Consolidated financial statements of

NERVGEN PHARMA CORP.

(Expressed in Canadian Dollars)

For the years ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NervGen Pharma Corp.

Opinion

We have audited the consolidated financial statements of NervGen Pharma Corp. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of loss and comprehensive loss for the year then ended
- the consolidated statement of cash flow for the year then ended
- the consolidated statement of changes in shareholders' equity for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those financial statements on February 23, 2022.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's *Responsibilities for the Audit of the Financial Statements*" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of the fair value of stock options granted

Description of the matter

We draw attention to Notes 3(h), 4, and 15 to the financial statements. The Entity has recognized stock-based compensation expense of $2,774,947 for the year ended December 31, 2022. The Entity calculates the fair value of each stock option granted at the grant date using the Black-Scholes option pricing model. Assumptions are used in applying Black-Scholes option pricing model, including estimating the future volatility of the share price, the expected dividend yield, the expected risk-free interest rate, and the expected term of the option.

Why the matter is a key audit matter

We identified the evaluation of the fair value of stock options granted as a key audit matter as significant auditor effort was required to evaluate the fair value of the stock options granted including the expected term and volatility rate assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- For a sample of stock options granted, we evaluated the appropriateness of the expected term and volatility assumptions by comparing to the Entity's historical exercise activity and to an independent calculation of volatility using the Entity's historical share prices.
- For a sample of stock options granted, we developed an independent estimate of the fair value at grant date using the Black-Scholes model using the independently developed assumptions and compared the results of such fair value to the Entity's determined fair value.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor’s report is Pauline Wu.

Vancouver, Canada
March 29, 2023

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

as at	**December 31, 2022**	December 31, 2021
	$	$
Assets		
Current assets		
Cash and cash equivalents	**22,451,599**	16,928,857
Accounts receivable	**27,027**	64,002
Prepaids and deposits (Notes 8, 12)	**669,908**	427,577
	23,148,534	17,420,436
Non-current assets		
Property and equipment (Note 9)	**295,280**	2,691
Intangible assets (Note 10)	**431,403**	473,152
	726,683	475,843
	23,875,217	17,896,279
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 11, 12)	**3,398,398**	1,078,080
Warrant derivative (Note 13)	**6,732,284**	-
Current portion of lease liability (Note 9)	**86,265**	-
	10,216,947	1,078,080
Non-current liabilities		
Lease liability (Note 9)	**197,190**	-
	197,190	-
	10,414,137	1,078,080
Shareholders' Equity		
Common shares (Note 14)	**57,411,705**	42,403,307
Reserves (Note 15)	**11,820,280**	9,463,514
Deficit	**(55,770,905)**	(35,048,622)
	13,461,080	16,818,199
	23,875,217	17,896,279

Nature of business (Note 1)
Commitments (Note 16)
Subsequent events (Note 19)

Approved by the Board

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

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

NERVGEN PHARMA CORP.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	For the Year Ended December 31, 2022 $	For the Year Ended December 31, 2021 $
Operating expenses		
Research and development (Note 17)	**16,613,255**	6,871,526
General and administration (Note 17)	**6,411,778**	5,939,698
Total operating expenses	**23,025,033**	12,811,224
Interest income	**(201,396)**	(29,417)
Finance costs (Note 14)	**514,599**	-
Unrealized gain on warrant derivative (Note 13)	**(1,909,228)**	-
Foreign exchange gain	**(706,725)**	(55,229)
Net loss and comprehensive loss	**(20,722,283)**	(12,726,578)
Basic and diluted net loss per share	**(0.39)**	(0.32)
Weighted average common shares outstanding (Note 15)	**52,649,035**	39,289,224

