



Condensed consolidated interim financial statements of

NervGen Pharma Corp.

(Expressed in Canadian Dollars - Unaudited)

For the nine months ended September 30, 2021

NERVGEN PHARMA CORP.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

| as at | September 30, 2021 | December 31, 2020 |
|---|--------------------|-------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash | 8,249,427 | 5,598,560 |
| Accounts receivable | 41,972 | 62,594 |
| Prepays and deposits (Notes 6, 11) | 599,826 | 540,750 |
| | 8,891,225 | 6,201,904 |
| Non-current assets | | |
| Capital assets | 3,462 | 1,996 |
| Intangible assets (Note 7) | 483,589 | 471,388 |
| | 487,051 | 473,384 |
| | 9,378,276 | 6,675,288 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 8) | 807,104 | 591,818 |
| Due to related parties (Note 11) | 277,842 | 163,254 |
| | 1,084,946 | 755,072 |
| Shareholders' Equity | | |
| Common shares (Note 9) | 31,223,661 | 22,947,031 |
| Reserves (Note 10) | 7,971,436 | 5,295,229 |
| Deficit | (30,901,767) | (22,322,044) |
| | 8,293,330 | 5,920,216 |
| | 9,378,276 | 6,675,288 |

Nature of business (Note 1)

Commitments (Note 12)

Subsequent events (Note 14)

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 September 30, 2021 \$ | For the 3 Months Ended September 30, 2020 \$ | For the 9 Months Ended September 30, 2021 \$ | For the 9 Months Ended September 30, 2020 \$ |
|---|---|---|---|---|
| Operating expenses | | | | |
| Research and development (Note 13) | 2,016,154 | 716,628 | 4,339,113 | 2,880,412 |
| General and administration (Note 13) | 1,650,913 | 1,334,619 | 4,325,504 | 3,901,790 |
| Total operating expenses | 3,667,067 | 2,051,247 | 8,664,617 | 6,782,202 |
| Interest income | (6,566) | (4,023) | (16,577) | (13,956) |
| Foreign exchange (gain) loss | (61,134) | 86,161 | (68,317) | (153,740) |
| Net loss and comprehensive loss for the period | (3,599,367) | (2,133,385) | (8,579,723) | (6,614,506) |
| Basic and diluted net loss per share | (0.09) | (0.06) | (0.23) | (0.21) |
| Weighted average common shares outstanding (Note 9) | 40,129,198 | 33,464,042 | 37,763,433 | 31,078,944 |

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

NERVGEN PHARMA CORP.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

| | Nine Months Ended September 30, 2021 \$ | Nine Months Ended September 30, 2020 \$ |
|--|--|--|
| Operating activities | | |
| Net loss for the period | (8,579,723) | (6,614,506) |
| Items not involving cash: | | |
| Amortization of intangible asset | 30,136 | 28,665 |
| Depreciation | 1,284 | 998 |
| Stock-based compensation | 2,939,390 | 2,888,552 |
| Unrealized foreign exchange | (83,395) | (153,977) |
| Changes in non-cash working capital: | | |
| Accounts receivable | 20,622 | 116,973 |
| Prepaid expenses | (59,076) | (16,976) |
| Due to related parties | 114,588 | 664 |
| Accounts payable and accrued liabilities | 203,446 | (607,698) |
| | (5,412,728) | (4,357,305) |
| Investing activities | | |
| Payments to acquire capital assets | (2,750) | (3,421) |
| Acquisition payments on intangible asset | (42,336) | - |
| | (45,086) | (3,421) |
| Financing activities | | |
| Option and warrant exercises | 1,340,979 | 265,122 |
| Proceeds from issuance of common shares | 7,380,536 | 8,708,534 |
| Share issue costs - cash | (696,228) | (1,163,424) |
| | 8,025,287 | 7,810,232 |
| Effect of foreign exchange on cash | 83,394 | 99,954 |
| Net increase (decrease) in cash | 2,650,867 | 3,549,460 |
| Cash, beginning of period | 5,598,560 | 4,106,183 |
| Cash, end of period | 8,249,427 | 7,655,643 |

Cash paid for interest and taxes \$ - \$ -

Non-cash transactions:

| | | |
|---|---------|---------|
| Fair value of options allocated to share capital | 780,155 | 167,395 |
| Fair value of warrants allocated to share capital | 2,702 | - |
| Finder's/Broker's warrants | 194,674 | 217,631 |
| Share issue costs in accounts payable and accrued liabilities | 11,840 | - |

