



Condensed consolidated interim financial statements of

NERVGEN PHARMA CORP.

(Expressed in Canadian Dollars - Unaudited)

For the three months ended March 31, 2023 and 2022

NERVGEN PHARMA CORP.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

as at	March 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	18,021,493	22,451,599
Accounts receivable	90,191	27,027
Prepays and deposits (Note 7)	297,973	669,908
	18,409,657	23,148,534
Non-current assets		
Property and equipment (Note 8)	268,415	295,280
Intangible assets (Note 9)	420,966	431,403
	689,381	726,683
	19,099,038	23,875,217
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10, 11)	2,079,288	3,398,398
Warrant derivative (Note 12)	6,878,059	6,732,284
Current portion of lease liability (Note 8)	87,566	86,265
	9,044,913	10,216,947
Non-current liabilities		
Lease liability (Note 8)	174,804	197,190
	174,804	197,190
	9,219,717	10,414,137
Shareholders' Equity		
Common shares (Note 13)	58,078,775	57,411,705
Reserves (Note 14)	12,280,494	11,820,280
Deficit	(60,479,948)	(55,770,905)
	9,879,321	13,461,080
	19,099,038	23,875,217

Nature of business (Note 1)

Commitments (Note 15)

Subsequent events (Note 17)

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

NERVGEN PHARMA CORP.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	For the 3 Months Ended March 31, 2023 \$	For the 3 Months Ended March 31, 2022 \$
Operating expenses		
Research and development (Note 16)	3,021,949	3,602,063
General and administration (Note 16)	1,694,713	1,402,282
Total operating expenses	4,716,662	5,004,345
Interest income	(151,385)	(17,337)
Unrealized loss on warrant derivative (Note 12)	145,775	-
Foreign exchange gain	(2,009)	(19,413)
Net loss and comprehensive loss	(4,709,043)	(4,967,595)
Basic and diluted net loss per share	(0.08)	(0.11)
Weighted average common shares outstanding (Note 13)	58,959,616	46,229,176

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

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
	\$	\$
Operating Activities		
Net loss for the period	(4,709,043)	(4,967,595)
Items not involving cash:		
Amortization of intangible asset	10,437	10,437
Depreciation expense	24,317	947
Interest expense on lease liability (Note 8)	4,147	-
Stock-based compensation	736,779	797,101
Unrealized foreign exchange	18,255	(3,930)
Change in fair value of warrant derivative (Note 12)	145,775	-
Changes in non-cash working capital:		
Accounts receivable	(63,164)	(5,871)
Prepaid expenses	371,935	(99,762)
Accounts payable and accrued liabilities	(1,320,981)	41,308
	(4,781,543)	(4,227,365)
Investing Activities		
Disposition of equipment	2,548	-
Acquisition of equipment	-	(5,390)
	2,548	(5,390)
Financing Activities		
Repayment of lease liability (Note 8)	(25,232)	-
Option and warrant exercises (Note 14)	390,505	128,333
	365,273	128,333
Effect of foreign exchange on cash	(16,384)	3,930
Net decrease in cash and cash equivalents	(4,430,106)	(4,100,492)
Cash and cash equivalents, beginning of period	22,451,599	16,928,857
Cash and cash equivalents, end of period	18,021,493	12,828,365
Cash paid for interest and taxes	\$ -	\$ -
Non-cash transactions:		
Fair value of options allocated to share capital	229,500	-
Fair value of warrants allocated to share capital	47,065	20,634

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

NERVGEN PHARMA CORP.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

	Common Shares		Reserves	Deficit	Total
	Number	Amount \$			
Balance December 31, 2021	46,189,584	42,403,307	9,463,514	(35,048,622)	16,818,199
Warrant exercises (Note 13, 14)	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
Balance December 31, 2022	58,779,076	57,411,705	11,820,280	(55,770,905)	13,461,080
Option exercises (Note 13, 14)	300,000	533,500	(229,500)	-	304,000
Warrant exercises (Note 13, 14)	55,810	133,570	(47,065)	-	86,505
Stock-based compensation	-	-	736,779	-	736,779
Loss and comprehensive loss	-	-	-	(4,709,043)	(4,709,043)
Balance March 31, 2023	59,134,886	58,078,775	12,280,494	(60,479,948)	9,879,321

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

NERVGEN PHARMA CORP.

Notes to the condensed consolidated interim financial statements (unaudited)

For the three months ended March 31, 2023 and 2022

(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 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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (IAS 34) using the same accounting policies as detailed in the Company’s annual audited consolidated financial statements for the year ended December 31, 2022. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements 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 condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2022.

The condensed consolidated interim financial statements were approved by the Company’s Board of Directors and authorized for issue on May 14, 2023.

b) Going Concern

These condensed consolidated interim financial statements have been prepared in accordance with 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 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 condensed consolidated interim financial statements. Such amounts could be material.

NERVGEN PHARMA CORP.

Notes to the condensed consolidated interim financial statements (unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

2. Basis of presentation cont'd

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.

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 and disclosure of contingent 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 results 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 accounted for prospectively.

