



Condensed consolidated interim financial statements of

NervGen Pharma Corp.

(Expressed in Canadian Dollars - Unaudited)

For the nine months ended September 30, 2022

NERVGEN PHARMA CORP.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

as at	September 30, 2022	December 31, 2021
	\$	\$
Assets		
Current assets		
Cash	27,699,527	16,928,857
Accounts receivable	26,507	64,002
Prepays and deposits (Notes 6, 13)	395,107	427,577
	28,121,141	17,420,436
Non-current assets		
Capital and right-of-use assets (Note 9)	319,596	2,691
Intangible assets (Note 7)	441,841	473,152
	761,437	475,843
	28,882,578	17,896,279
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8, 13)	2,094,847	1,078,080
Warrant derivative (Note 10)	8,070,405	-
Current portion of lease liability (Note 9)	84,985	-
	10,250,237	1,078,080
Non-current liabilities		
Lease liability (Note 9)	219,242	-
	219,242	134,230
	10,469,479	583,106
Shareholders' Equity		
Common shares (Note 11)	56,783,969	42,403,307
Reserves (Note 12)	11,459,841	9,463,514
Deficit	(49,830,711)	(35,048,622)
	18,413,099	16,818,199
	28,882,578	17,896,279

Nature of business (Note 1)

Commitments (Note 14)

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 condensed consolidated interim financial statements

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	For the 3 Months Ended September 30, 2022	For the 3 Months Ended September 30, 2021	For the 9 Months Ended September 30, 2022	For the 9 Months Ended September 30, 2021
	\$	\$	\$	\$
Operating expenses				
Research and development (Note 15)	3,185,566	2,016,154	11,533,175	4,339,113
General and administration (Note 15)	1,738,099	1,650,913	4,707,884	4,325,504
Total operating expenses	4,923,665	2,767,373	16,241,059	8,664,617
Interest income	(64,512)	(6,566)	(115,383)	(16,577)
Finance costs (Note 11)	514,599	-	514,599	-
Fair value of warrant derivative (Note 10)	(917,252)	-	(917,252)	-
Foreign exchange gain	(960,526)	(61,134)	(940,934)	(68,317)
Net loss and comprehensive loss for the period	(3,495,974)	(3,599,367)	(14,782,089)	(8,579,723)
Basic and diluted net loss per share	(0.06)	(0.09)	(0.29)	(0.23)
Weighted average common shares outstanding (Note 11)	58,164,289	40,129,198	50,609,726	37,763,433

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NERVGEN PHARMA CORP.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Nine Months Ended September 30, 2022 \$	Nine Months Ended September 30, 2021 \$
Operating activities		
Net loss for the period	(14,782,089)	(8,579,723)
Items not involving cash:		
Amortization of intangible asset	31,311	30,136
Depreciation	49,049	1,284
Interest expense on lease liability	9,841	-
Stock-based compensation	2,237,829	2,939,390
Unrealized foreign exchange	(960,527)	(83,395)
Financing costs - warrant units	514,599	-
Change in fair value of warrant derivative	(917,252)	-
Changes in non-cash working capital:		
Accounts receivable	37,495	20,622
Prepaid expenses	32,470	(59,076)
Accounts payable and accrued liabilities	1,016,767	318,034
	(12,730,507)	(5,412,728)
Investing activities		
Payments to acquire capital assets	(21,105)	(2,750)
Acquisition payments on intangible asset	-	(42,336)
	(21,105)	(45,086)
Financing activities		
Repayment of lease liabilities	(50,463)	-
Option and warrant exercises	2,957,761	1,340,979
Proceeds from issuance of common shares	19,783,500	7,380,536
Share issue costs - cash	(129,042)	(696,228)
	22,561,756	8,025,287
Effect of foreign exchange on cash	960,526	83,394
Net increase in cash	10,770,670	2,650,867
Cash, beginning of period	16,928,857	5,598,560
Cash, end of period	27,699,527	8,249,427

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

Non-cash transactions:

