



Condensed consolidated interim financial statements of

NERVGEN PHARMA CORP.

(Expressed in Canadian Dollars - Unaudited)

For the three and six months ended June 30, 2024 and 2023

NERVGEN PHARMA CORP.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

as at	June 30, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	26,560,229	11,659,544
Accounts receivable	11,549	250,209
Current portion of lease receivable	94,369	-
Prepays and deposits (Note 7)	669,155	605,733
	27,335,302	12,515,486
Non-current assets		
Lease receivable	57,713	-
Property and equipment (Note 8)	2,566	199,782
Intangible assets (Note 9)	492,855	520,753
	553,134	720,535
	27,888,436	13,236,021
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10, 11)	3,727,092	3,321,208
Warrant derivative (Note 12)	11,520,250	11,726,728
Current portion of lease liability (Note 8)	94,369	91,586
	15,341,711	15,139,522
Non-current liabilities		
Lease liability (Note 8)	57,713	105,604
	57,713	105,604
	15,399,424	15,245,126
Shareholders' Equity (Deficit)		
Common shares (Note 13)	80,042,870	58,931,527
Reserves (Note 14)	20,770,524	17,212,393
Deficit	(88,324,382)	(78,153,025)
	12,489,012	(2,009,105)
	27,888,436	13,236,021

Nature of business (Note 1)

Commitments (Note 15)

Approved by the Board

/s/ Gianni (John) Ruffolo

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 June 30, 2024 \$	For the 3 Months Ended June 30, 2023 \$	For the 6 Months Ended June 30, 2024 \$	For the 6 Months Ended June 30, 2023 \$
Operating expenses				
Research and development (Note 16)	3,799,914	1,518,802	6,772,028	4,540,751
General and administrative (Note 16)	2,200,393	3,250,782	4,197,830	4,945,495
Total operating expenses	6,000,307	4,769,584	10,969,858	9,486,246
Interest income	(294,879)	(139,594)	(397,828)	(290,979)
Unrealized loss (gain) on warrant derivative (Note 12)	2,182,250	(55,272)	(206,478)	90,503
Foreign exchange (gain) loss	(61,742)	187,393	(194,195)	185,384
Net loss and comprehensive loss	(7,825,936)	(4,762,111)	(10,171,357)	(9,471,154)
Basic and diluted net loss per share	(0.11)	(0.08)	(0.16)	(0.16)
Weighted average common shares outstanding (Note 13)	69,950,067	59,215,358	65,078,249	59,088,194

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)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	\$	\$
Operating Activities		
Net loss for the period	(10,171,357)	(9,471,154)
Items not involving cash:		
Amortization of intangible asset (Note 9)	27,898	20,874
Depreciation expense (Note 8)	25,437	48,879
Interest expense on lease liability (Note 8)	5,355	7,976
Interest income on net investment in lease	(2,384)	-
Stock-based compensation	2,503,637	2,899,862
Unrealized foreign exchange	(214,029)	216,128
Change in fair value of warrant derivative (Note 12)	(206,478)	90,503
Loss on derecognition of equipment (Note 8)	6,851	-
Net investment in sub-sublease	6,819	-
Changes in non-cash working capital:		
Accounts receivable	238,660	(13,081)
Prepaid expenses	(49,084)	34,781
Accounts payable and accrued liabilities	400,837	(614,811)
	(7,427,838)	(6,780,043)
Investing Activities		
Disposition of equipment (Note 8)	-	2,548
Acquisition of equipment	-	(2,944)
Payments received from net investment in lease	8,411	-
	8,411	(396)
Financing Activities		
Repayment of lease liability (Note 8)	(50,463)	(50,463)
Gross proceeds from issuance of common shares (Note 13)	23,011,788	-
Share issue costs – cash (Note 13)	(1,630,361)	-
Option and warrant exercises (Note 13 and 14)	784,410	669,597
	22,115,374	619,134
Effect of foreign exchange on cash	204,738	(207,387)
Net increase (decrease) in cash and cash equivalents	14,900,685	(6,368,692)
Cash and cash equivalents, beginning of period	11,659,544	22,451,599
Cash and cash equivalents, end of period	26,560,229	16,082,907
Cash paid for interest and taxes	\$	-
Non-cash transactions:		
Finder's/Broker's warrants	187,139	-
Fair value of options allocated to share capital	601,483	451,380
Fair value of warrants allocated to share capital	-	61,079