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

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

	Year Ended December 31, 2022 $	Year Ended December 31, 2021 $
Operating activities		
Net loss for the period	**(20,722,283)**	(12,726,578)
Items not involving cash:		
Amortization of intangible asset	**41,749**	40,572
Depreciation expense	**73,365**	2,054
Interest expense on lease liability (Note 9)	**14,301**	-
Stock-based compensation	**2,774,947**	4,015,673
Unrealized foreign exchange	**(686,575)**	(31,377)
Financing costs - warrant units (Note 14)	**514,599**	-
Change in fair value of warrant derivative (Note 13)	**(1,909,228)**	-
Changes in non-cash working capital:		
Accounts receivable	**36,975**	(1,408)
Prepaid expenses	**(242,331)**	113,173
Accounts payable and accrued liabilities	**2,320,318**	318,734
	(17,784,163)	(8,269,157)
Investing activities		
Payments to acquire equipment	**(21,105)**	(2,749)
Acquisition payments on intangible asset	**-**	(42,336)
	(21,105)	(45,085)
Financing activities		
Repayment of lease liability (Note 9)	**(75,695)**	-
Option and warrant exercises (Note 15)	**3,083,361**	2,377,823
Proceeds from issuance of common shares (Note 14)	**19,762,811**	18,901,611
Share issue costs - cash	**(129,042)**	(1,666,272)
	22,641,435	19,613,162
Effect of foreign exchange on cash	**686,575**	31,377
Net increase in cash and cash equivalents	**5,522,742**	11,330,297
Cash and cash equivalents, beginning of period	**16,928,857**	5,598,560
Cash and cash equivalents, end of period	**22,451,599**	16,928,857

Cash paid for interest and taxes	$ -	$ -
Non-cash transactions:		
Recognition of right-of-use asset (Note 9)	344,849	-
Fair value of options allocated to share capital	207,920	780,155
Fair value of warrants allocated to share capital	210,261	75,575
Finders'/Broker warrants	-	683,342
Share issue costs in accounts payable and accrued liabilities	-	4,274
Shares for finders' fees (Note 14)	1,010,000	-

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

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

	Common Shares				
	Number	Amount	Reserves	Deficit	Total
		$	$	$	$
Balance December 31, 2020	**35,167,875**	**22,947,031**	**5,295,229**	**(22,322,044)**	**5,920,216**
Common share financings, net (Note 14)	9,334,357	16,906,065	325,000	-	17,231,065
Option exercises (Note 14, 15)	1,084,930	1,960,335	(780,155)	-	1,180,180
Warrant exercises (Note 14, 15)	602,422	1,273,218	(75,575)	-	1,197,643
Broker warrants (Note 14)	-	(683,342)	683,342	-	-
Stock-based compensation	-	-	4,015,673	-	4,015,673
Loss and comprehensive loss	-	-	-	(12,726,578)	(12,726,578)
Balance December 31, 2021	**46,189,584**	**42,403,307**	**9,463,514**	**(35,048,622)**	**16,818,199**
Common share financings, net (Note 14)	10,150,000	10,496,856	-	-	10,496,856
Option exercises (Note 14, 15)	200,000	487,520	(207,920)		279,600
Warrant exercises (Note 14, 15)	1,739,492	3,014,022	(210,261)	-	2,803,761
Finders' shares (Note 14)	500,000	1,010,000	-	-	1,010,000
Stock-based compensation	-	-	2,774,947	-	2,774,947
Loss and comprehensive loss	-	-	-	(20,722,283)	(20,722,283)
Balance December 31, 2022	**58,779,076**	**57,411,705**	**11,820,280**	**(55,770,905)**	**13,461,080**

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

1. Nature of business

NervGen Pharma Corp. (the "Company" or "NervGen") is a publicly traded company incorporated on January 19, 2017, under the Business Corporations Act (British Columbia). The corporate office of the Company is located at 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 that enable the nervous system to repair itself following damage, whether due to injury or disease. NervGen's initial target indications include spinal cord injury ("SCI"), Alzheimer's disease and multiple sclerosis ("MS").