Recognition of right-of-use asset	344,849	-
Fair value of options allocated to share capital	102,700	780,155
Fair value of warrants allocated to share capital	138,802	2,702
Finder's/Broker's warrants	-	194,674
Share issue costs in accounts payable and accrued liabilities	-	11,840
Shares for finders fees	1,010,000	-

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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, 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
Balance December 31, 2021	46,189,584	42,403,307	9,463,514	(35,048,622)	16,818,199
Warrant exercises	79,969	148,967	(20,634)	-	128,333
Stock-based compensation	-	-	797,101	-	797,101
Loss and comprehensive loss	-	-	-	(4,967,595)	(4,967,595)
Balance March 31, 2022	46,269,553	42,552,274	10,239,981	(40,016,217)	12,776,038
Warrant exercises	1,525,005	2,447,426	(13,611)	-	2,433,815
Option exercises	100,000	256,700	(102,700)	-	154,000
Stock-based compensation	-	-	831,195	-	831,195
Loss and comprehensive loss	-	-	-	(6,318,520)	(6,318,520)
Balance June 30, 2022	47,894,558	45,256,400	10,954,865	(46,334,737)	9,876,528
Warrant exercises	134,518	339,856	(104,557)	-	235,299
Common share financings (net)	10,150,000	10,177,713	-	-	10,177,713
Finders shares	500,000	1,010,000	-	-	1,010,000
Stock-based compensation	-	-	609,533	-	609,533
Loss and comprehensive loss	-	-	-	(3,495,974)	(3,495,974)
Balance September 30, 2022	58,679,076	56,783,969	11,459,841	(49,830,711)	18,413,099

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, 2022, and 2021
(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 2955 Virtual Way, Suite 480, Vancouver, BC, V5M 4X6, Canada, and the registered office is located at Suite 2600, 595 Burrard Street, Vancouver, BC, V7X 1L3, Canada.

NervGen’s common shares trade on the TSX-V under the symbol “NGEN” and on the U.S. OTCQX® under the trading symbol “NGENF”.

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 spinal cord injury (“SCI”), Alzheimer’s disease and multiple sclerosis (“MS”).

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 year ended December 31, 2021.

The condensed consolidated interim financial statements were approved by the Company’s Board of Directors and authorized for issue on November 13, 2022.

b) *Going Concern*

These condensed consolidated interim 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.

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 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.

NervGen Pharma Corp.

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2. Significant accounting policies cont'd

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 and valuation of the warrant derivative.

f) *New accounting policy*

The Company had adopted new accounting standard IFRS 16 - Leases, effective for the Company's annual period beginning January 1, 2019.

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.

At the time of adoption, the Company did not have any leases that met the recognition requirements under IFRS 16.

The Company has subsequently entered into an office lease effective May 1, 2022, with a term of 3.83 years, for which it has applied IFRS 16.

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. The Company's intangible assets are registered in the US, and as of September 30, 2022, the Company had other current assets of approximately \$12,941,000 USD (December 31, 2021 - \$923,000 USD), in the US. As of September 30, 2022, the Company also had deposits of approximately \$301,000 AUD (December 31, 2021 - \$337,000 AUD) held by Australian vendors and other current assets of approximately \$72,000 AUD (December 31, 2021 - \$285,000 AUD), in Australia. All other assets are held in Canada.

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).

5. Financial risk management

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.

(a) Fair value

The Company's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, deposits, accounts payable, accrued liabilities and warrant derivative. 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 and the warrant derivative is a recurring Level 2 fair value measurement as these warrants have not been listed on an exchange and therefore do not trade on an active market. As at September 30, 2022, the fair value of the warrant derivative was \$8,070,405 (December 31, 2021 - Nil) using the Black-Scholes valuation model to estimate fair value. The expected volatility is based on the Company's common share historical volatility and the risk-free interest rate is based on the Bank of Canada benchmark treasury yield rates and the expected life represents the estimated length of time the warrants are expected to remain outstanding.

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.

NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
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5. 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 September 30, 2022, the Company's liabilities consist of accounts payable and accrued liabilities that have contracted maturities of less than one year and a lease liability that has a remaining contracted life of 3.4 years. The warrant derivative is non-cash and does not therefore represent any liquidity risk.