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 (Deficit)

(Expressed in Canadian dollars)

(Unaudited)

	Common Shares		Reserves	Deficit	Total
	Number	Amount			
		\$	\$	\$	\$
Balance December 31, 2022	58,779,076	57,411,705	11,820,280	(55,770,905)	13,461,080
Warrant exercises (Note 14)	72,428	173,343	(61,079)	-	112,264
Option exercises (Note 14)	509,668	1,008,713	(451,380)	-	557,333
Stock-based compensation	-	-	2,899,862	-	2,899,862
Loss and comprehensive loss	-	-	-	(9,471,154)	(9,471,154)
Balance June 30, 2023	59,361,172	58,593,761	14,207,683	(65,242,059)	7,559,385
Balance December 31, 2023	59,606,399	58,931,527	17,212,393	(78,153,025)	(2,009,105)
Common share financings, net (Note 13)	9,792,250	19,912,589	1,468,838	-	21,381,427
Broker warrants (Note 13)	-	(187,139)	187,139	-	-
Option exercises (Note 14)	644,000	1,385,893	(601,483)	-	784,410
Stock-based compensation	-	-	2,503,637	-	2,503,637
Loss and comprehensive loss	-	-	-	(10,171,357)	(10,171,357)
Balance June 30, 2024	70,042,649	80,042,870	20,770,524	(88,324,382)	12,489,012

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 and six months ended June 30, 2024 and 2023

(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 112-970 Burrard Street, Unit 1290, Vancouver, BC, V6Z 2R4, Canada, and the registered office is located at 1133 Melville Street, Suite 3500, The Stack, Vancouver, BC, V6E 4E5, Canada.

NervGen’s common shares trade on the TSX-V under the symbol “NGEN” and on the U.S. OTCQB® 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 indication is spinal cord injury (“SCI”).

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, 2023. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements in accordance with IFRS Accounting Standards 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, 2023.

The condensed consolidated interim financial statements were approved by the Company’s Board of Directors and authorized for issue on August 21, 2024.

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.

The Company is in pre-revenue stage and no revenues are expected in the foreseeable future. The Company’s future operations are dependent on the success of the Company’s ongoing development, as well as its ability to secure additional financing as needed. Management has forecasted that the existing working capital is sufficient to operate the Company for the ensuing 12 months from the issuance of these financial statements. The Company will need to raise additional capital to fund its long-term operations and research and development plans including human clinical trials for its various drug candidates until it generates revenue that reaches a level sufficient to provide self-sustaining cash flows. 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 and six months ended June 30, 2024 and 2023

(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, contingent repayment of grant funding and the determination of the functional currency of the Company.

3. Material 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, 2023.

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 June 30, 2024, the Company had other current assets of approximately US\$6,249,000, CA\$8,547,000 (December 31, 2023 - US\$4,850,000, CA\$6,424,000), in the U.S. As of June 30, 2024, the Company also had other current assets of approximately AUS\$321,000, CA\$293,000 (December 31, 2023 - AUS\$464,000, CA\$418,000) held in Australia. All other assets are held in Canada.

5. Capital disclosures

The Company defines its capital as share capital, warrants, retention securities 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.

NERVGEN PHARMA CORP.

Notes to the condensed consolidated interim financial statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

5. Capital disclosures cont'd

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).

