equity offering of 3,250,000 units at a price of $1.55 per unit, with each unit comprised of one common share and one-half of one common share purchase warrant for gross proceeds of $5,037,500. Each whole warrant is exercisable into one common share at a price of $2.10 per common share until May 12, 2023. The warrants were attributed a value of $325,000 using the residual value valuation methodology. The Company paid a cash commission totaling $302,250 and issued the brokers an aggregate of 195,000 common share purchase warrants with a fair value of $164,443 using the Black-Scholes option pricing model. The Company also incurred $319,595 in other share issue costs related to legal and listing fees.

The Company also closed a non-brokered private placement of 1,511,636 units at a price of $1.55 per unit, with each unit comprised of one common share and one-half of one common share purchase warrant for gross proceeds of $2,343,036. Each whole warrant is exercisable into one common share at a price of $2.10 per common share until August 4, 2023. The Company paid a cash commission totaling $45,570 and issued the brokers an aggregate of 29,400 common share purchase warrants with a fair value of $30,231 using the Black-Scholes option pricing model. The Company also incurred $42,134 in other share issue costs related to legal and listing fees.

In addition, the Company closed a bought deal financing, issuing 3,680,000 units at a price of $2.50 per unit, with each unit comprised of one common share and one-half of one common share purchase warrant for gross proceeds of $9,200,000. Each whole warrant is exercisable into one common share at a price of $3.20 per common share until November 12, 2023. The Company paid a cash commission totaling $644,000 and issued the brokers an aggregate of 257,600 common share purchase warrants with a fair value of $488,667 using the Black-Scholes option pricing model. The Company also incurred $276,928 in other share issue costs related to legal and listing fees.

Finally, the Company also closed a non-brokered private placement of 892,721 units at a price of $2.60 per unit, with each unit comprised of one common share and one-half of one common share purchase warrant for gross proceeds of $2,321,075. Each whole warrant is exercisable into one common share at a price of $3.20 per common share until November 29, 2023. The Company paid a cash commission totaling $20,430 and incurred $19,639 in other share issue costs related to legal and listing fees.

Fiscal 2020
During year ended December 31, 2020, 323,675 options were exercised for cash proceeds of $310,151. In addition to the cash proceeds received, the original fair value related to these options of $205,782 was transferred from reserves to share capital.

The Company also completed a non-brokered private placement of 1,806,827 units at a price of $1.25 per unit, with each unit comprised of one common share and one common share purchase warrant for gross proceeds of

(Expressed in Canadian Dollars)

10. Share capital cont'd

$2,258,534. Each warrant is non-transferable and is exercisable into one common share at a price of $1.60 per common share until May 20, 2022. The warrants had a $nil fair value using the residual value valuation methodology. The Company paid a cash finders' fee totaling $24,806 and issued the finders an aggregate of 19,845 common share purchase warrants with a fair value of $17,166 using the Black-Scholes option pricing model. The Company also incurred $102,398 in other share issue costs related to legal and listing fees.

The Company also closed a public offering of 3,685,714 units at a price of $1.75 per unit, with each unit comprised of one common share and one common share purchase warrant for gross proceeds of $6,450,000. Each warrant is non-transferable and is exercisable into one common share at a price of $2.40 per common share until August 10, 2022. The warrants had a fair value of $184,286 using the residual value valuation methodology. In addition, the Company paid a cash Agent's Commission of $451,500 and granted 257,999 non-transferable compensation warrants (7% of common shares issued) exercisable at $1.75 per share to the agent and brokerage firms involved in the financing, with a 2-year life and a fair value of $200,465 using the Black-Scholes option pricing model. The Company also incurred $564,496 in other share issue costs related to legal and listing fees.

11. Stock options and warrants

Calculation of loss per share

Loss per common share is calculated using the weighted average number of common shares outstanding.