2. Basis of presentation

a) *Basis of measurement and statement of compliance*

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

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

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

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on March 29, 2023.

b) *Going Concern*

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

Management has forecasted the Company will have sufficient working capital to operate for the ensuing 12 months. Until the Company's products are approved and available for sale, and profitable operations are developed, the extent of the Company's progress on its research activities and future clinical trials and the related expenses will be dependent on its ability to continue to obtain adequate financing. 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 consolidated financial statements do not reflect the adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and settle its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such amounts could be material.

2. Basis of presentation cont'd

c) Principles of Consolidation

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

d) Foreign currency

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

3. Significant accounting policies

a) Cash and cash equivalents

Cash and cash equivalents consist of cash and guaranteed investment certificates held in banks. Interest from cash and cash equivalents are recorded on an accrual basis.

b) Research and development costs

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

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

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

Research and development expenses include all direct and indirect operating expenses supporting the products in development and clinical trials. The Company outsources a significant portion of its research and development activities to third-party contract service providers. Third-party costs include those related to preclinical research, clinical trial activities and product manufacturing. Clinical trial activities expenses include investigator fees, clinical site costs, contract research organization fees and other related costs. The amount of expense recognized in a period for third-party contract service providers is based on the work performed using the accrual basis of accounting. The Company's third-party contract service organizations provide information of services performed to allow the Company to determine the appropriate accrual at period end.

3. Significant accounting policies cont'd

c) Intangible assets

The Company has acquired certain intellectual property licenses. The Company expenses patent costs, including license fees, annual minimum royalties, and other maintenance costs, until such time as the Company has certainty over the future recoverability of the intellectual property at which time it capitalizes the costs incurred. The Company will capitalize costs directly related to the acquisition of licensed patents. The Company does not hold any intangible asset with an indefinite life.

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

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

d) Government assistance

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

e) Income taxes

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

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

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

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

3. Significant accounting policies cont'd

f) Basic and diluted loss per common share

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

g) Property and equipment

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

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

Computer equipment	2 years
Network equipment and setup	4 years
Fixtures and fittings	7 years

Impairment of long-lived assets:

The Company's long-lived assets are reviewed for indications of impairment each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated.

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

h) Stock-based compensation

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

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

3. Significant accounting policies cont'd

i) Financial instruments

Financial assets

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

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

- FVTPL: Financial instruments or assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a financial instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented net in profit or loss in the period in which it arises. The Company has classified its cash as fair value through profit or loss.
- Amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Finance income from these financial instruments is recorded in net income (loss) using the effective interest rate method. Deposits and accounts receivable are classified as amortized cost.
- Fair value through other comprehensive income ("FVOCI"): Financial instruments that are held for collection of contractual cash flows and for selling the financial instruments, where the financial instruments' cash flows represent solely payments of principal and interest, are measured at FVOCI.

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

Impairment of financial assets

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

Financial liabilities

Financial liabilities are initially measured at fair value and are subsequently measured at amortized cost or FVTPL. Our financial liabilities include accounts payable and accrued liabilities and warrant derivative. The classification and measurement of accounts payable and accrued liabilities are at amortized cost. The classification and measurement of warrant derivative is at FVTPL.

3. Significant accounting policies cont'd

j) Warrants issued in equity financing transactions

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

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

Warrants issued in foreign currencies are classified as derivative liabilities. Upon exercise, in exchange for a fixed amount of common shares, the expected cash receivable is variable due to changes in foreign exchange rates. The Company measures derivative financial liabilities at fair value through profit or loss at initial recognition and in subsequent reporting periods. Fair value gains or losses are recognized in other (losses) gains on the consolidated statement of comprehensive loss. The fair value of foreign currency share purchase warrants is determined using the quoted market price of the Company's common shares on the valuation date, which is a Level 1 input. Transaction costs, which are directly attributable to the offering, are allocated between equity that is classified as equity financing transaction costs and liabilities that are expensed in the period incurred.

k) Employee benefits

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

l) Provisions

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

m) New accounting policy - leases

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

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.