On August 12, 2022, we renewed our short form base shelf prospectus (the "Base Shelf") that qualifies for distribution of up to \$100,000,000 of common shares, debt securities, subscription receipts, warrants and units comprised of one or more of the other securities described. Under our Base Shelf, we may sell securities to or through underwriters, dealers, placement agents, or other intermediaries, and also may sell securities directly to purchasers or through agents, subject to obtaining any applicable exemption from registration requirements. The distribution of securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be subject to change, at market prices prevailing at the time of sale, or at prices related to such prevailing market prices to be negotiated with purchasers and as set forth in an accompanying prospectus supplement.

Renewing our Base Shelf provides us with additional flexibility when managing our cash resources as, under certain circumstances, it shortens the time period required to close a financing and is expected to increase the number of potential investors that may be prepared to invest in our company. Our renewed Base Shelf will be effective until September 12, 2024.

There were no changes to the Company's capital management policy during the six months ended June 30, 2024. 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 condensed consolidated interim statements of financial position consist of cash and cash equivalents, accounts receivable, lease receivable, warrant derivative, 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

The Company's financial instruments, recorded at fair value, require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are measured at fair value using Level 1 and net investment in lease is measured at amortized cost using Level 2, as the basis for measurement in their fair values. The recorded amounts for accounts receivable, accounts payable and accrued liabilities, approximate their fair value due to their short-term nature. In July 2022, the Company issued common share purchase warrants with an exercise price denominated in a currency that differs from our functional currency, which were treated as a derivative measured at fair value with subsequent changes in fair value accounted for through the condensed consolidated interim statements of loss and comprehensive loss. The fair value of the warrant derivative recognized on the condensed consolidated interim statements of financial position is based on level 2 inputs (significant observable inputs) as these warrants have not been listed on an exchange and therefore do not

NERVGEN PHARMA CORP.

Notes to the condensed consolidated interim financial statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

6. Financial risk management cont'd

trade on an active market. As at June 30, 2024, the fair value of our non-cash warrant derivative was \$11,520,250 (December 31, 2023 - \$11,726,728). The Company uses the Black-Scholes valuation model to estimate fair value. The expected volatility is based on the Company's common share historical volatility, the risk-free interest rate is based on 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, 2023.

(c) Credit risk

Credit risk is the risk of potential loss if a counterparty to a financial instrument fails to meet its contractual obligations. Our credit risk is primarily attributable to our liquid financial assets, including cash and cash equivalents, receivables, deposits, and balances receivable from the government. We limit the exposure to credit risk in our cash and cash equivalents by only holding our cash and cash equivalents with high-credit quality financial institutions in business and/or savings accounts.

(d) Interest rate risk

Management has determined that we are not exposed to any significant interest rate risks.

(e) Liquidity risk

Liquidity risk is the risk that we will not have the resources to meet our obligations as they fall due. We manage this risk by closely monitoring cash forecasts and managing resources to ensure that we will have sufficient liquidity to meet our obligations. All of our financial liabilities other than the portion of our lease liability that is due beyond one year are classified as current and the majority, other than the non-cash warrant derivative, are anticipated to mature within the next ninety days. We are exposed to liquidity risk other than for the warrant derivative which is non-cash.

(f) Currency risk

We have identified our functional currency as the Canadian dollar. Transactions are transacted in Canadian dollars, U.S. dollars and in Australian dollars. 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 six months ended June 30, 2024, of \$647,000 (June 30, 2023 - \$830,000). A 10% depreciation or appreciation of the Canadian dollar against the Australian dollar would result in an increase or decrease in loss and comprehensive loss for the six months ended June 30, 2024, of \$100,000 (June 30, 2023 - \$41,000).

In the near-term, we mitigate overall currency risk through of the use of U.S. dollar denominated cash balances to pay forecasted U.S. denominated expenses. In the long-term, we are exposed to net currency risk from employee costs as well as the purchase of goods and services in the United States and Australia.