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, recognition of government assistance, valuation of warrant derivative, deferred tax, stock-based compensation and the determination of the functional currency of the Company.

3. Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in our audited consolidated financial statements for the year ended December 31, 2022.

New accounting standards and interpretations

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 were adopted effective January 1, 2023. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The adoption of these amendments did not have an impact on our condensed consolidated interim financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, were adopted effective January 1, 2023. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively, while changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The adoption of these amendments did not have an impact on our condensed consolidated interim financial statements.

NERVGEN PHARMA CORP.

Notes to the condensed consolidated interim financial statements (unaudited)

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4. 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 March 31, 2023, the Company had other current assets of approximately \$7,435,000 USD, \$10,060,000 CAD (December 31, 2022 - \$9,953,000 USD, \$13,477,000 CAD), in the U.S. As of March 31, 2023, the Company also had deposits of approximately \$93,000 AUD, \$84,000 CAD (December 31, 2022 - \$357,000 AUD, \$330,000 CAD) held by Australian vendors and other current assets of approximately \$1,055,000 AUD, \$956,000 CAD (December 31, 2022 - \$33,000 AUD, \$31,000 CAD), in Australia. All other assets are held in Canada.

5. Capital disclosures

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

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

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

6. Financial risk management

(a) Fair value

The Company's financial instruments recognized on the statement of financial position consist of cash and cash equivalents, 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 and cash equivalents are 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 March 31, 2023, the fair value of the warrant derivative was \$6,878,059 (December 31, 2022 - \$6,732,284) 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. There have been no significant changes in these risk exposures compared to December 31, 2022.

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Notes to the condensed consolidated interim financial statements (unaudited)

For the three months ended March 31, 2023 and 2022

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6. 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 and cash equivalents 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 March 31, 2023, 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 2.9 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 three months ended March 31, 2023, of \$987,000 (March 31, 2022 - \$42,000). 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 three months ended March 31, 2023, of \$20,000 (March 31, 2022 - \$52,000).

Balances in U.S. dollars are as follows:

	March 31, 2023 \$U.S.	December 31, 2022 \$U.S.
Cash	7,669,142	10,095,950
Vendor deposits	-	11,067
Accounts payable and accrued liabilities	(377,465)	(1,519,716)
	7,291,677	8,587,301

Balances in Australian dollars are as follows:

	March 31, 2023 \$AUD	December 31, 2022 \$AUD
Cash	959,904	18,340
Accounts receivable	94,703	14,866
Vendor deposits	92,862	357,301
Accounts payable and accrued liabilities	(1,366,137)	(254,260)
	(218,668)	136,247

NERVGEN PHARMA CORP.

Notes to the condensed consolidated interim financial statements (unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

7. Prepaids and deposits

	March 31, 2023	December 31, 2022
	\$	\$
Prepaid insurance	46,529	75,218
Prepaid retainer	13,908	4,420
Prepaid listing fees	40,020	37,236
Prepaid software	71,378	23,053
Vendor deposits	126,138	529,981
	297,973	669,908

8. 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 three months ended March 31, 2023, were as follows:

	Right-of-Use Asset	Equipment	Total
	\$	\$	\$
Balance December 31, 2022	277,379	17,901	295,280
Dispositions	-	(2,548)	(2,548)
Depreciation	(22,491)	(1,826)	(24,317)
Balance, March 31, 2023	254,888	13,527	268,415

	Lease Liability
	\$
Balance December 31, 2021	-
Additions	344,849
Lease payments	(75,695)
Lease interest	14,301
Balance December 31, 2022	283,455
Lease payments	(25,232)
Lease interest	4,147
Balance, March 31, 2023	262,370
Current portion	(87,566)
Non-current portion	174,804

For the three months ended March 31, 2023, the Company recorded \$20,692 in rent expense (March 31, 2022 - Nil) related to variable lease payments.

As of March 31, 2023, the maturity of the Company's lease liability was as follows:

Within 1 year	87,566
1 to 2 years	92,967
2 to 3 years	81,837
Total lease liability	262,370

NERVGEN PHARMA CORP.

Notes to the condensed consolidated interim financial statements (unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

9. 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.

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.

Continuity of the intangible asset is as follows:

	Total \$
Intangible asset – Case Western Reserve license	
Balance, December 31, 2021	473,152
Amortization expense	(41,749)
Balance, December 31, 2022	431,403
Amortization expense	(10,437)
Balance, March 31, 2023	420,966

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 March 31, 2023, 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.

10. Accounts payable and accrued liabilities

	March 31, 2023 \$	December 31, 2022 \$
Accounts payable	315,648	2,001,916
Accrued liabilities	1,638,536	892,136
Amount owing to key management personnel (Note 11)	125,104	504,346
	2,079,288	3,398,398

11. 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 March 31, 2023 \$	Three Months Ended March 31, 2022 \$
Stock-based compensation	511,227	542,540
Salaries and bonuses	343,360	448,014
Consulting fees	93,853	45,000
	948,440	1,035,554

NERVGEN PHARMA CORP.