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

NERVGEN PHARMA CORP.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

| | Common Shares | | Reserves | Deficit | Total Shareholders' Equity |
|-----------------------------------|-------------------|-------------------|------------------|---------------------|----------------------------|
| | Number | Amount | | | |
| | | \$ | \$ | \$ | \$ |
| 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 |
| Option exercises | 140,000 | 240,660 | (100,660) | - | 140,000 |
| Common share financings (net) | 1,806,827 | 2,131,330 | - | - | 2,131,330 |
| Finders warrants | - | (17,166) | 17,166 | - | - |
| Stock-based compensation | - | - | 1,232,457 | - | 1,232,457 |
| Loss and comprehensive loss | - | - | - | (2,621,786) | (2,621,786) |
| Balance June 30, 2020 | 31,412,486 | 17,796,006 | 3,402,215 | (15,617,024) | 5,581,197 |
| Option exercises | 18,675 | 18,356 | (7,234) | - | 11,123 |
| Common share financings (net) | 3,685,714 | 5,255,502 | 184,286 | - | 5,439,788 |
| Finders warrants | - | (200,465) | 200,465 | - | - |
| Stock-based compensation | - | - | 1,027,075 | - | 1,027,075 |
| Loss and comprehensive loss | - | - | - | (2,133,385) | (2,133,385) |
| Balance September 30, 2020 | 35,116,875 | 22,869,399 | 4,806,808 | (17,750,409) | 9,925,798 |
| Balance December 31, 2020 | 35,167,875 | 22,947,031 | 5,295,229 | (22,322,044) | 5,920,216 |
| Option exercises | 679,930 | 1,040,835 | (360,905) | - | 679,930 |
| Warrant exercises | 12,887 | 23,295 | (2,242) | - | 21,053 |
| Stock-based compensation | - | - | 775,997 | - | 775,997 |
| Loss and comprehensive loss | - | - | - | (2,247,417) | (2,247,417) |
| Balance March 31, 2021 | 35,860,692 | 24,011,161 | 5,708,079 | (24,569,461) | 5,149,779 |
| Common share financings (net) | 3,250,000 | 4,093,346 | 325,000 | - | 4,418,346 |
| Broker warrants | - | (164,443) | 164,443 | - | - |
| Stock-based compensation | - | - | 847,930 | - | 847,930 |
| Loss and comprehensive loss | - | - | - | (2,732,939) | (2,732,939) |
| Balance June 30, 2021 | 39,110,692 | 27,940,064 | 7,045,452 | (27,302,400) | 7,683,116 |
| Common share financings (net) | 1,511,636 | 2,254,120 | - | - | 2,254,120 |
| Option exercises | 405,000 | 919,500 | (419,250) | - | 500,250 |
| Warrant exercises | 79,546 | 140,207 | (460) | - | 139,747 |
| Broker warrants | - | (30,230) | 30,230 | - | - |
| Stock-based compensation | - | - | 1,315,464 | - | 1,315,464 |
| Loss and comprehensive loss | - | - | - | (3,599,367) | (3,599,367) |
| Balance September 30, 2021 | 41,106,874 | 31,223,661 | 7,971,436 | (30,901,767) | 8,293,330 |

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 nine months ended September 30, 2021 and 2020
(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.

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 products for the treatment of nervous system injury due to trauma or disease as a result of underlying inflammation and/or neurodegeneration. NervGen is advancing its lead compound, NVG-291, for the treatment of multiple sclerosis (“MS”), spinal cord injury (“SCI”) and Alzheimer’s disease.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic and the Company continues to evaluate the COVID-19 situation and monitor any impacts or any potential impacts 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 future clinical activities related to NVG-291. The Company asked all our business partners to engage us by telephone or video conference where possible, minimizing business travel. 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. 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, 2020.

The condensed consolidated interim financial statements were approved by the Company’s Board of Directors and authorized for issue on November 17, 2021.

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.

These 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

NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
For the nine months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)

2. Significant accounting policies cont'd

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 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) *Functional and presentation currency*

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.

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. The Company's intangible assets are registered in the US, and the Company has deposits of approximately \$401,000 held by US vendors and \$130,000 held by Australian vendors. All other assets are held in Canada.

NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
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4. 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 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.

(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.

(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 September 30, 2021, 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)
For the nine months ended September 30, 2021 and 2020
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5. Financial risk management cont'd

(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 nine months ended September 30, 2021 of \$198,000 (September 30, 2020 - \$546,000). Fluctuations in the AUS dollar would have a minimal impact on loss and comprehensive loss in the quarter.