Balances in U.S. dollars are as follows:

	June 30, 2024	December 31, 2023
	US\$	US\$
Cash	6,096,406	4,715,776
Vendor deposits	237,672	264,827
Accounts payable and accrued liabilities	(1,605,530)	(1,049,575)
	4,728,548	3,931,028

NERVGEN PHARMA CORP.

Notes to the condensed consolidated interim financial statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

6. Financial risk management cont'd

Balances in Australian dollars are as follows:

	June 30, 2024	December 31, 2023
	\$AUD	\$AUD
Cash	319,879	474,543
Accounts receivable	1,251	-
Accounts payable and accrued liabilities	(1,416,599)	(1,425,997)
	(1,095,469)	(951,454)

7. Prepaids and deposits

	June 30, 2024	December 31, 2023
	\$	\$
Prepaid insurance	125,375	64,893
Prepaid membership fees	105,328	41,771
Prepaid listing fees	33,573	36,977
Prepaid software	42,627	74,088
Vendor deposits	362,252	388,004
	669,155	605,733

8. Property, equipment and lease liability

The carrying amounts of the Company's right-of-use-asset, lease liabilities, equipment and movements during the six months ended June 30, 2024, were as follows:

	Right-of-Use-Asset	Equipment	Total
		\$	\$
Balance December 31, 2023	187,418	12,364	199,782
Depreciation	(22,490)	(1,867)	(24,357)
Balance, March 31, 2024	164,928	10,497	175,425
Disposals/Derecognition	(164,928)	(6,851)	(171,779)
Depreciation	-	(1,080)	(1,080)
Balance, June 30, 2024	-	2,566	2,566

	Lease Liability
	\$
Balance December 31, 2023	197,190
Lease payments	(50,463)
Lease interest	5,355
Balance, June 30, 2024	152,082
Current portion	(94,369)
Non-current portion	57,713

The Company entered into a sub-sublease pursuant to which we have agreed to sub-sublease our head office for a term of one (1) year, nine (9) months less two (2) days, commencing on June 1, 2024, and expiring on February 26, 2026 (the remaining term of our sublease). The sub-tenant will pay base rent plus property taxes and operating expenses, equal to the amount owed by the Company under the sublease.

NERVGEN PHARMA CORP.

Notes to the condensed consolidated interim financial statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

8. Property, equipment and lease liability cont'd

When the right-of-use asset was leased to a third party, the Company assessed the classification of the sublease as to whether it is a finance or operating lease. The sublease was classified as a finance lease and the carrying value of the right-of-use asset was derecognized, a lease receivable was recognized, and the difference was recorded in profit of loss.

For the three and six months ended June 30, 2024, the Company derecognized the right-of-use-asset of \$164,928 and recognized a lease receivable of \$158,109, the difference was recorded in the condensed consolidated interim statements of loss and comprehensive loss.

For the six months ended June 30, 2024, the Company recorded \$19,679 in rent expense (June 30, 2023 - \$44,677) related to variable lease payments and \$52,483 in real estate fees, commissions and administrative charges (June 30, 2023 - \$nil) pertaining to the sub-sublease.

As at June 30, 2024, the maturity of the Company's lease liability was as follows:

Within 1 year	94,369
1 to 2 years	57,713
Total lease liability	152,082

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:

Intangible asset – Case Western Reserve license	Total \$
Balance, December 31, 2023	520,753
Amortization expense	(27,898)
Balance, June 30, 2024	492,855

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 June 30, 2024, the Company is obligated to pay the following:

- An annual minimum royalty of US\$50,000 per year.
- Project milestones payable based on the achievement of future clinical development milestones, estimated to total US\$1,750,000.