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. The lease liability is measured at the present value of the future fixed payments, discounted using the Company's incremental borrowing rate. Lease terms applied are the contractual non-cancellable periods of the lease. The Company subsequently recognizes the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The lease liability will be remeasured upon the occurrence of certain events such as a change in lease term, and the resulting amount of the remeasurement of the lease liability would be recognized as an adjustment to the right-of-use asset.

3. Significant accounting policies cont'd

(n) New accounting standards and interpretations issued but not yet effective

In January 2020, the IASB issued amendments to Presentation of Financial Statements ("IAS 1") to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. The Company does not anticipate adoption of this standard to have a material impact on the consolidated financial statements.

4. Use of judgements and estimates

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

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

Intangible assets

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

Government Assistance

Management considers the reasonableness of whether the Company has met the requirements of the approved government assistance and whether there is reasonable assurance that the amount will be received. Government assistance can be subject to audits so the amounts received may differ from the amounts recorded.

Warrant derivative

The Company estimates fair value of the warrant derivative at initial measurement, at each exercise date and at each reporting period. This estimate requires determining the most appropriate inputs to the valuation model including the expected life, share price volatility, and dividend yield, and making assumptions about them. The assumptions and inputs used for estimating fair value of the warrant derivative are disclosed in Note 13.

Valuation of stock-based compensation and warrants

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

Functional currency

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

4. Use of judgements and estimates

Deferred taxes

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

5. 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 U.S., and as at December 31, 2022, the Company had other current assets of approximately $9,953,000 USD (December 31, 2021 - $923,000 USD), in the U.S. As of December 31, 2022, the Company also had deposits of approximately $357,000 AUD (December 31, 2021 - $337,000 AUD) held by Australian vendors and other current assets of approximately $33,206 AUD (December 31, 2021 - $285,000 AUD), in Australia. All other assets are held in Canada.

6. Capital disclosures

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

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

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

7. Financial risk management

(a) Fair value

The Company's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, deposits, accounts payable and accrued liabilities. The fair value of these instruments approximate their carrying 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 December 31, 2022, the fair value of the warrant derivative was $6,732,284 (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.

7. Financial risk management cont'd

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 rated investments and the Company will invest only in highly rated Canadian corporations which are capable of prompt liquidation.

(d) Interest rate risk

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

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The ability to do so relies on the Company maintaining sufficient cash in excess of anticipated needs. As at December 31, 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 3.1 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 year ended December 31, 2022, of $1,163,000 (December 31, 2021 - $78,000). 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 year ended December 31, 2022, of $13,000 (December 31, 2021 - $57,000).

Balances in U.S. dollars are as follows:

	December 31, 2022 $U.S.	December 31, 2021 $U.S.
Cash	**10,095,950**	1,008,421
Vendor deposits	**11,067**	
Accounts payable and accrued liabilities	**(1,519,716)**	(390,833)
	8,587,301	617,588

Balances in Australian dollars are as follows:

	December 31, 2022 $AUD	December 31, 2021 $AUD
Cash	**18,340**	226,812
Accounts receivable	**14,866**	57,723
Vendor deposits	**357,301**	337,307
Accounts payable and accrued liabilities	**(254,260)**	(4,593)
	136,247	617,249

(Expressed in Canadian Dollars)

8. Prepaids and deposits

	December 31, 2022 $	December 31, 2021 $
Prepaid insurance	**75,218**	46,737
Prepaid consulting to Company director (Note 12)	**-**	15,750
Prepaid retainer	**4,420**	2,523
Prepaid listing fees	**37,236**	31,201
Prepaid software	**23,053**	20,369
Vendor deposits	**529,981**	310,997
	669,908	427,577

9. Property, equipment 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 effective date 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 year ended December 31, 2022, were as follows:

	Right-of-Use Asset $	**Equipment $**	**Total $**
Balance December 31, 2021	-	2,691	**2,691**
Additions	344,849	21,105	**365,954**
Depreciation	(67,470)	(5,895)	**(73,365)**
Balance, December 31, 2022	**277,379**	**17,901**	**295,280**

	Lease Liability $
Balance December 31, 2021	-
Additions	344,849
Lease payments	(75,695)
Lease interest	14,301
Balance, December 31, 2022	**283,455**
Current portion	(86,265)
Non-current portion	**197,190**

For the year ended December 31, 2022, the Company recorded $51,496 in rent expense (December 31, 2021 - Nil) related to variable lease payments.