Balances in U.S. dollars are as follows:

| | September 30, 2021 | December 31, 2020 |
|--|--------------------|-------------------|
| | \$U.S. | \$U.S. |
| Cash | 1,659,597 | 1,437,337 |
| Vendor deposits | 315,702 | 346,902 |
| Accounts payable and accrued liabilities | (417,086) | (360,312) |
| | 1,558,213 | 1,423,927 |

6. Prepaid expenses

| | September 30, 2021 | December 31, 2020 |
|---|--------------------|-------------------|
| | \$ | \$ |
| Prepaid insurance | 44,721 | 37,719 |
| Prepaid consulting to related parties (Note 11) | - | 7,875 |
| Prepaid retainer | 5,045 | 2,839 |
| Prepaid listing fees | 12,942 | 32,366 |
| Prepaid software | 5,489 | 4,492 |
| Vendor deposits | 531,629 | 455,459 |
| | 599,826 | 540,750 |

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

The license costs are being amortized straight-line over the remaining life of the licensed patent of 15 years. During the nine months ended September 30, 2021, the Company recognized amortization of \$30,135 (September 30, 2020 - \$28,665).

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:

| | Total \$ |
|---|----------------|
| Intangible asset – Case Western Reserve license | |
| Balance, December 31, 2019 | 509,608 |
| Amortization expense | (38,220) |
| Balance, December 31, 2020 | 471,388 |
| Milestone acquisition payment | 42,336 |
| Amortization expense | (30,135) |
| Balance, September 30, 2021 | 483,589 |

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 September 30, 2021, the Company is obligated to pay the following:

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

8. Accounts payable and accrued liabilities

| | September 30, 2021 \$ | December 31, 2020 \$ |
|---------------------|--------------------------|-------------------------|
| Accounts payable | 616,926 | 171,768 |
| Accrued liabilities | 190,178 | 420,050 |
| | 807,104 | 591,818 |

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, 1,263,750 common shares of the Company remain in escrow as at September 30, 2021 and will be released in various tranches over the remainder of the 36 month period after the IPO.

Equity Issuances

Fiscal 2021

During the nine months ended September 30, 2021, 1,084,930 options were exercised for cash proceeds of \$1,180,180 and 92,433 warrants were exercised for cash proceeds of \$160,799. In addition to the cash proceeds received, the original fair value related to these options and warrants of \$780,155 and \$2,702 respectively, were transferred from reserves to share capital.

NervGen Pharma Corp.

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

The Company also 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 had a fair 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 \$316,903 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 \$30,230 using the Black-Scholes option pricing model. The Company also incurred \$43,310 in other share issue costs related to legal and listing fees.

Fiscal 2020

During the nine months ended September 30, 2020, 272,675 options were exercised for cash proceeds of \$265,123. In addition to the cash proceeds received, the original fair value related to these options of \$167,396 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 \$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 \$558,710 in other share issue costs related to legal and listing fees.

Calculation of loss per share

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

For the three and nine months ended September 30, 2021 and 2020 the calculation was as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|-------------------|------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Common shares issued and outstanding, beginning of period | 39,110,692 | 31,412,486 | 35,167,875 | 29,351,659 |
| Shares issued | 1,996,182 | 3,704,389 | 5,938,999 | 5,765,216 |
| Common shares issued and outstanding, end of period | 41,106,874 | 35,116,875 | 41,106,874 | 35,116,875 |
| Weighted average shares outstanding - basic and diluted, end of period | 40,129,198 | 33,464,042 | 37,763,433 | 31,078,944 |

NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
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10. Stock options and warrants

Stock Options:

Stock option transactions for the nine months ended September 30, 2021 are set forth below:

| | Number of shares issuable under options | Weighted average exercise price \$ |
|--|---|--|
| Balance outstanding at December 31, 2020 | 5,036,325 | 1.64 |
| Granted | 380,000 | 2.16 |
| Exercised | (679,930) | 1.00 |
| Forfeited/Expired | (109,500) | 1.50 |
| Balance outstanding at March 31, 2021 | 4,626,895 | 1.78 |
| Granted | 1,281,000 | 1.56 |
| Forfeited/Expired | (150,000) | 1.44 |
| Balance outstanding at June 30, 2021 | 5,757,895 | 1.74 |
| Granted | 890,000 | 2.01 |
| Exercised | (405,000) | 0.98 |
| Balance outstanding at September 30, 2021 | 6,242,895 | 1.81 |

