



Condensed consolidated interim financial statements of

# **NervGen Pharma Corp.**

(Expressed in Canadian Dollars - Unaudited)

For the three months ended March 31, 2019

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

The accompanying condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

# NERVGEN PHARMA CORP.

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

as at

March 31, 2019

December 31, 2018

\$

\$

### Assets

#### Current assets

Cash	9,098,909	2,474,340
Accounts receivable	53,985	25,843
Prepays and deferred financing costs (Notes 6, 11)	65,841	49,375
	<b>9,218,735</b>	<b>2,549,558</b>

#### Non-current assets

Intangible assets (Note 7)	538,274	547,829
	<b>538,274</b>	<b>547,829</b>
	<b>9,757,009</b>	<b>3,097,387</b>

### Liabilities

#### Current liabilities

Accounts payable and accrued liabilities (Note 8)	422,302	390,802
Due to related parties (Note 11)	52,044	58,074
	<b>474,346</b>	<b>448,876</b>

#### Non-current liabilities

License fee payable (Note 7)	-	134,230
	-	134,230
	<b>474,346</b>	<b>583,106</b>

### Shareholders' Equity

Common shares (Note 9)	12,650,506	3,846,630
Reserves (Note 10)	1,024,000	37,947
Deficit	(4,391,843)	(1,370,296)
	<b>9,282,663</b>	<b>2,514,281</b>
	<b>9,757,009</b>	<b>3,097,387</b>

Nature of business (Note 1)

Subsequent events (Note 13)

Approved by the Board

/s/ William J. Radvak Director

/s/ Brian E. Bayley Director

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

**NERVGEN PHARMA CORP.****Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**

(Expressed in Canadian dollars)

(Unaudited)

	<b>For the 3 Months Ended March 31, 2019 \$</b>	<b>For the 3 Months Ended March 31, 2018 \$</b>
<b>Operating expenses</b>		
General and administration (Note 12)	<b>907,718</b>	10,624
Research and development (Note 12)	<b>2,115,852</b>	-
<b>Total operating expenses</b>	<b>3,023,570</b>	<b>10,624</b>
Interest income	<b>(2,023)</b>	-
Net loss and comprehensive loss for the period	<b>(3,021,547)</b>	<b>(10,624)</b>
Basic and diluted net loss per share	<b>(0.16)</b>	(5,312)
Weighted average common shares outstanding (Note 9)	<b>19,312,770</b>	2

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

# NERVGEN PHARMA CORP.

## Condensed Consolidated Interim Statement of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Three Months Ended March 31, 2019 \$	Three Months Ended March 31, 2018 \$
<b>Operating activities</b>		
Loss for the period	(3,021,547)	(10,624)
Items not involving cash:		
Amortization of intangible asset	9,555	
Stock-based compensation	633,953	
Unrealized foreign exchange	(9,590)	
Changes in non-cash working capital:		
Accounts receivable	(28,142)	
Prepaid expenses	(41,466)	
Due to related parties	(6,030)	
Accounts payable and accrued liabilities	(126,474)	10,624
	(2,589,741)	-
<b>Investing activities</b>		
Payments to acquire intangible asset	-	-
	-	-
<b>Financing activities</b>		
Proceeds from issuance of common shares	10,000,000	-
Share issue costs - cash	(795,280)	-
	9,204,720	-
Effect of foreign exchange on cash	9,590	-
<b>Net increase in cash</b>	<b>6,624,569</b>	<b>-</b>
Cash, beginning of period	2,474,340	-
<b>Cash, end of period</b>	<b>9,098,909</b>	<b>-</b>
Cash paid for interest and taxes	-	-
Non-cash transactions:		
Agent compensation options	352,100	-
Allocation of prepaid financing cost to share issue cost	25,000	-
Share issue costs in accounts payable	23,744	-
Reclass of long term license to accounts payable	134,230	-

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

## NERVGEN PHARMA CORP.

### Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars)

(Unaudited)