For the years ended December 31, 2021 and 2020 the calculation was as follows:

	2021	2020
Common shares issued and outstanding, beginning of year	**35,167,875**	29,351,659
Shares issued	**11,021,709**	5,816,216
Common shares issued and outstanding, end of year	**46,189,584**	35,167,875
Weighted average shares outstanding - basic and diluted, end of year	**39,289,224**	32,111,698

Stock Options:

Stock option transactions for the years ended December 31, 2021 and 2020 are set forth below:

	Number of shares issuable under options	**Weighted average exercise price $**
Balance outstanding at December 31, 2019	**3,890,000**	**1.19**
Granted	1,881,000	2.41
Exercised	(323,675)	0.96
Forfeited/Expired	(411,000)	1.46
Balance outstanding at December 31, 2020	**5,036,325**	**1.64**
Granted	2,706,000	1.87
Exercised	(1,084,930)	1.09
Forfeited/Expired	(259,500)	1.47
Balance outstanding at December 31, 2021	**6,397,895**	**1.83**

(Expressed in Canadian Dollars)

11. Stock options and warrants cont'd

The following table summarizes information about stock options outstanding at December 31, 2021:

Exercise Price ($)	Number of Options Outstanding	Number of Options Exercisable	Grant Date	Expiry Date
0.50	284,895	284,895	September 5, 2018	September 5, 2023
1.00	600,000	600,000	January 17, 2019	March 13, 2024
1.54	100,000	100,000	June 1, 2019	June 1, 2022
1.54	180,000	160,000	June 1, 2019	June 1, 2024
1.40	50,000	50,000	July 5, 2019	July 5, 2024
1.49	700,000	700,000	November 26, 2019	November 26, 2029
1.55	30,000	30,000	December 17, 2019	December 17, 2024
3.13	800,000	600,000	February 21, 2020	February 21, 2030
2.99	80,000	60,000	February 24, 2020	February 24, 2030
1.13	262,000	196,500	April 6, 2020	April 6, 2030
2.70	225,000	225,000	June 3, 2020	June 3, 2025
2.70	20,000	15,000	June 3, 2020	June 3, 2030
1.63	60,000	60,000	October 14, 2020	October 14, 2025
1.76	100,000	100,000	October 26, 2020	October 26, 2025
1.85	200,000	200,000	November 6, 2020	November 6, 2025
2.23	150,000	112,500	January 4, 2021	January 4, 2026
2.23	50,000	12,500	January 4, 2021	January 4, 2031
2.12	100,000	75,000	January 12, 2021	January 12, 2026
2.04	80,000	60,000	January 20, 2021	January 20, 2024
1.65	150,000	100,000	April 23, 2021	April 23, 2024
1.65	25,000	12,500	April 23, 2021	April 23, 2026
1.65	306,000	76,500	April 23, 2021	April 23, 2031
1.51	800,000	200,000	May 7, 2021	May 7, 2031
1.75	170,000	67,500	July 16, 2021	July 16, 2024
1.75	25,000	6,250	July 16, 2021	July 16, 2026
2.00	100,000	25,000	July 16, 2021	July 16, 2024
2.10	5,000	1,250	September 13, 2021	September 13, 2024
2.10	550,000	162,500	September 13, 2021	September 13, 2026
2.10	40,000	-	September 13, 2021	September 13, 2031
2.38	40,000	-	October 1, 2021	October 1, 2031
2.97	15,000	-	November 15, 2021	November 15, 2024
2.97	100,000	-	November 15, 2021	November 15, 2031
	6,397,895	**4,292,895**		

The weighted average remaining contractual life of the options outstanding is 6.02 years and the weighted average exercise price is $1.83. The weighted average remaining contractual life of the options exercisable is 5.27 years and the weighted average exercise price is $1.77.

The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model using the following variables:

	December 31, 2021	December 31, 2020
Risk-free interest rate	0.20-1.77%	0.28-1.64%
Expected option life in years	3-10 years	5-10 years
Expected stock price volatility	90.33-128.41%	83.23-100.33%
Expected forfeiture rate	0-15%	15%
Dividend yield	-	-

(Expressed in Canadian Dollars)

11. Stock options and warrants cont'd

Warrants:

Warrant transactions for the years ended December 31, 2021 and 2020 are set forth below:

	Number of shares issuable under warrants	Weighted average exercise price $
Balance outstanding at December 31, 2019	**-**	**-**
Granted	5,770,385	2.12
Balance outstanding at December 31, 2020	**5,770,385**	**2.12**
Granted	5,149,177	2.59
Exercised	(602,422)	1.99
Balance outstanding at December 31, 2021	**10,317,140**	**2.36**

The following table summarizes information about warrants outstanding at December 31, 2021:

