



Condensed consolidated interim financial statements of

NervGen Pharma Corp.

(Expressed in Canadian Dollars - Unaudited)

For the three months ended March 31, 2020

NERVGEN PHARMA CORP.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

as at	March 31, 2020	December 31, 2019
	\$	\$
Assets		
Current assets		
Cash	2,512,007	4,106,183
Accounts receivable	6,911	122,502
Prepays and deposits (Notes 6, 11)	2,404,506	2,027,176
	4,923,424	6,255,861
Non-current assets		
Fixed assets	3,278	-
Intangible assets (Note 7)	500,053	509,608
	503,331	509,608
	5,426,755	6,765,469
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	604,355	751,560
Due to related parties (Note 11)	123,204	172,389
	727,559	923,949
Shareholders' Equity		
Common shares (Note 9)	15,441,182	15,293,689
Reserves (Note 10)	2,253,252	1,683,734
Deficit	(12,995,238)	(11,135,903)
	4,699,196	5,841,520
	5,426,755	6,765,469

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)

	For the 3 Months Ended March 31, 2020 \$	For the 3 Months Ended March 31, 2019 \$
Operating expenses		
Research and development (Note 12)	1,073,548	2,115,852
General and administration (Note 12)	794,561	907,718
Total operating expenses	1,868,109	3,023,570
Interest income	(8,774)	(2,023)
Net loss and comprehensive loss for the period	(1,859,335)	(3,021,547)
Basic and diluted net loss per share	(0.06)	(0.16)
Weighted average common shares outstanding (Note 9)	29,431,406	19,312,770

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, 2020 \$	Three Months Ended March 31, 2019 \$
Operating activities		
Loss for the period	(1,859,335)	(3,021,547)
Items not involving cash:		
Amortization of intangible asset	9,555	9,555
Depreciation	143	-
Stock-based compensation	629,020	633,953
Unrealized foreign exchange	(407,985)	(9,590)
Changes in non-cash working capital:		
Accounts receivable	115,591	(28,142)
Prepaid expenses	(186,225)	(41,466)
Due to related parties	(49,185)	(6,030)
Accounts payable and accrued liabilities	(158,012)	(126,474)
	(1,906,433)	(2,589,741)
Investing activities		
Payments to acquire fixed assets	(3,421)	-
	(3,421)	-
Financing activities		
Option exercises	114,000	-
Proceeds from issuance of common shares	-	10,000,000
Share issue costs - cash	(26,009)	(795,280)
	87,991	9,204,720
Effect of foreign exchange on cash	227,687	9,590
Net (decrease) increase in cash	(1,594,176)	6,624,569
Cash, beginning of period	4,106,183	2,474,340
Cash, end of period	2,512,007	9,098,909
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
Shares issue costs in accounts payable	-	23,744
Reclass of long term license to accounts payable	-	134,230
Fair value of options allocated to share capital	59,502	-

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

(Expressed in Canadian dollars)

(Unaudited)

	Common Shares		Reserves	Deficit	Total
	Number	Amount			Shareholders'
		\$	\$	\$	Equity (Deficiency)
Balance December 31, 2018	17,201,659	3,846,630	37,947	(1,370,296)	2,514,281
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)
Balance March 31, 2019	27,201,659	12,650,506	1,024,000	(4,391,843)	9,282,663
Balance December 31, 2019	29,351,659	15,293,689	1,683,734	(11,135,903)	5,841,520
Option exercises	114,000	173,502	(59,502)	-	114,000
Shares issued for deposit (net)	-	(26,009)	-	-	(26,009)
Stock-based compensation	-	-	629,020	-	629,020
Loss and comprehensive loss	-	-	-	(1,859,335)	(1,859,335)
Balance March 31, 2020	29,465,659	15,441,182	2,253,252	(12,995,238)	4,699,196

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, 2020 and 2019
(Expressed in Canadian Dollars)

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.

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 15, 2019, NervGen’s common shares commenced trading on the TSX-V under the symbol “NGEN”.

The Company’s shares were listed on the U.S. over-the counter OTCQB® market, on May 3, 2019 under trading symbol “NGENF” and were subsequently uplisted to the OTCQX® on June 10, 2019.