As of December 31, 2022, the maturity of the Company's lease liability was as follows:

Within 1 year	86,265
1 to 2 years	91,586
2 to 3 years	97,235
3 to 4 years	8,369
Total lease liability	**283,455**

(Expressed in Canadian Dollars)

10. Intangible asset

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

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

The license costs are being amortized on a straight-line basis over the remaining life of the licensed patent which was 15 years at the time of licensing. During the year ended December 31, 2022, the Company recognized amortization of $41,749 (year ended December 31, 2021 - $40,572).

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	(41,749)
Balance, December 31, 2022	**431,403**

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. Annual minimum royalty payments are expensed whereas milestone payments related to the cost of the intangible asset are capitalized, as incurred.

As at December 31, 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. $1,850,000.

11. Accounts payable and accrued liabilities

	December 31, 2022 $	December 31, 2021 $
Accounts payable	**2,001,916**	352,546
Accrued liabilities	**892,136**	451,471
Amount owing to key management personnel (Note 12)	**504,346**	274,063
	3,398,398	1,078,080

(Expressed in Canadian Dollars)

12. Key management personnel

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

	December 31, 2022	December 31, 2021
	$	$
Stock-based compensation	**1,761,270**	2,631,383
Salaries and bonuses	**1,752,031**	1,255,086
Consulting fees	**265,064**	97,500
	3,778,365	3,983,969

As at December 31, 2022, the Company had amounts owing or accrued to current and former key management personnel of $504,346 (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 8.

13. Warrant derivative

On July 13, 2022, pursuant to a non-brokered private placement, 10,150,000 units were sold at a purchase price of U.S.$1.50 per unit for gross proceeds of U.S.$15,225,000 (CA$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 loss and comprehensive loss. The warrants with an exercise price of U.S.$1.75 meet this requirement and have been presented as a warrant derivative on the consolidated 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. 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.

A reconciliation of the change in fair value of the warrant derivative is as follows:

	Fair Value of Warrant Derivative
	$
Balance, July 13, 2022	8,641,512
Change in fair value of warrant derivative	(1,909,228)
Balance, December 31, 2022	**6,732,284**

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	**December 31, 2022**
Risk-free interest rate	3.13%	3.37%
Expected warrant life in years	5 years	4.54 years
Expected stock price volatility	125.65%	134.51%
Dividend yield	-	-
Warrants outstanding	5,075,000	5,075,000

14. 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 year ended December 31, 2022, 200,000 options were exercised for cash proceeds of $279,600 and 1,739,492 warrants were exercised for cash proceeds of $2,803,761. In addition to the cash proceeds received, the original fair value related to these options and warrants of $207,920 and $210,261 respectively, 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 U.S.$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 U.S.$15,225,000 (CA$19,783,500). Using the Black-Scholes option pricing model, $8,641,512 was allocated to warrant liability and $11,141,988 to share capital. Each whole warrant is exercisable into one common share at a price of U.S.$1.75 per common share until July 13, 2027. The warrants are considered a derivative liability as described in note 13. 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.

Fiscal 2021

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

The Company completed an overnight marketed equity offering of 3,250,000 units at a price of $1.55 per unit, with each unit comprised of one common share and one-half of one common share purchase warrant for gross proceeds of $5,037,500. Each whole warrant is exercisable into one common share at a price of $2.10 per common share until May 12, 2023. The warrants were attributed a value of $325,000 using the residual value valuation methodology. The Company paid a cash commission totaling $302,250 and issued the brokers an aggregate of 195,000 common share purchase warrants with a fair value of $148,161 using the Black-Scholes option pricing model. The Company also incurred $319,595 in other share issue costs related to legal and listing fees.