	Common Shares		Reserves	Deficit	Total Shareholders' Equity (Deficiency)
	Number	Amount			
		\$	\$	\$	\$
<b>Balance December 31, 2017</b>	<b>2</b>	-	-	<b>(11,813)</b>	<b>(11,813)</b>
Common share financings	-	-	-	-	-
Common shares issued for license	-	-	-	-	-
Stock-based compensation	-	-	-	-	-
Loss and comprehensive loss	-	-	-	(10,625)	(10,625)
<b>Balance March 31, 2018</b>	<b>2</b>	-	-	<b>(22,438)</b>	<b>(22,438)</b>
<b>Balance December 31, 2018</b>	<b>17,201,659</b>	<b>3,846,630</b>	<b>37,947</b>	<b>(1,370,296)</b>	<b>2,514,281</b>
Common share financings	10,000,000	9,155,976	-	-	9,155,976
Agent compensation options	-	(352,100)	352,100	-	-
Stock-based compensation	-	-	633,953	-	633,953
Loss and comprehensive loss	-	-	-	(3,021,547)	(3,021,547)
<b>Balance March 31, 2019</b>	<b>27,201,659</b>	<b>12,650,505</b>	<b>1,024,000</b>	<b>(4,391,843)</b>	<b>9,282,663</b>

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

# NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)  
For the three months ended March 31, 2019 and 2018  
(Expressed in Canadian Dollars)

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## 1. Nature of business

NervGen Pharma Corp. (the "Company" or "NervGen") is a private company incorporated on January 19, 2017 under the *Business Corporations Act* (British Columbia). The corporate office of the Company is Suite 1703, 595 Burrard Street, Vancouver, BC, V7X 1J1, Canada, and the registered office is located at Suite 704, 595 Howe Street, Vancouver, BC, V6C 2T5, Canada.

On March 13, 2019, the Company completed an initial public offering ("IPO") of its common shares. The IPO consisted of the issuance of 10,000,000 common shares at a price of \$1.00 per share for gross proceeds of \$10,000,000. Also on March 13, 2019, NervGen's common shares commenced trading on the TSX-V under the symbol "NGEN".

The Company's principal business activity is the discovery, development and commercialization of pharmaceutical products for the treatment of nerve injuries. NervGen is advancing its leading drug candidate NVG-291 initially for the treatment of spinal cord injury while exploiting its technologies to identify additional therapeutic candidates for other related medical conditions.

## 2. Basis of presentation and significant accounting policies

### a) Statement of Compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' (IAS 34) using accounting policies consistent 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 condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the period ended December 31, 2018.

The condensed consolidated interim financial statements were approved by the Company's Board of Directors and authorized for issue on May 23, 2019.

### b) Going Concern

Management has forecasted that based on the IPO closed on March 13, 2019 and private placement closed subsequent to March 31, 2019, the Company will have sufficient working capital to meet its current committed expenditures for the next 12 months. However, there can be no assurance that the capital will be adequate to meet continuing expenditures or that the Company will be able to obtain sufficient financing to meet future operational needs which may result in the delay, reduction or discontinuation of ongoing development programs.

These interim condensed 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 interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary NervGen US Inc. The subsidiary is 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.

# NervGen Pharma Corp.

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## 2. Basis of presentation and significant accounting policies cont'd

### d) *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.

### e) *Significant accounting judgements, estimates and assumptions*

The preparation of these interim condensed consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the interim condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

The interim condensed consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim condensed consolidated financial statements, and may require accounting adjustments based on future occurrences. The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The key assumptions concerning the future, and other key sources of estimation uncertainty as of the date of the statement of financial position that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next fiscal year arise in connection with intangible assets, valuation of deferred tax and the determination of the functional currency of the Company. Significant estimates also take place in connection with the valuation of stock-based compensation.

The accompanying interim condensed consolidated financial statements are prepared in accordance with IFRS and follow the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended December 31, 2018. They do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these interim condensed consolidated financial statements. For further information, see the Company's audited financial statements including notes thereto for the year ended December 31, 2018.

### f) *New accounting policy*

The following IFRS pronouncement has been adopted during 2019:

The Company has adopted new accounting standard IFRS 16 - Leases, effective for the Company's annual period beginning January 1, 2019. The adoption of IFRS 16 did not result in any changes to the Company's financial statements.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, with certain exemptions. The standard includes two recognition exemptions for lessees – leases of "low-value" assets and short-term leases with a lease term of 12 months or less. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are also required to remeasure the lease liability upon the occurrence of certain events such as a change in lease term. The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.



# NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)  
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## 3. 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. All of the Company's assets are located in Canada.

## 4. Capital disclosures

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 period. The Company is not subject to any externally imposed capital requirements.

## 5. Financial risk management

### (a) Fair value

The Company's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, accounts payable and accrued liabilities, due to related parties and license fee payable. The fair value of these instruments, approximate their carry values due to their short-term maturity, with the exception of the license fee payable, which is discounted using a valuation model.

#### *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.

### (b) 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.

### (c) 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.

# NervGen Pharma Corp.

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## 5. Financial risk management cont'd

### (d) 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 March 31, 2019, the Company's liabilities consist of, accounts payable and accrued liabilities and amounts due to related parties that have contracted maturities of less than one year.

### (e) 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 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 three months ended March 31, 2019 of \$731,000 (December 31, 2018 - \$61,000).

Balances in U.S. dollars are as follows:

	March 31, 2019 \$U.S.	December 31, 2018 \$U.S.
Cash	5,675,606	814,638
Accounts payable and accrued liabilities	(195,109)	(367,211)
	<b>5,480,497</b>	447,427

## 6. Prepaid expenses

	March 31, 2019 \$	December 31, 2018 \$
Prepaid insurance	33,375	750
Prepaid consulting to related parties (Note 11)	23,625	23,625
Prepaid retainer	8,841	25,000
	<b>65,841</b>	49,375

## 7. 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 ("Case Western Reserve") in Cleveland, Ohio with potential to bring new therapies for spinal cord injury and other conditions associated with nerve damage.

Case Western Reserve 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. This share issuance fulfilled the Company's final requirement to issue anti-dilution shares to Case Western Reserve. No further anti-dilution shares are required to be issued under this agreement.

The Company has agreed to reimburse certain past expenses incurred by Case Western Reserve in stages over a period of three years, subject to an acceleration clause, in addition to advance minimum royalty payments escalating over time. As of March 31, 2019, the outstanding portion of these obligations is

# NervGen Pharma Corp.

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## 7. Intangible asset cont'd

\$177,144. The successful completion of the IPO has resulted in the Company meeting the acceleration clause thereby accelerating the payment of this liability which was paid in April 2019.

Additional cash payments are payable to Case Western Reserve pursuant to completion of development and sales milestones and tiered royalties are payable on net sales.

The license costs are being amortized straight-line over a remaining minimum life of the licensed patent of 15 years. During the three months ended March 31, 2019, the Company recognized amortization of \$9,555 (March 31, 2018 - \$nil).

Continuity of the intangible asset is as follows:

Intangible asset – Case Western Reserve license	Total
<b>Balance, December 31, 2017</b>	<b>\$ -</b>
Allocation of deferred acquisition costs	83,249
Upfront cash fee	32,920
Annual minimum royalty	13,183
Legal fees	22,455
Binding acquisition obligations	246,655
Shares issued for acquisition	169,130
Amortization expense	(19,763)
<b>Balance, December 31, 2018</b>	<b>547,829</b>
Amortization expense	(9,555)
<b>Balance, March 31, 2019</b>	<b>\$ 538,274</b>

## 8. Accounts payable and accrued liabilities

	March 31, 2019	December 31, 2018
	\$	\$
Accounts payable and accrued liabilities	422,302	390,802

## 9. Share capital

### Authorized

Unlimited common shares.

### Escrowed securities

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

Pursuant to the escrow agreements, 7,582,500 common shares of the Company remain in escrow as at March 31, 2019 and will be released in various tranches over 36 months.

### Equity Issuances

#### Fiscal 2019

The Company issued 10,000,000 common shares for net cash proceeds of \$9,155,976 and granted 700,000 non-transferable compensation options (7% of common shares issued on IPO) at \$1.00 per share to the agent

# NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)  
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## 9. Share capital cont'd

and brokerage firms involved in the financing, with a 2-year life and a fair value of \$352,100 using the Black-Scholes option pricing model.