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Notes to the condensed consolidated interim financial statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

10. Accounts payable and accrued liabilities

	June 30, 2024	December 31, 2023
	\$	\$
Accounts payable	559,451	550,401
Accrued liabilities	2,766,262	2,332,223
Amount owing to key management personnel (Note 11)	401,379	438,584
	3,727,092	3,321,208

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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Stock-based compensation	1,093,842	1,996,307	2,084,986	2,507,534
Salaries and bonuses	635,474	626,746	1,273,720	970,106
Consulting fees	-	-	-	93,853
	1,729,316	2,623,053	3,358,706	3,571,493

As at June 30, 2024, the Company had amounts owing or accrued to key management personnel of \$401,379 (December 31, 2023 - \$438,584) pertaining to expense reimbursements, accrued bonuses, 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 US\$1.50 per unit for gross proceeds of US\$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, December 31, 2023	11,726,728
Change in fair value of warrant derivative	(2,388,728)
Balance, March 31, 2024	9,338,000
Change in fair value of warrant derivative	2,182,250
Balance, June 30, 2024	11,520,250

The estimated fair value of the warrant derivative related to warrants denominated in US dollars was determined using the Black-Scholes valuation model using the following assumptions:

	June 30, 2024	December 31, 2023
Risk-free interest rate	3.51%	3.17%
Expected warrant life in years	3.04 years	3.53 years
Expected stock price volatility	155.33%	147.69%
Dividend yield	-	-
Warrants denominated in US dollars outstanding	5,075,000	5,075,000

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Notes to the condensed consolidated interim financial statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

13. Share capital

Authorized

Unlimited common shares.

Equity Issuances

Fiscal 2024

During the six months ended June 30, 2024, 644,000 options were exercised for cash proceeds of \$784,410. In addition to the cash proceeds received, the original fair value related to these options of \$601,483, was transferred from reserves to share capital.

The Company also closed a bought deal financing of 9,792,250 units at a price of \$2.35 per unit, for aggregate gross proceeds of \$23,011,788. Each unit consisted of 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 \$3.00 per common share until March 28, 2027. The warrants were attributed a value of \$1,468,838 using the residual value valuation methodology which was allocated to reserves. The Company also paid a cash commission of \$1,090,152 to the underwriters and issued 170,127 broker warrants exercisable into one common share per broker warrant at a price of \$2.35 per common share until March 28, 2026, with a fair value of \$187,139 using the Black-Scholes option pricing model. The Company also incurred \$540,209 in other share issue costs related to legal and listing fees.

Fiscal 2023

During the six months ended June 30, 2023, 509,668 options were exercised for cash proceeds of \$557,333 and 72,428 warrants were exercised for cash proceeds of \$112,264. In addition to the cash proceeds received, the original fair value related to these options and warrants of \$451,380 and \$61,079 respectively, were transferred from reserves to share capital.

Calculation of loss per share

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

For the three and six months ended June 30, 2024, and 2023 the calculation was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Common shares issued and outstanding, beginning of period	69,927,649	59,134,886	59,606,399	58,779,076
Shares issued	115,000	226,286	10,436,250	582,096
Common shares issued and outstanding, end of period	70,042,649	59,361,172	70,042,649	59,361,172
Weighted average shares outstanding - basic and diluted, end of period	69,950,067	59,215,358	65,078,249	59,088,194

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(Expressed in Canadian Dollars)

14. Stock options, retention securities and warrants

Stock Options and Retention Securities:

Stock option transactions for the six months ended June 30, 2024 are set forth below:

	Number of shares issuable under options	Weighted average exercise price \$
Balance outstanding at December 31, 2023	10,545,500	1.91
Granted	1,723,200	2.39
Exercised	(644,000)	1.22
Forfeited/Expired	(119,000)	1.91
Balance outstanding at June 30, 2024	11,505,700	2.02

The following table summarizes information about stock options outstanding at June 30, 2024:

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 (\$)
1.01-1.50	177,000	5.77	1.13	177,000	5.77	1.13
1.51-2.00	8,094,500	6.57	1.77	4,843,500	5.33	1.74
2.01-2.50	1,471,000	3.89	2.14	1,271,000	2.95	2.14
2.51-3.00	390,000	3.79	2.84	390,000	3.79	2.84
3.01-3.50	1,373,200	7.32	3.28	800,000	5.65	3.13
	11,505,700	6.21	2.02	7,481,500	4.89	2.00

The Company has granted 590,000 retention securities to its President and Chief Executive Officer in connection with his appointment on April 10, 2023. Each retention security is exercisable into one common share at a price of \$1.78 per share for a period of 10 years and the retention securities vest equally every month over a three-year period. The weighted average remaining contractual life of the retention securities is 8.78 years and 229,444 securities were exercisable as at June 30, 2024.