The Company also closed a non-brokered private placement of 1,511,636 units at a price of $1.55 per unit, with each unit comprised of one common share and one-half of one common share purchase warrant for gross proceeds of $2,343,036. Each whole warrant is exercisable into one common share at a price of $2.10 per common share until August 4, 2023. The Company paid a cash commission totaling $45,570 and issued the brokers an aggregate of 29,400 common share purchase warrants with a fair value of $27,600 using the Black-Scholes option pricing model. The Company also incurred $42,134 in other share issue costs related to legal and listing fees.

In addition, the Company closed a bought deal financing, issuing 3,680,000 units at a price of $2.50 per unit, with each unit comprised of one common share and one-half of one common share purchase warrant for gross proceeds of $9,200,000. Each whole warrant is exercisable into one common share at a price of $3.20 per common share until November 12, 2023. The Company paid a cash commission totaling $644,000 and issued the brokers an aggregate of 257,600 common share purchase warrants with a fair value of $459,661 using the Black-Scholes option pricing model. The Company also incurred $276,928 in other share issue costs related to legal and listing fees.

(Expressed in Canadian Dollars)

14. Share capital cont'd

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

15. Stock options and warrants

Calculation of loss per share

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

For the years ended December 31, 2022 and 2021 the calculation was as follows:

	2022	2021
Common shares issued and outstanding, beginning of year	**46,189,584**	35,167,875
Shares issued	**12,589,492**	11,021,709
Common shares issued and outstanding, end of year	**58,779,076**	46,189,584
Weighted average shares outstanding - basic and diluted, end of year	**52,649,035**	39,289,224

Stock Options:

The Company has a share option plan which authorizes the Company to grant up to 11,735,815 options to acquire common shares to directors, officers, employees and consultants of the Company or any of its subsidiaries. The exercise price of options granted under the plan must be greater than or equal to the fair market value of the common shares on the date the option is granted. The options are generally exercisable for three to ten years from the date of grant.

Stock option transactions for the years ended December 31, 2022 and 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	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	1,858,500	1.95
Exercised	(200,000)	1.40
Forfeited/Expired	(535,000)	1.98
Balance outstanding at December 31, 2022	**7,521,395**	**1.86**

(Expressed in Canadian Dollars)

15. Stock options and warrants cont'd

The following table summarizes information about stock options outstanding at December 31, 2022:

Exercise Price ($)	Number of Options Outstanding	Weighted average remaining contractual life (Years)	Weighted average exercise Price ($)	Number of Options Exercisable	Weighted average remaining contractual life (Years)	Weighted average exercise Price ($)
0.50-1.00	884,895	0.88	0.84	884,895	0.88	0.84
1.01-1.50	942,000	1.91	1.41	942,000	1.91	1.41
1.51-2.00	2,998,500	5.22	1.70	1,837,000	4.59	1.66
2.01-2.50	1,456,000	4.67	2.14	1,106,500	3.94	2.14
2.51-3.00	440,000	4.72	2.82	390,000	4.18	2.80
3.01-3.50	800,000	7.15	3.13	800,000	7.15	3.13
	7,521,395	**4.36**	**1.86**	**5,960,395**	**3.81**	**1.86**

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

	December 31, 2022	December 31, 2021
Risk-free interest rate	1.81-3.79%	0.20-1.77%
Expected term in years	3-10 years	3-10 years
Expected stock price volatility	119.27-134.51%	90.33-117.62%
Dividend yield	-	-

Warrants:

Warrant transactions for the years ended December 31, 2022 and 2021 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**
Granted	5,075,000	U.S. 1.75
Exercised	(1,739,492)	1.61
Forfeited	(3,762,463)	2.37
Balance outstanding at December 31, 2022	**9,890,185**	**2.51**

The following table summarizes information about warrants outstanding at December 31, 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
U.S. 1.75	5,075,000	July 13, 2022	July 13, 2027
	9,890,185		

(Expressed in Canadian Dollars)

15. Stock options and warrants cont'd

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

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

The warrants issued in July 2022 are classified as warrant derivatives and the associated fair value inputs are included in note 13.

