

EUPRAXIA PHARMACEUTICALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months ended June 30, 2024

(Unaudited and Expressed in U.S. Dollars)

EUPRAXIA PHARMACEUTICALS INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024
(Unaudited and Expressed in U.S. Dollars)

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EUPRAXIA PHARMACEUTICALS INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited and Expressed in U.S. Dollars, except share amounts)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash	\$ 23,316,105	\$ 19,341,756
Prepaid expenses	1,053,850	270,710
Amounts receivable (Note 4)	155,235	190,612
Total current assets	24,525,190	19,803,078
Non-current assets		
Prepaid expenses	4,602	6,904
Property and equipment, net (Note 5)	347,422	409,587
Right-of-use asset, net (Note 6)	98,104	46,660
Total assets	\$ 24,975,318	\$ 20,266,229
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 1,977,773	\$ 3,921,875
Loans payable (Note 8)	21,209	62,709
Lease liability (Note 9)	71,008	53,316
Payable to Auritec (Note 10)	5,000,000	5,000,000
Convertible debt (Note 11)	4,532,836	10,336,003
Total current liabilities	11,602,826	19,373,903
Non-current liabilities		
Lease liability (Note 9)	34,952	-
Total liabilities	11,637,778	19,373,903
Shareholders' equity		
Share capital, without par value; unlimited shares authorized; issued and outstanding: 35,622,553 (December 31, 2023 - 27,282,165 (Note 12(b)))	116,318,245	92,913,585
Additional paid-in capital (Notes 12(b), 12(c) and 12(d))	18,984,448	17,510,469
Deficit	(117,551,549)	(105,501,295)
Accumulated other comprehensive loss	(2,919,150)	(2,706,552)
Equity attributable to the owners of the Company	14,831,994	2,216,207
Non-controlling interest	(1,494,454)	(1,323,881)
Total shareholders' equity	13,337,540	892,326
Total liabilities and shareholders' equity	\$ 24,975,318	\$ 20,266,229

Nature of business and going concern (Note 1)
Commitments (Note 16)
Subsequent event (Note 20)

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

EUPRAXIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited and Expressed in U.S. Dollars, except share amounts)

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Expenses				
General and administrative (Note 13)	\$ 2,583,126	\$ 1,922,568	\$ 5,101,149	\$ 3,184,404
Research and development (Note 14)	3,971,975	3,787,196	8,147,428	6,061,819
Total expenses	6,555,101	5,709,764	13,248,577	9,246,223
Other income/(expenses)				
Interest income	401,226	152,271	637,595	315,304
Interest expense (Note 18)	(281,845)	(301,770)	(602,985)	(593,247)
Gain (loss) on sale of equipment (Note 5)	11,368	(4,520)	11,368	(4,658)
Foreign exchange gain (loss)	(75,041)	9,942	(218,769)	32,975
Change in fair value of financial instruments (Note 11)	430,499	(3,652,601)	1,200,541	(3,966,681)
Total other income/(expense)	486,207	(3,796,678)	1,027,750	(4,216,307)
Net loss before tax expense	(6,068,894)	(9,506,442)	(12,220,827)	(13,462,530)
Tax recovery	(5,000)	-	-	-
Net loss for the period	\$(6,063,894)	\$(9,506,442)	\$(12,220,827)	\$(13,462,530)
Loss attributable to:				
Owners of the Company	\$(6,007,216)	\$(9,377,063)	\$(12,050,254)	\$(13,272,455)
Non-controlling interest	(56,678)	(129,379)	(170,573)	(190,075)
	(6,063,894)	(9,506,442)	(12,220,827)	(13,462,530)
Foreign currency translation adjustment	(180,206)	(15,553)	(212,598)	(21,074)
Comprehensive loss for the period	\$(6,244,100)	\$(9,521,995)	\$(12,433,425)	\$(13,483,604)
Loss per share – basic and diluted (Owners of the Company)				
	\$ (0.17)	\$ (0.43)	\$ (0.37)	\$ (0.61)
Weighted average shares outstanding – basic and diluted				
	35,622,553	22,009,026	32,217,597	21,857,497

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

EUPRAXIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(Unaudited and Expressed in U.S. Dollars, except share amounts)