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 lead compound, NVG-291, for the treatment of spinal cord injury (“SCI”) and multiple sclerosis (“MS”). The Company has also initiated a preclinical research and development program to determine if its technology could have a positive effect on Alzheimer’s disease.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread globally, has adversely affected workforces, economies, and financial markets, leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours and it is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business or results of operations at this time. As a result of this uncertainty, subsequent to the quarter ended March 31, 2020, the Company has taken several measures in order to conserve cash while minimally impacting operations, including reducing or suspending the majority of external consulting contracts unless directly related to development programs or financing and temporarily reducing the compensation of all staff in exchange for a grant of additional stock options. In addition, on May 20, 2020 the Company completed a non-brokered private placement of 1,806,827 units, with each unit comprised of one common share and one common share purchase warrant, for gross proceeds of \$2,258,534 (Note 13).

2. Basis of presentation and significant accounting policies

a) *Statement of Compliance*

These condensed consolidated interim 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, 2019.

The condensed consolidated interim financial statements were approved by the Company’s Board of Directors and authorized for issue on June 1, 2020.

b) *Going Concern*

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.

NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
For the three months ended March 31, 2020 and 2019
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2. Basis of presentation and significant accounting policies cont'd

These condensed consolidated interim 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 condensed consolidated interim 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.

d) *Functional and presentation currency*

The functional currency of an entity and its subsidiary is the currency of the primary economic environment in which the entity operates. The functional currency of NervGen Pharma Corp. and its subsidiary, NervGen US Inc., is the Canadian dollar and the presentation currency of the Company is the Canadian dollar.

e) *Significant accounting judgements, estimates and assumptions*

The preparation of these condensed consolidated interim 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 condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

The condensed consolidated interim financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim 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 condensed consolidated interim 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 valuation of 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.

f) *New accounting policy*

No new standards, amendments to standards, or interpretations which may have a material impact on the Company's condensed consolidated interim financial statements have taken effect or have been applied in preparing these financial statements.

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.

NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
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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, deposits, accounts payable and accrued liabilities, and due to related parties. The fair value of these instruments approximate their carry values due to their short-term maturity.

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.

(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, 2020, 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.

NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
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5. Financial risk management cont'd

(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, 2020 of \$436,000 (March 31, 2019 - \$731,000).

Balances in U.S. dollars are as follows:

	March 31, 2020	December 31, 2019
	\$U.S.	\$U.S.
Cash	1,698,939	3,059,250
Vendor deposits	1,652,200	1,500,000
Accounts payable and accrued liabilities	(274,598)	(475,885)
	3,076,541	4,083,365

6. Prepaid expenses

	March 31, 2020	December 31, 2019
	\$	\$
Prepaid insurance	42,350	10,843
Prepaid consulting and expenses to related parties (Note 11)	-	31,500
Prepaid retainer	-	884
Prepaid listing fees	20,990	31,549
Vendor deposits	2,341,166	1,952,400
	2,404,506	2,027,176

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.

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 the remaining life of the licensed patent of 15 years. During the three months ended March 31, 2020, the Company recognized amortization of \$9,555 (March 31, 2019 - \$9,555).

NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
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7. Intangible asset cont'd

Continuity of the intangible asset is as follows:

Intangible asset – Case Western Reserve license	Total
Balance, December 31, 2018	547,829
Amortization expense	(38,221)
Balance, December 31, 2019	509,608
Amortization expense	(9,555)
Balance, March 31, 2020	\$ 500,053

8. Accounts payable and accrued liabilities

	March 31, 2020	December 31, 2019
	\$	\$
Accounts payable	517,567	501,923
Accrued liabilities	86,788	249,637
	604,355	751,560

9. 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, 5,055,000 common shares of the Company remain in escrow as at March 31, 2020 and will be released in various tranches over the remainder of the 36 month period after the IPO.

Equity Issuances

Fiscal 2020

During the three months ended March 31, 2020, 114,000 options were exercised for cash proceeds of \$114,000. In addition to the cash proceeds received, the original fair value related to these options of \$59,502 was transferred from reserves to share capital.

Equity Issuances

Fiscal 2019

During the three months ended March 31, 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 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.

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, 2020 and 2019 the calculation was as follows:

NervGen Pharma Corp.

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9. Share capital cont'd

	Three months Ended March 31, 2020	Three months Ended March 31, 2019
Common shares issued and outstanding, beginning of period	29,351,659	17,201,659
Shares issued	114,000	10,000,000
Common shares issued and outstanding, end of period	29,465,659	27,201,659
Weighted average shares outstanding, end of period	29,431,406	19,312,770

10. Stock options

During the three months ended March 31, 2020 the Company granted stock options to purchase 80,000 common shares at an exercise price of \$2.99 per share and 800,000 common shares at an exercise price of \$3.13 per share, with a 10-year life and a fair value of \$214,400 and \$2,244,000 respectively, using the Black-Scholes option pricing model. 25% vest 6 months following the date of grant and 25% vesting every 6 months thereafter until fully vested.