### Fiscal 2018

The Company issued 16,599,998 common shares for cash proceeds of \$3,591,468 and settlement of amounts due to related parties of \$86,032. A total of 601,659 common shares, valued at \$169,130, were issued for license acquisition.

### Calculation of loss per share

Loss per common share is calculated using the weighted average number of common shares outstanding. For the three months ended March 31, 2019 the calculation was as follows.

	Three months ended March 31, 2019	Three months ended March 31, 2018
Common shares issued and outstanding, beginning of year	17,201,659	-
Shares issued	10,000,000	2
<b>Common shares issued and outstanding, end of period</b>	<b>27,201,659</b>	<b>2</b>
<b>Weighted average shares outstanding, end of period</b>	<b>19,312,770</b>	<b>2</b>

## 10. Stock options

During the three months ended March 31, 2019 the Company granted stock options to purchase 1,050,000 common shares at \$1.00 per share, with a 5-year life and a fair value of \$754,950 using the Black-Scholes option pricing model and vest over varying periods of approximately three years. 700,000 non-transferable compensation options related to the IPO were also granted at \$1.00 per share, with a 2-year life and a fair value of \$352,100 using the Black-Scholes option pricing model.

During the three months ended March 31, 2019, the Company recognized \$633,953 in share-based compensation expense.

Stock option transactions for the three months ended March 31, 2019 are set forth below:

	Number of Shares issuable under Options	Weighted Average Exercise Price
Balance outstanding at December 31, 2017	-	\$ -
Granted	350,000	0.50
Balance outstanding at December 31, 2018	350,000	\$ 0.50
Granted	1,750,000	1.00
<b>Balance outstanding at March 31, 2019</b>	<b>2,100,000</b>	<b>\$ 0.92</b>

The following table summarizes information about stock options outstanding at March 31, 2019:

# NervGen Pharma Corp.

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## 10. Stock options cont'd

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Shares issuable under Options	Weighted average remaining contractual life	Weighted average exercise price	Number of Shares issuable under Options	Weighted average exercise price
\$		Years	\$		\$
0.50	350,000	4.44	0.08	150,000	0.05
1.00	1,750,000	3.38	0.83	1,512,500	0.91
	2,100,000	3.73	0.92	1,662,500	0.95

## 11. Related party disclosures

Key management personnel, consisting of the Company's officers (Founder, President and Secretary) and directors, received the following compensation for the following periods:

	March 31, 2019	March 31, 2018
	\$	\$
Consulting fees	75,450	5,000
Salaries	107,157	-
Stock based compensation	529,174	-
Related party rent	1,500	-
	713,281	5,000

As at March 31, 2019, the Company had amounts owing or accrued to related parties of \$52,044 (December 31, 2018 - \$58,074) pertaining to rent, expense reimbursements, allowances and bonuses.

Prepaid expenses to related parties are disclosed in Note 6.

## 12. Components of expenses

	March 31, 2019	March 31, 2018
	\$	\$
<b>General and Administration Expenses</b>		
Amortization expense	9,555	-
Facilities and operations	103,881	426
Legal, professional and finance	172,851	10,198
Salaries and benefits	97,833	-
Stock-based compensation	511,596	-
Other general and administrative	12,002	-
	907,718	10,624

# NervGen Pharma Corp.

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## 12. Components of expenses cont'd

	March 31, 2019	March 31, 2018
	\$	\$
<b>Research and Development Expenses</b>		
Pre-clinical	318,537	-
Chemistry, manufacturing and controls	1,474,750	-
Licensing & patent legal fees	6,605	-
Clinical	51,791	-
Salaries and benefits	112,036	-
Stock-based compensation	122,357	-
Other research and development	29,776	-
	<b>2,115,852</b>	<b>-</b>

## 13. Subsequent events

Subsequent to March 31, 2019, the Company:

1. Closed a non-brokered private placement on May 1, 2019, which consisted of the issuance of 350,000 shares at \$1.00 each and 300,000 shares at \$1.30 each for gross proceeds of \$740,000.
2. Initiated trading of its shares on the U.S. over-the counter OTC QB market, on May 3, 2019 under trading symbol "NGENF".