The following table summarizes information about stock options outstanding at September 30, 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 | 180,000 | 160,000 | June 1, 2019 | June 1, 2024 |
| 1.54 | 100,000 | 100,000 | June 1, 2019 | June 1, 2022 |
| 1.40 | 50,000 | 50,000 | July 5, 2019 | July 5, 2024 |
| 1.49 | 700,000 | 525,000 | November 26, 2019 | November 26, 2029 |
| 1.55 | 30,000 | 30,000 | December 17, 2019 | December 17, 2024 |
| 2.99 | 80,000 | 60,000 | February 24, 2020 | February 24, 2030 |
| 3.13 | 800,000 | 600,000 | February 21, 2020 | February 21, 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 | 10,000 | June 3, 2020 | June 3, 2030 |
| 1.63 | 60,000 | 45,000 | October 14, 2020 | October 14, 2025 |
| 1.76 | 100,000 | 75,000 | October 26, 2020 | October 26, 2025 |
| 1.85 | 200,000 | 150,000 | November 6, 2020 | November 6, 2025 |
| 2.23 | 50,000 | 12,500 | January 4, 2021 | January 4, 2031 |
| 2.23 | 150,000 | 75,000 | January 4, 2021 | January 4, 2026 |
| 2.12 | 100,000 | 50,000 | January 12, 2021 | January 12, 2026 |
| 2.04 | 80,000 | 40,000 | January 20, 2021 | January 20, 2024 |
| 1.65 | 306,000 | - | April 23, 2021 | April 23, 2031 |
| 1.65 | 25,000 | 6,250 | April 23, 2021 | April 23, 2026 |
| 1.65 | 150,000 | 62,500 | April 23, 2021 | April 23, 2024 |
| 1.51 | 800,000 | - | May 7, 2021 | May 7, 2031 |
| 1.75 | 25,000 | - | July 16, 2021 | July 16, 2026 |
| 1.75 | 170,000 | 25,000 | July 16, 2021 | July 16, 2024 |
| 2.00 | 100,000 | - | July 16, 2021 | July 16, 2024 |
| 2.10 | 550,000 | 75,000 | September 13, 2021 | September 13, 2026 |
| 2.10 | 5,000 | - | September 13, 2021 | September 13, 2024 |
| 2.10 | 40,000 | - | September 13, 2021 | September 13, 2031 |
| | 6,242,895 | 3,457,645 | | |

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10. Stock options and warrants cont'd

The weighted average remaining contractual life of the options outstanding is 6 years and the weighted average exercise price is \$1.81. The weighted average remaining contractual life of the options exercisable is 5.07 years and the weighted average exercise price is \$1.76.

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

| | September 30, 2021 | September 30, 2020 |
|---------------------------------|--------------------|--------------------|
| Risk-free interest rate | 0.20-1.51% | 0.5-1.64% |
| Expected option life in years | 3-10 years | 5-10 years |
| Expected stock price volatility | 90.33-124.65% | 83.23-100.33% |
| Expected forfeiture rate | 0-15% | 15% |
| Dividend yield | - | - |

Warrants:

During the nine months ended September 30, 2021 the Company issued 1,625,000 warrants at an exercise price of \$2.10 per share until May 12, 2023. The Company also issued 195,000 broker warrants. Each broker warrant is exercisable into one common share at a price of \$1.55 per common share until May 12, 2023, with a fair value of \$164,443 using the Black-Scholes option pricing model. The Company also issued 755,817 warrants at an exercise price of \$2.10 per share until August 4, 2023. The Company also issued 29,400 finder warrants. Each finder warrant is exercisable into one common share at a price of \$2.10 per common share until August 4, 2023, with a fair value of \$30,230 using the Black-Scholes option pricing model.

During the nine months ended September 30, 2020 the Company issued 1,806,827 warrants at an exercise price of \$1.60 per share until May 20, 2022 and 3,685,714 warrants at an exercise price of \$2.40 per share until August 10, 2020. The Company also issued 19,845 finders' warrants. Each finders' warrant is non-transferable and is exercisable into one common share at a price of \$1.60 per common share until May 20, 2022, with a fair value of \$17,166. The warrants are subject to an acceleration clause. 257,999 non-transferable compensation warrants were also granted, that are exercisable into one common share at a price of \$1.75 per share, to the agent and brokerage firms involved in the August 2020 financing, with a 2-year life and a fair value of \$200,465 using the Black-Scholes option pricing model.

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

| | September 30, 2021 | September 30, 2020 |
|---------------------------------|--------------------|--------------------|
| Risk-free interest rate | 0.33% | 0.28%-1.50% |
| Expected warrant life in years | 2 years | 2 years |
| Expected stock price volatility | 117.48% | 83.23-87.41% |

NervGen Pharma Corp.