(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, the purchase of goods and services primarily in the United States and Australia, cash balances held in foreign currencies and warrant derivative.

Fluctuations in the U.S. or Australian 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, 2022, of \$1,659,000 (September 30, 2021 - \$198,000). A 10% depreciation or appreciation of the Canadian dollar against the Australian dollar would result in an increase or decrease in loss and comprehensive loss for the six months ended September 30, 2022, of \$31,000 (September 30, 2021 - \$30,000).

Balances in U.S. dollars are as follows:

	September 30, 2022	December 31, 2021
	\$U.S.	\$U.S.
Cash	13,018,786	1,008,421
Accounts payable and accrued liabilities	(946,507)	(390,833)
	12,072,279	617,588

Balances in Australian dollars are as follows:

	September 30, 2022	December 31, 2021
	\$AUD	\$AUD
Cash	58,870	226,812
Accounts receivable	12,928	57,723
Vendor deposits	300,715	337,307
Accounts payable and accrued liabilities	(19,080)	(4,593)
	353,433	617,249

NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
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6. Prepaid expenses

	September 30, 2022	December 31, 2021
	\$	\$
Prepaid insurance	56,783	46,737
Prepaid consulting to Company director (Note 13)	-	15,750
Prepaid retainer	6,660	2,523
Prepaid listing fees	15,375	31,201
Prepaid software	13,017	20,369
Vendor deposits	303,272	310,997
	395,107	427,577

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. Pursuant to the license agreement, all the key patents for NVG-291 are owned by CWRU.

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 nine months ended September 30, 2022, the Company recognized amortization of \$31,311 (September 30, 2021 - \$30,135).

Continuity of the intangible asset is as follows:

Intangible Asset – Case Western Reserve license	Total \$
Balance, December 31, 2020	471,388
Milestone acquisition payment	42,336
Amortization expense	(40,572)
Balance, December 31, 2021	473,152
Amortization expense	(31,311)
Balance, September 30, 2022	441,841

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, 2022, 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. \$1,885,000.

NervGen Pharma Corp.

Notes to the condensed consolidated interim financial statements (unaudited)
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8. Accounts payable and accrued liabilities

	September 30, 2022	December 31, 2021
	\$	\$
Accounts payable	1,049,502	352,546
Accrued liabilities	820,149	451,471
Amount owing to key management personnel	225,197	274,063
	2,094,847	1,078,080

9. Capital and right-of-use asset and lease liability

The Company entered into an office lease agreement effective May 1, 2022, to February 28, 2026. The total undiscounted payments from the date of adoption is \$386,883. Using an annual discount rate of 6%, the Company recognized additions to lease liabilities and Right-of-Use Assets of \$344,849. The carrying amounts of the Company's right-of-use assets and lease liabilities and movements during the nine months ended September 30, 2022, were as follows:

	Right of Use Asset	Capital Assets	Total
	\$	\$	\$
Balance December 31, 2021	-	2,691	2,691
Additions	344,849	21,105	365,954
Depreciation	(44,980)	(4,069)	(49,049)
Balance, September 30, 2022	299,869	19,827	319,596

	Lease Liability
	\$
Balance December 31, 2021	-
Additions	344,849
Lease payments	(50,463)
Lease interest	9,841
Balance, September 30, 2022	304,227

Classification:

Current portion of lease liabilities	84,985
Long-term portion of lease liabilities	219,242
	304,227

10. Warrant derivative

On July 13, 2022, pursuant to a non-brokered private placement, 10,150,000 units were sold at a purchase price of US\$1.50 per unit for gross proceeds of US\$15,225,000 (\$19,783,500). Each unit included one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of US\$1.75 per common share until July 13, 2027.

Under IFRS 9 Financial Instruments and IAS 32 Financial Instruments: Presentation, warrants with an exercise price denominated in a currency that differs from an entity's functional currency are treated as a derivative measured at fair value with subsequent changes in fair value accounted for through the consolidated statement of profit or loss. The warrants with an exercise price of US\$1.75 meet this requirement and have been presented as a warrant liability on the condensed consolidated interim statement of financial position. Upon exercise, the recorded liability will be included in share capital along with the proceeds from the exercise. If these warrants expire, the related liability is reversed through profit or loss.