During the three months ended March 31, 2020, the Company recognized \$629,020 in share-based compensation expense.

Stock option transactions for the three months ended March 31, 2020 are set forth below:

	Number of shares issuable under options	Weighted average exercise price
Balance outstanding at December 31, 2018	350,000	\$ 0.50
Granted ⁽¹⁾	3,540,000	1.25
Balance outstanding at December 31, 2019	3,890,000	\$ 1.19
Granted	880,000	3.12
Exercised	(114,000)	1.00
Balance outstanding at March 31, 2020	4,656,000	\$ 1.56

(1) 2,840,000 stock options were granted under the Company's stock option plan. 700,000 non-transferable agent compensation options were granted related to the IPO.

The following table summarizes information about stock options outstanding at March 31, 2020:

Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Grant Date	Expiry Date
0.50	350,000	250,000	September 5, 2018	September 5, 2023
1.00	1,040,000	952,500	January 17, 2019	January 17, 2024
1.00	596,000	596,000	March 13, 2019	March 13, 2021
1.54	380,000	145,000	June 1, 2019	June 1, 2024
1.54	100,000	75,000	June 1, 2019	June 1, 2022
1.40	50,000	25,000	July 5, 2019	July 5, 2024
1.49	1,150,000	-	November 26, 2019	November 26, 2029
1.49	80,000	40,000	November 26, 2019	November 26, 2020
1.55	30,000	7,500	December 17, 2019	December 17, 2024
2.99	80,000	-	February 24, 2020	February 24, 2030
3.13	800,000	-	February 21, 2020	February 21, 2030
	4,656,000	2,091,000		

NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
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10. Stock options cont'd

The weighted average remaining contractual life of the options outstanding is 5.96 years and the weighted average exercise price is \$1.56. The weighted average remaining contractual life of the options exercisable is 2.86 years and the weighted average exercise price is \$1.01.

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

	March 31, 2020	March 31, 2019
Risk-free interest rate	1.64%	1.75%
Expected option life in years	10 years	2-5 years
Expected stock price volatility	100.33%	94%
Expected forfeiture rate	15%	0-15%
Dividend yield	-	-

11. Related party disclosures

Key management personnel, consisting of the Company's officers (Founder, President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Vice President – Clinical Operations, Vice President – Chemistry Manufacturing and Controls) and directors, received the following compensation for the following periods:

	Three months ended March 31, 2020	Three months ended March 31, 2019
	\$	\$
Stock based compensation	557,500	529,174
Salaries and bonuses	423,529	107,157
Consulting fees	82,500	75,450
Related party rent	2,500	1,500
	1,066,029	713,281

As at March 31, 2020, the Company had amounts owing or accrued to related parties of \$123,204 (December 31, 2019 - \$172,389) pertaining to rent, expense reimbursements, accrued bonuses and accrued vacation.

Prepaid expenses to related parties are disclosed in Note 6.

NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
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12. Components of expenses

	Three months ended March 31, 2020	Three months ended March 31, 2019
	\$	\$
Research and Development Expenses		
Preclinical	142,512	318,537
Chemistry, manufacturing and controls	81,392	1,474,750
Licensing and patent legal fees	124,052	6,605
Regulatory	27,483	-
Clinical	65,229	51,791
Salaries and benefits	422,430	112,036
Stock-based compensation	191,170	122,357
Other research and development	19,280	29,776
	1,073,548	2,115,852

	Three months ended March 31, 2020	Three months ended March 31, 2019
	\$	\$
General and Administration Expenses		
Amortization expense	9,555	9,555
Facilities and operations	33,907	103,881
Legal, professional and finance	368,203	172,851
Salaries and benefits	320,496	97,833
Stock-based compensation	437,850	511,596
Other general and administrative	29,618	14,926
Foreign exchange	(405,068)	(2,924)
	794,561	907,718

13. Subsequent events

Subsequent to March 31, 2020:

- On April 6, 2020 the Company granted 280,000 incentive stock options to Directors and Officers and an additional 96,000 incentive stock options to employees exercisable at a price of \$1.13 per share for a period of 10 years. All options will vest over a two-year period.
- On May 20, 2020 the Company 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 \$2,258,534. The Company paid a cash finders' fee totaling \$24,806 and issued the finders an aggregate of 19,845 common share purchase warrants. 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.