The retention securities were granted outside of the Company's stock option plan, as an inducement grant to the President and Chief Executive Officer of the Company pursuant to Section 6.4 of TSX Venture Exchange Policy 4.4.

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

	June 30, 2024	June 30, 2023
Risk-free interest rate	3.44-3.76%	2.79-4.20%
Expected term in years	5-10 years	2-10 years
Expected stock price volatility	152.12-156.78%	88.20-138.77%
Dividend yield	-	-

Warrants:

Warrant transactions for the six months ended June 30, 2024 are set forth below:

	Number of shares issuable under warrants	Weighted average exercise price US\$	Weighted average exercise price \$
Balance outstanding at December 31, 2023	5,075,000	1.75	2.37
Issued	5,066,250		2.98
Balance outstanding at June 30, 2024	10,141,250		2.67

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14. Stock options, retention securities and warrants cont'd

The following table summarizes information about warrants outstanding at June 30, 2024:

Exercise Price (\$)	Number of Warrants Outstanding	Grant Date	Expiry Date
US 1.75	5,075,000	July 13, 2022	July 13, 2027
3.00	4,896,123	March 28, 2024	March 28, 2027
2.35	170,127	March 28, 2024	March 28, 2026
	10,141,250		

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.

In June 2023, the Company was awarded a grant of up to US\$3.18 million (CA\$4.22 million) to support the Company's Phase 1b/2a clinical trial in individuals with SCI. In connection with the grant, the Company agreed to pay a percentage of the Company's net annual sales revenue of NVG-291, or any derivative approved in SCI through the provision of an unrestricted donation to the granting entity in the amount of up to the total funds received through the agreement. Any donation that may become due under the agreement is dependent on, among other factors, the successful development and sale of a new drug, the outcome and timing of which is uncertain. As at June 30, 2024, we had achieved three of the five milestones in the grant and received US\$1.92 million (CA\$2.61 million). The grant funding received was recorded as a reduction of the related clinical and regulatory expenses, included in research and development expenses, in the period the milestone was received.

16. Nature of expenses

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Research and Development Expenses				
Amortization of intangible asset	13,948	10,437	27,897	20,874
Preclinical development	96,999	415,178	280,804	722,898
Chemistry, manufacturing and controls	262,775	268,946	697,695	542,308
Licensing and patent legal fees	155,619	70,598	295,619	189,031
Clinical and regulatory	1,843,851	(264,236)	2,835,777	1,061,470
Salaries and benefits	986,987	739,152	1,745,799	1,480,270
Stock-based compensation	290,960	218,180	583,827	403,945
Other research and development	148,775	60,547	304,610	119,955
	3,799,914	1,518,802	6,772,028	4,540,751

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Notes to the condensed consolidated interim financial statements (unaudited)

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(Expressed in Canadian Dollars)

16. Nature of expenses cont'd

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
General and Administrative Expenses				
Depreciation expense	1,080	24,562	25,437	48,878
Legal, professional and finance	114,770	149,353	259,609	399,385
Investor and public relations	385,922	454,984	616,806	833,089
Salaries and benefits	511,222	508,500	1,071,556	759,830
Stock-based compensation	1,061,225	1,944,903	1,919,810	2,495,917
Other general and administrative	126,174	168,480	304,612	408,396
	2,200,393	3,250,782	4,197,830	4,945,495