	Number of shares	Amount	Additional paid-in capital	Deficit	Accumulated other comprehensive income	Non-controlling interest	Total
Balance, December 31, 2022	21,593,145	71,003,225	16,850,165	(77,280,499)	(2,786,366)	(578,671)	7,207,854
Share-based payments	-	-	317,419	-	-	-	317,419
Redemption of warrants	150,000	263,127	(33,591)	-	-	-	229,536
Redemption of options	500	1,132	(438)	-	-	-	694
Net loss for the period	-	-	-	(3,895,392)	-	(60,696)	(3,956,088)
Foreign currency translation adjustment	-	-	-	-	(5,521)	-	(5,521)
Balance, March 31, 2023	21,743,645	71,267,484	17,133,555	(81,175,891)	(2,791,887)	(639,367)	3,793,894
Share-based payments	-	-	426,119	-	-	-	426,119
Redemption of warrants	2,050,484	5,057,531	(466,252)	-	-	-	4,591,279
Redemption of options	1,100	5,204	(2,094)	-	-	-	3,110
Net loss for the period	-	-	-	(9,377,063)	-	(129,379)	(9,506,442)
Foreign currency translation adjustment	-	-	-	-	(15,553)	-	(15,553)
Balance, June 30, 2023	23,795,229	76,330,219	17,091,328	(90,552,954)	(2,807,440)	(768,746)	(707,593)

EUPRAXIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited and Expressed in U.S. Dollars, except share amounts)

	Number of shares	Amount	Additional paid-in capital	Deficit	Accumulated other comprehensive income	Non-controlling interest	Total
Balance, December 31, 2023	27,282,165	\$ 92,913,585	\$ 17,510,469	\$ (105,501,295)	\$ (2,706,552)	\$ (1,323,881)	\$ 892,326
Overnight marketed public offering, net of transaction costs (Note 12(b)(vi))	8,260,435	22,853,391	-	-	-	-	22,853,391
Share-based payments (Note 12(c))	-	-	213,130	-	-	-	213,130
Redemption of warrants (Notes 12(b)(iv) and 12(d))	79,943	551,246	(214,062)	-	-	-	337,184
Redemption of options (Notes 12(b)(v) and 12(c))	10	23	(9)	-	-	-	14
Net loss for the period	-	-	-	(6,043,038)	-	(113,895)	(6,156,933)
Foreign currency translation adjustment	-	-	-	-	(32,392)	-	(32,392)
Balance, March 31, 2024	35,622,553	116,318,245	17,509,528	(111,544,333)	(2,738,944)	(1,437,776)	18,106,720
Share-based payments (Note 12(c))	-	-	1,474,920	-	-	-	1,474,920
Net loss for the period	-	-	-	(6,007,216)	-	(56,678)	(6,063,894)
Foreign currency translation adjustment	-	-	-	-	(180,206)	-	(180,206)
Balance, June 30, 2024	35,622,553	116,318,245	18,984,448	(117,551,549)	(2,919,150)	(1,494,454)	13,337,540

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

EUPRAXIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and Expressed in U.S. Dollars)

	Six months ended June 30, 2024	Six months ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (12,220,827)	\$ (13,462,530)
Cash flows from operating activities		
Accrued interest on convertible debt, net of interest paid (Note 11)	241,597	310,175
Depreciation (Note 5 and 6)	79,448	75,578
Interest – lease liability	3,337	7,211
Loss (gain) on sale of equipment (Note 5)	(11,368)	4,658
Share-based payments (Note 12(c))	1,688,050	743,538
Change in fair value of financial instruments (Note 11)	(1,200,541)	3,966,681
Lease payments (Note 9)	(32,291)	(32,544)
Unrealized foreign exchange (gain) loss	214,430	(4,124)
Changes in operating assets and liabilities		
Accounts payable and accrued liabilities	(1,865,706)	(299,106)
Prepaid expenses	(759,553)	(187,159)
Amounts receivable	30,872	38,342
Cash used in operating activities	(13,832,552)	(8,839,280)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment (Note 5)	(17,637)	(14,390)
Proceeds from sale of equipment	28,510	-
Cash provided by (used in) investing activities	10,873	(14,390)
CASH FLOWS FROM FINANCING ACTIVITIES		
Overnight marketed public offering (net of transaction costs) (Note 12(b)(vi))	22,853,391	-
Redemption of warrants (Note 12(d))	337,184	4,820,815
Redemption of options (Note 12 (c))	14	3,805
Repayment of loans (Note 8)	(41,389)	(39,151)
Repayment of convertible debt (Note 11)	(4,494,795)	-
Cash provided by financing activities	18,654,405	4,785,469
Increase (decrease) in cash and cash equivalents	4,832,726	(4,068,201)
Foreign exchange effect on cash and cash equivalents	(858,377)	227,585
Cash, beginning of period	19,341,756	18,263,389
Cash, end of period	\$ 23,316,105	\$ 14,422,773

Supplemental disclosure with respect to cash flows (Note 19)

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

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023
(Unaudited and Expressed in U.S. Dollars, except share amounts)

1. NATURE OF BUSINESS AND GOING CONCERN

Eupraxia Pharmaceuticals Inc. (the “Company”) was incorporated under the laws of the province of Alberta on May 12, 2011, under the name Plaza Capital Partners Inc. On May 11, 2012, the Company changed its name to Eupraxia Pharmaceuticals Inc. and continued from the province of Alberta to the province of British Columbia.