16. 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.

17. Nature of expenses

	2022	2021
	$	$
Research and Development Expenses		
Amortization of intangible asset	**41,749**	40,572
Preclinical	**2,464,110**	1,592,298
Chemistry, manufacturing and controls	**7,956,652**	1,246,748
Licensing and patent legal fees	**139,633**	235,745
Clinical and regulatory	**2,589,300**	1,467,565
Salaries and benefits	**2,083,219**	1,162,009
Stock-based compensation	**1,036,211**	901,167
Other research and development	**302,381**	225,422
	16,613,255	6,871,526

	2022	2021
	$	$
General and Administration Expenses		
Depreciation expense	**73,365**	2,054
Legal, professional and finance	**1,050,092**	492,092
Investor and public relations	**1,268,854**	941,805
Salaries and benefits	**1,538,046**	1,155,340
Stock-based compensation	**1,738,735**	3,114,506
Other general and administrative	**742,686**	233,901
	6,411,778	5,939,698

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

(Expressed in Canadian Dollars)

18. Income taxes

a) Provision for Income Tax

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

	2022	2021
	$	$
Loss for the year	**(20,722,283)**	(12,726,578)
Expected income tax (recovery)	**(5,595,000)**	(3,436,000)
Change in statutory, foreign tax, foreign exchange rates	**264,000**	(6,000)
Permanent differences	**753,000**	1,086,000
Share issue costs	**(35,000)**	(451,000)
Change in statutory tax rate	**(436,000)**	-
Change in unrecognized deductible temporary differences	**5,040,000**	2,807,000
Total income tax expense (recovery)	**-**	-

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

b) Deferred income tax

	2022	2021
	$	$
Equipment and license	**605,000**	247,000
Right-of-use asset	**(75,000)**	-
Lease liability	**77,000**	-
Share issue costs	**111,000**	651,000
Foreign exchange	**(8,000)**	-
Scientific research and experimental development expenditures	**1,323,000**	740,000
Non-capital losses available for future periods	**10,247,000**	6,430,000
	12,280,000	8,068,000
Unrecognized deferred tax asset	**(12,280,000)**	(8,068,000)
Net deferred tax assets	**-**	-

(Expressed in Canadian Dollars)

18. Income taxes cont'd

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

	2022	**Expiry**	2021	Expiry
	$		$	
Equipment and license	**2,541,000**	**None**	915,000	None
Right-of-use asset	**(277,000)**	**None**	-	-
Lease liability	**283,000**	**None**	-	-
Share issue costs	**412,000**	**2022-2026**	2,410,000	2022-2025
Foreign exchange	**(36,000)**	**None**	-	-
SR&ED expenditures	**3,305,000**	**None**	2,742,000	None
Non-capital losses available for future periods	**38,480,000**	**See below**	23,596,000	See below
Canada	**33,214,000**	**2036-2042**	19,466,000	2036-2041
USA	**3,346,000**	**None**	3,009,000	None
Australia	**1,920,000**	**None**	1,121,000	None

19. Subsequent events

Subsequent to December 31, 2022, the Company:

1. received cash proceeds of $86,506 from the exercise of 55,810 warrants and $304,000 from the exercise of 300,000 options.
2. granted 543,000 stock options to consultants, employees and directors, exercisable at a price of $1.94 per share for periods of 5-10 years, vesting over the period of one to two years.
3. granted 35,000 options to a consultant and an employee, exercisable at a price of $1.97 per share for periods of 5-10 years, vesting over the period of one to two years.