Exercise Price ($)	Number of Warrants Outstanding	Grant Date	Expiry Date
1.60	1,624,327	May 20, 2020	May 20, 2022
1.60	16,485	May 20, 2020	May 20, 2022
2.40	3,592,714	August 10, 2020	August 10, 2022
1.75	255,112	August 10, 2020	August 10, 2022
2.10	1,306,875	May 12, 2021	May 12, 2023
1.55	192,450	May 12, 2021	May 12, 2023
2.10	755,817	August 4, 2021	August 4, 2023
2.10	29,400	August 4, 2021	August 4, 2023
3.20	1,840,000	November 12, 2021	November 12, 2023
2.50	257,600	November 12, 2021	November 12, 2023
3.20	446,360	November 29, 2021	November 29, 2023
	10,317,140		

The fair value of warrants granted is estimated on the grant date using the Black-Scholes option pricing model using the following variables:

	December 31, 2021	December 31, 2020
Risk-free interest rate	0.33-0.98%	0.28-0.5%
Expected warrant life in years	2 years	2 years
Expected stock price volatility	117.48-119.31%	83.23-87.41%

12. Key management personnel

Key management personnel, consisting of the Company's Board of Directors and Corporate Officers, received the following compensation for the following periods:

	December 31, 2021	December 31, 2020
	$	$
Stock based compensation	**2,631,383**	3,103,475
Salaries and bonuses	**1,255,086**	1,114,665
Consulting fees	**97,500**	168,000
	3,983,969	4,386,140

(Expressed in Canadian Dollars)

12. Key management personnel cont'd

As at December 31, 2021, the Company had amounts owing or accrued to key management personnel of $274,063 (December 31, 2020 - $163,254) pertaining to expense reimbursements, accrued bonuses and accrued vacation.

Prepaid expenses to key management personnel are disclosed in Note 7.

13. Commitments

In the normal course of business, the Company enters into contracts for the procurement of research and related services. These contracts are typically cancellable by the Company with notice.

14. Components of expenses

	2021	2020
	$	$
Research and Development Expenses		
Amortization of intangible asset	**40,572**	38,220
Preclinical	**1,592,298**	856,005
Chemistry, manufacturing and controls	**1,246,748**	2,825,216
Licensing and patent legal fees	**235,745**	274,256
Clinical and Regulatory	**1,467,565**	385,108
Salaries and benefits	**1,162,009**	1,099,406
Stock-based compensation	**901,167**	629,432
Other research and development	**225,422**	55,565
	6,871,526	6,163,208

	2021	**2020**
	$	$
General and Administration Expenses		
Depreciation expense	**2,054**	1,425
Legal, professional and finance	**1,433,897**	992,678
Salaries and benefits	**1,155,340**	1,090,264
Stock-based compensation	**3,114,506**	2,785,928
Other general and administrative	**233,901**	162,381
	5,939,698	5,032,676

Certain comparative figures have been reclassified to conform to current year presentation. There was no change to loss and comprehensive loss for the year.

(Expressed in Canadian Dollars)

15. Income taxes

a) Provision for Income Tax

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2021	2020
	$	$
Loss for the year	**(12,726,578)**	(11,186,141)
Expected income tax (recovery)	**(3,436,000)**	(3,020,000)
Change in statutory, foreign tax, foreign exchange rates	**(6,000)**	12,000
Permanent differences	**1,086,000**	924,000
Share issue costs	**(451,000)**	(316,000)
Adjustment versus statutory tax return	**-**	45,000
Change in unrecognized deductible temporary differences	**2,807,000**	2,355,000
Total income tax expense (recovery)	**-**	-

Current income tax	$ -	$ -
Deferred tax recovery	$ -	$ -

b) Deferred income tax

	2021	2020
	$	$
Equipment and license	**247,000**	196,000
Share issue costs	**651,000**	413,000
SR&ED expenditures	**740,000**	395,000
Non-capital losses available for future periods	**6,430,000**	4,257,000
	8,068,000	5,261,000
Unrecognized deferred tax asset	**(8,068,000)**	(5,261,000)
Net deferred tax assets	**-**	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included in the consolidated statements of financial position are as follows:

	2021	**Expiry**	2020	Expiry
	$		$	
Equipment and license	**915,000**	**None**	727,000	None
Share issue costs	**2,410,000**	**2022-2025**	1,529,000	2021-2024
SR&ED expenditures	**2,742,000**	**None**	1,464,000	None
Non-capital losses available for future periods	**23,596,000**	**See below**	15,697,000	See below
Canada	**19,466,000**	**2036-2041**	13,527,000	2036-2040
USA	**3,009,000**	**None**	2,170,000	None
Australia	**1,121,000**	**None**	-	N/A

16. Subsequent events

Subsequent to December 31, 2021, the Company received cash proceeds of $72,333 from the exercise of 44,969 warrants.