On October 10, 2012, Eupraxia Holdings, Inc. (“Holdings”) was incorporated under the laws of the State of Delaware, USA. On November 16, 2012, Holdings was registered as an extra-provincial corporation under the laws of the province of British Columbia, Canada. On October 10, 2012, Eupraxia Pharmaceuticals USA, LLC (“Eupraxia USA”) was incorporated under the laws of the State of Delaware. On November 16, 2012, Eupraxia USA was registered as an extra-provincial corporation under the laws of the province of British Columbia. On January 7, 2021, Eupraxia Pharma, Inc. (“Eupraxia Pharma”) was incorporated under the laws of the State of Delaware. On July 4, 2022, Eupraxia Pharmaceuticals Australia Pty Ltd. (“Eupraxia Australia”) was incorporated under the laws of the state of Victoria, Australia. On May 17, 2023, Eupraxia Pharma USA Inc. (“Eupraxia Pharma USA”) was incorporated under the laws of the State of Delaware.

On March 9, 2021, the Company completed its initial public offering on the Toronto Stock Exchange (“TSX”) and began trading under the symbol “EPRX”. On April 5, 2024, the Company began trading on the Nasdaq Capital Market under the symbol “EPRX”.

The Company is a clinical stage biotechnology company leveraging its proprietary Diffosphere™ technology to optimize drug delivery for applications with significant unmet medical need. The address of the Company’s corporate office and principal place of business is 201-2067 Cadboro Bay Road, Victoria, British Columbia, Canada.

The unaudited interim consolidated financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. At June 30, 2024, the Company had cash of \$23,316,105. The Company has not yet generated revenue from operations. The Company incurred a net loss of \$12,220,827 during the six months ended June 30, 2024, and as of that date, the Company’s accumulated deficit was \$117,551,549. As the Company is in the research and development stage, the recoverability of the costs incurred to date is dependent upon the ability of the Company to obtain the necessary funding to complete the research and development of its projects and upon future commercialization or proceeds from the monetization of research activities. The Company will periodically have to raise funds to continue operations and raised gross proceeds of \$25,026,073 (CDN\$33,867,784) through an overnight marketed public offering of 8,260,435 Common Shares in March 2024. Although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future, especially with the ongoing conflicts in the Ukraine and the Middle East affecting the global capital markets. Recent developments with Silicon Valley Bank (“SVB”), including its closure and placement into receivership, have not impacted the Company’s outlook for cash runway. The Company holds no amounts on deposit with SVB and repaid 50% of the SVB convertible debt facility (see Note 11 – Convertible Debt) which matured on June 21, 2024. The Company has, since June 21, 2024, been requesting payout instructions with respect to the remaining 50% of the SVB convertible debt facility from the court-appointed liquidator of SVB and SVB Financial Group. The Company is active in its pursuit of additional funding through potential partnering and other strategic activities as well as grants to fund future research and development activities, and additional equity financing (see Note 20 – Subsequent Event).

The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional funding. There is a risk that in the future, additional financing will not be available on a timely basis or on terms acceptable to the Company. These events and conditions may cast substantial doubt about the Company’s ability to continue as a going concern. The unaudited interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements are presented in U.S. dollars and have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) which the Company transitioned to in 2023. These unaudited interim consolidated financial statements include the accounts of the Company and the accounts of its subsidiaries. All significant intercompany transactions and balances have been eliminated upon consolidation.

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. GAAP and pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, these consolidated financial statements does not include all the information and footnotes required for complete consolidated financial statements and should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2023 included in the Company’s 2023 40-F filed with SEC and on SEDAR+ on April 1, 2024.

These unaudited interim consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods presented. The results of operations for the six months ended June 30, 2024, and 2023 are not necessarily indicative of results that can be expected for a full year. These unaudited interim consolidated financial statements follow the same significant accounting policies as those described in the notes to the audited consolidated financial statements of the Company included in the Company’s 2023 Form 40-F for the year ended December 31, 2023 filed with SEC and on SEDAR+ on April 1, 2024.

Comparative Figures

Comparative figures for the three and six months ended June 30, 2023, which were previously prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”), have been adjusted as required to be compliant with the Company’s accounting policies under U.S. GAAP.

Change in Reporting Currency to the U.S. Dollar

Effective December 31, 2023, the Company changed its reporting currency to the U.S. dollar (“USD”) from the Canadian dollar (“CDN”). As such, all prior amounts originally reported in CDN are now reported in USD. The change in reporting currency was made to enhance comparability of the Company’s results with other publicly traded companies in the life sciences industry. The Canadian dollar continues to be the functional currency of the Company.