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10. Stock options and warrants cont'd

Warrant transactions for the nine months ended September 30, 2021 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 |
| Exercised | (12,887) | 1.63 |
| Balance outstanding at March 31, 2021 | 5,757,498 | 2.12 |
| Granted | 1,820,000 | 2.04 |
| Balance outstanding at June 30, 2021 | 7,577,498 | 2.10 |
| Granted | 785,217 | 1.57 |
| Exercised | (79,546) | 1.76 |
| Balance outstanding at September 30, 2021 | 8,283,169 | 2.05 |

The following table summarizes information about warrants outstanding at September 30, 2021:

| Exercise Price (\$) | Number of Warrants Outstanding | Grant Date | Expiry Date |
|---------------------|--------------------------------|-----------------|-----------------|
| 1.60 | 1,742,827 | May 20, 2020 | May 20, 2022 |
| 1.60 | 19,845 | May 20, 2020 | May 20, 2022 |
| 2.40 | 3,685,714 | August 10, 2020 | August 10, 2022 |
| 1.75 | 255,112 | August 10, 2020 | August 10, 2022 |
| 2.10 | 1,600,000 | May 12, 2021 | May 12, 2023 |
| 1.55 | 194,454 | May 12, 2021 | May 12, 2023 |
| 1.55 | 755,817 | August 4, 2021 | August 4, 2023 |
| 2.10 | 29,400 | August 4, 2021 | August 4, 2023 |
| | 8,283,169 | | |

11. Related party disclosures

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------|-------------------------------------|-----------|------------------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Stock based compensation | 907,350 | 887,510 | 2,053,373 | 2,510,567 |
| Salaries and bonuses | 385,777 | 324,409 | 962,979 | 921,394 |
| Consulting fees | 37,500 | 45,000 | 52,500 | 145,500 |
| Related party rent | - | - | - | 2,500 |
| | 1,330,627 | 1,256,919 | 3,068,852 | 3,579,961 |

As at September 30, 2021, the Company had amounts owing or accrued to related parties of \$277,842 (December 31, 2020 - \$163,254) pertaining to expense reimbursements, accrued bonuses and accrued vacation.

Prepaid expenses to related parties are disclosed in Note 6.

NervGen Pharma Corp.

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12. 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.

Pursuant to an agreement the Company entered into with a peptide manufacturing partner in November 2019, \$1,500,000 U.S. was recorded as a deposit for drug substance manufacture. As at September 30, 2021, \$315,702 U.S. remains as a deposit. In the event the Company does not commit to an additional manufacture of drug substance batch by December 31, 2021, the remaining deposit will be forfeited.

13. Components of expenses

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Research and Development Expenses | | | | |
| Amortization of intangible asset | 10,438 | 9,555 | 30,135 | 28,665 |
| Preclinical | 519,016 | 123,369 | 1,018,076 | 400,498 |
| Chemistry, manufacturing and controls | 205,909 | 57,949 | 559,239 | 299,013 |
| Licensing and patent legal fees | 32,445 | 46,205 | 112,509 | 236,841 |
| Regulatory | - | 11,089 | 26,334 | 42,140 |
| Clinical | 531,688 | 7,229 | 1,013,461 | 237,297 |
| Salaries and benefits | 345,033 | 273,894 | 800,298 | 910,956 |
| Stock-based compensation | 348,355 | 182,818 | 592,115 | 696,703 |
| Other research and development | 23,270 | 4,520 | 186,946 | 28,299 |
| | 2,016,154 | 716,628 | 4,339,113 | 2,880,412 |
| General and Administration Expenses | | | | |
| Depreciation expense | 428 | 428 | 1,283 | 998 |
| Legal, professional and finance | 333,671 | 124,410 | 927,582 | 755,559 |
| Salaries and benefits | 286,021 | 328,500 | 906,595 | 823,918 |
| Stock-based compensation | 967,108 | 844,256 | 2,347,275 | 2,191,849 |
| Other general and administrative | 63,685 | 37,025 | 142,769 | 129,466 |
| | 1,650,913 | 1,334,619 | 4,325,504 | 3,901,790 |

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

NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)

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14. Subsequent events

Subsequent to September 30, 2021 the Company:

1. Received cash proceeds of \$932,619 from the exercise of 458,285 warrants.
2. Completed a financing comprised of the sale of 3,680,000 units of the Company for aggregate gross proceeds of \$9,200,000, including full exercise of the underwriters' over-allotment option of 480,000 units. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant is exercisable to acquire one common share at an exercise price of \$3.20 per common share, until November 12, 2023. 257,600 non-transferable broker warrants were also issued, exercisable to acquire one common share at the exercise price of \$2.50 per common share, until November 12, 2023.