Notes to the condensed consolidated interim financial statements (unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

11. Key management personnel cont'd

As at March 31, 2023, the Company had amounts owing or accrued to current and former key management personnel of \$125,104 (December 31, 2022 - \$504,346) pertaining to expense reimbursements, accrued bonuses, accrued termination payments and accrued vacation.

12. 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. 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
Change in fair value of warrant derivative	145,775
Balance, March 31, 2023	6,878,059

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

	March 31, 2023	December 31, 2022
Risk-free interest rate	3.02%	3.37%
Expected warrant life in years	4.29 years	4.54 years
Expected stock price volatility	137.59%	134.51%
Dividend yield	-	-
Warrants outstanding	5,075,000	5,075,000

13. Share capital

Authorized

Unlimited common shares.

Equity Issuances

Fiscal 2023

During the three months ended March 31, 2023, 300,000 options were exercised for cash proceeds of \$304,000 and 55,810 warrants were exercised for cash proceeds of \$86,505. In addition to the cash proceeds received, the original fair value related to these options and warrants of \$229,500 and \$47,065 respectively, were transferred from reserves to share capital.

Fiscal 2022

During the three months ended March 31, 2022, 79,969 warrants were exercised for cash proceeds of \$128,333. In addition to the cash proceeds received, the original fair value related to these warrants of \$20,634, were transferred from reserves to share capital.

NERVGEN PHARMA CORP.

Notes to the condensed consolidated interim financial statements (unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

13. Share capital cont'd

Calculation of loss per share

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

For the three months ended March 31, 2023 and 2022 the calculation was as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Common shares issued and outstanding, beginning of period	58,779,076	46,189,584
Shares issued	355,810	79,969
Common shares issued and outstanding, end of period	59,134,886	46,269,553
Weighted average shares outstanding - basic and diluted, end of period	58,959,616	46,229,176

14. Stock options and warrants

Stock Options:

Stock option transactions for the three months ended March 31, 2023 are set forth below:

	Number of shares issuable under options	Weighted average exercise price \$
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
Granted	578,000	1.94
Exercised	(300,000)	1.01
Forfeited/Expired	(15,000)	2.06
Balance outstanding at March 31, 2023	7,784,395	1.90

The following table summarizes information about stock options outstanding at March 31, 2023:

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	684,895	0.81	0.87	684,895	0.81	0.87
1.01-1.50	942,000	1.66	1.41	942,000	1.66	1.41
1.51-2.00	3,476,500	5.51	1.74	1,975,125	4.68	1.69
2.01-2.50	1,441,000	4.37	2.14	1,238,000	3.93	2.14
2.51-3.00	440,000	4.47	2.82	390,000	3.94	2.80
3.01-3.50	800,000	6.90	3.13	800,000	6.90	3.13
	7,784,395	4.50	1.90	6,030,020	3.86	1.91

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Notes to the condensed consolidated interim financial statements (unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

14. Stock options and warrants cont'd

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

	March 31, 2023	March 31, 2022
Risk-free interest rate	3.37-3.59%	1.81%
Expected term in years	5-10 years	10 years
Expected stock price volatility	136.44%	131.03%
Dividend yield	-	-

Warrants:

Warrant transactions for the three months ended March 31, 2023 are set forth below:

	Number of shares issuable under warrants	Weighted average exercise price \$
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
Exercised	(55,810)	1.55
Balance outstanding at March 31, 2023	9,834,375	2.52

The following table summarizes information about warrants outstanding at March 31, 2023:

Exercise Price (\$)	Number of Warrants Outstanding	Grant Date	Expiry Date
2.10	1,306,875	May 12, 2021	May 12, 2023
1.55	123,323	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
	9,834,375		

15. 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.

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(Expressed in Canadian Dollars)

16. Nature of expenses

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
	\$	\$
Research and Development Expenses		
Amortization of intangible asset	10,437	10,437
Preclinical development	307,720	641,900
Chemistry, manufacturing and controls	273,362	1,478,389
Licensing and patent legal fees	118,433	5,222
Clinical and regulatory	1,325,706	620,888
Salaries and benefits	741,118	540,466
Stock-based compensation	185,765	277,115
Other research and development	59,408	27,646
	3,021,949	3,602,063
<hr/>		
	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
	\$	\$
General and Administration Expenses		
Depreciation expense	24,317	947
Legal, professional and finance	250,032	161,448
Investor and public relations	378,105	237,363
Salaries and benefits	251,330	377,090
Stock-based compensation	551,014	519,986
Other general and administrative	239,915	105,448
	1,694,713	1,402,282

Certain comparative figures have been reclassified to conform to current period presentation. There was no change to loss and comprehensive loss for the three months ended March 31, 2022.

17. Subsequent events

Subsequent to March 31, 2023, the Company:

- (a) granted 2,862,000 stock options and 590,000 retention securities to an executive, exercisable at a price of \$1.78 per share for a period of 10 years, vesting monthly over the period of three years; and
- (b) received cash proceeds of \$55,592 from the exercise of 59,668 stock options and 16,618 warrants.