NervGen Pharma Corp.

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

There is no cash flow impact as a result of the accounting treatment for changes in the fair value of the warrant derivative or when warrants expire unexercised.

Estimating the fair value of the warrant derivative requires determining the most appropriate valuation model which is dependent on the terms and conditions of the issuance. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the warrant derivative, expected share price volatility, risk-free interest rate and expected dividend yield and making assumptions about them. A reconciliation of the change in fair value of the warrant derivative is as follows:

	Fair Value of Warrant Derivative
	\$
Balance, July 13, 2022	8,987,658
Change in fair value of warrant derivative	(917,252)
Balance, September 30, 2022	8,070,405

The estimated fair value of the warrant derivative issued during the period was determined using the Black-Scholes valuation model using the following assumptions:

	July 13, 2022	September 30, 2022
Risk-free interest rate	3.13%	3.24%
Expected warrant life in years	5 years	4.79 years
Expected stock price volatility	136.98%	142.61%
Dividend yield	-	-
Warrants outstanding	5,075,000	5,075,000

11. 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, all escrowed shares have been released as of March 13, 2022.

Equity Issuances

Fiscal 2022

During the nine months ended September 30, 2022, 100,000 options were exercised for cash proceeds of \$154,000 and 1,739,492 warrants were exercised for cash proceeds of \$2,803,761, gross of issue costs of \$6,315. In addition to the cash proceeds received, the original fair value related to these options and warrants of \$102,700 and \$138,802, were transferred from reserves to share capital.

The Company also closed a non-brokered private placement of 10,150,000 units at a price of US\$1.50 per unit, with each unit comprised of one common share and one-half of one common share purchase warrant for gross proceeds of US\$15,225,000 (19,783,500). Each whole warrant is exercisable into one common share at a price of US\$1.75 per common share until July 13, 2027. The warrants are considered a derivative liability as described in note 10. The Company issued certain finders an aggregate of 500,000 common shares valued at \$1,010,000, recognized \$551,156 in equity and \$458,844 as a finance cost in profit or loss. The Company also incurred \$122,727, in other share issue costs related to legal and listing fees, recognized \$66,972 in equity and \$55,755 as a finance cost in profit or loss.

NervGen Pharma Corp.

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

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 \$160,800. 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.

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.

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, 2022, and 2021 the calculation was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Common shares issued and outstanding, beginning of period	47,894,558	39,110,692	46,189,584	35,167,875
Shares issued	10,784,518	1,996,182	12,489,492	5,938,999
Common shares issued and outstanding, end of period	58,679,076	41,106,874	58,679,076	41,106,874
Weighted average shares outstanding - basic and diluted, end of period	58,164,289	40,129,198	50,609,726	37,763,433

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12. Stock options and warrants

Stock Options:

The Company has adopted a stock option plan (the "Plan") pursuant to the terms of the TSX-V. The maximum number of shares that may be reserved for issuance under the Plan is limited to a fixed amount approved by the Company's shareholders, and as at September 30, 2022 is 11,735,815 (September 30, 2021 – 8,130,465). The vesting terms are determined at the time of the grant, subject to the terms of the Plan.

Stock option transactions for the nine months ended September 30, 2022, 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	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
Granted	376,000	2.06
Balance outstanding at March 31, 2022	6,773,895	1.85
Granted	480,000	2.16
Exercised	(100,000)	1.54
Forfeited/Expired	(100,000)	2.10
Balance outstanding at June 30, 2022	7,053,895	1.87
Granted	350,000	1.95
Forfeited/Expired	(150,000)	1.90
Balance outstanding at September 30, 2022	7,253,895	1.87

The following table summarizes information about stock options outstanding at September 30, 2022:

Exercise Price (\$)	Number of Options Outstanding	Number of Options Exercisable	Grant Date	Expiry Date
0.50-1.00	884,895	884,895	Sep-18 to Jan-19	Apr-23 to Mar-24
1.01-1.50	1,012,000	1,012,000	Jul-19 to Apr-20	Dec-22 to Apr-30
1.51-2.00	2,436,000	1,593,000	Jun-19 to Sep-22	Dec-22 to Sep-32
2.01-2.50	1,681,000	1,051,500	Jan-21 to May-22	Apr-23 to Mar-32
2.51-3.00	440,000	361,250	Feb-20 to Nov-21	Apr-23 to Nov-31
3.01-3.50	800,000	800,000	Feb-20	Feb-30
	7,253,895	5,702,645		

The weighted average remaining contractual life of the options outstanding is 4.54 years and the weighted average exercise price is \$1.87. The weighted average remaining contractual life of the options exercisable is 3.72 years and the weighted average exercise price is \$1.85.

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, 2022	September 30, 2021
Risk-free interest rate	1.81-3.14%	0.20-1.51%
Expected option life in years	5-10 years	3-10 years
Expected stock price volatility	131.03-142.24%	90.33-124.65%
Expected forfeiture rate	0-15%	0-15%
Dividend yield	-	-

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12. Stock options and warrants cont'd

Warrants:

Warrant transactions for the nine months ended September 30, 2022, are set forth below:

	Number of Shares Issuable Under Warrants	Weighted Average Exercise Price \$
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
Exercised	(79,969)	1.60
Balance outstanding at March 31, 2022	10,237,171	2.37
Exercised	(1,525,005)	1.60
Forfeited/Expired	(56,240)	1.60
Balance outstanding at June 30, 2022	8,655,926	2.51
Granted	5,075,000	1.75
Exercised	(134,518)	1.75
Forfeited/Expired	(3,706,223)	2.38
Balance outstanding at September 30, 2022	9,890,185	2.51

The following table summarizes information about warrants outstanding at September 30, 2022:

Exercise Price (\$)	Number of Warrants Outstanding	Grant Date	Expiry Date
2.10	1,306,875	May 12, 2021	May 12, 2023
1.55	179,133	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
US\$1.75	5,075,000	July 13, 2022	July 13, 2027
	9,890,185		

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, 2022	September 30, 2021
Risk-free interest rate	-	0.33%
Expected warrant life in years	-	2 years
Expected stock price volatility	-	117.48%

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13. 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:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Stock based compensation	510,966	907,350	1,585,297	2,053,373
Salaries and bonuses	726,430	385,777	1,590,597	962,979
Consulting fees	45,000	37,500	165,000	52,500
	1,282,396	1,330,627	3,340,894	3,068,852

As at September 30, 2022, the Company had amounts owing or accrued to current and former key management personnel of \$557,122 (December 31, 2021 - \$274,063) pertaining to expense reimbursements, accrued bonuses, accrued termination payments and accrued vacation.

Prepaid expenses to key management personnel are disclosed in Note 6.

14. 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.

15. Components of expenses

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Research and Development Expenses				
Amortization of intangible asset	10,437	10,438	31,311	30,136
Preclinical development	627,148	519,016	2,179,201	1,018,076
Chemistry, manufacturing and controls	1,275,031	205,909	4,330,234	559,239
Licensing and patent legal fees	65,075	32,445	83,065	112,509
Clinical and regulatory	309,637	531,688	2,284,764	1,039,795
Salaries and benefits	527,110	345,033	1,585,608	800,298
Stock-based compensation	230,549	348,355	814,698	592,115
Other research and development	140,579	23,270	224,294	186,945
	3,185,566	2,016,154	11,533,175	4,339,113

NervGen Pharma Corp.

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15. Components of expenses cont'd

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
General and Administration Expenses				
Depreciation expense	24,316	428	49,049	1,284
Legal, professional and finance	122,581	103,927	489,302	325,233
Investor and public relations	429,923	229,744	954,499	602,349
Salaries and benefits	661,429	286,021	1,398,681	906,595
Stock-based compensation	378,983	967,108	1,423,131	2,347,275
Other general and administrative	120,867	63,685	393,222	142,768
	1,738,099	1,650,913	4,707,884	4,325,504

16. Subsequent events

Subsequent to September 30, 2022, the Company:

1. Granted 252,000 stock options to consultants, exercisable at a price of \$1.75 per share for periods of 3-5 years, vesting over the period of one year.