In accordance with ASC 830, the unaudited interim consolidated financial statements of the Company are translated into U.S. dollars using the current rate method. Assets and liabilities are translated at the rate of exchange prevailing at the consolidated balance sheet date. Shareholders’ equity is translated at the applicable historical rate. Revenue, expense and cash flow items are translated at the exchange rate in effect on the transaction dates. Translation gains and losses are reported as a separate component of shareholders’ equity titled Accumulated Other Comprehensive Income.

The financial information for all prior periods is presented in U.S. dollars as if the U.S. dollar had been used as the reporting currency during those periods.

3. UPCOMING ACCOUNTING STANDARDS AND INTERPRETATIONS

The Company has reviewed recent accounting pronouncements and concluded that they are either not applicable to the Company or that there was no material impact or no material impact is expected in the condensed consolidated financial statements as a result of future adoption.

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023
(Unaudited and Expressed in U.S. Dollars, except share amounts)

4. AMOUNTS RECEIVABLE

	June 30, 2024	December 31, 2023
Trade receivables	\$ 13,570	\$ -
GST/HST recoverable	108,087	85,879
Taxes receivable	33,578	-
Other refundable tax credits ⁽¹⁾	-	104,733
Total	\$ 155,235	\$ 190,612

(1) Other refundable tax credits are due to tax incentives for R&D costs incurred by Eupraxia Australia which were refunded during the six months ended June 30, 2024.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Computers	Office furniture and equipment	Leasehold Improvements	Lab Equipment	Total
<u>Cost</u>					
As at December 31, 2022	70,578	66,399	125,744	473,553	736,274
Additions	18,534	-	-	54,843	73,377
Disposals	(5,488)	-	-	(16,124)	(21,612)
Foreign currency adjustments	2,001	1,597	3,023	12,992	19,613
As at December 31, 2023	85,625	67,996	128,767	525,264	807,652
Additions	10,848	-	-	6,789	17,637
Disposals	(2,498)	-	-	(25,718)	(28,216)
Foreign currency adjustments	(2,887)	(2,290)	(4,337)	(17,800)	(27,314)
As at June 30, 2024	91,088	65,706	124,430	488,535	769,759
<u>Accumulated Depreciation</u>					
As at December 31, 2022	42,505	44,026	99,301	106,978	292,810
Depreciation	17,612	4,492	13,849	76,930	112,883
Disposals	(5,162)	-	-	(11,604)	(16,766)
Foreign currency adjustments	1,226	1,149	2,666	4,097	9,138
As at December 31, 2023	56,181	49,667	115,816	176,401	398,065
Depreciation	7,424	1,784	5,799	34,095	49,102
Disposals	(1,553)	-	-	(9,521)	(11,074)
Foreign currency adjustments	(1,939)	(1,686)	(3,981)	(6,150)	(13,756)
As at June 30, 2024	60,113	49,765	117,634	194,825	422,337
<u>Net Book Value</u>					
As at December 31, 2023	\$ 29,444	\$ 18,329	\$ 12,951	\$ 348,863	\$ 409,587
As at June 30, 2024	\$ 30,975	\$ 15,941	\$ 6,796	\$ 293,710	\$ 347,422

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023
(Unaudited and Expressed in U.S. Dollars, except share amounts)

5. PROPERTY AND EQUIPMENT (continued)

During the three months ended June 30, 2024 and 2023, depreciation expense of \$24,162 and \$27,422, respectively, was recognized with \$2,561 included in general and administrative and \$21,601 included in research and development (\$9,030 and \$18,392 for general and administrative, and research and development in 2023, respectively). During the six months ended June 30, 2024 and 2023, depreciation expense of \$49,102 and \$54,226, respectively, was recognized with \$11,438 included in general and administrative and \$37,664 included in research and development (\$12,053 and \$42,173 for general and administrative, and research and development in 2023, respectively).

6. RIGHT-OF-USE ASSET

On May 13, 2024, the Company extended the lease of the office space until November 30, 2025. The lease extension increased the right-of-use asset by \$78,580. The following table presents details of movement in the carrying value of the right-of-use asset:

	June 30, 2024	December 31, 2023
Balance, beginning	\$ 46,660	\$ 87,286
Depreciation	(30,346)	(42,644)
Lease extension	78,580	-
Foreign Exchange	3,210	2,018
Balance, ending	\$ 98,104	\$ 46,660

During the three months ended June 30, 2024 and 2023, depreciation expense of \$17,868 and \$10,700 respectively, was recognized with \$6,289 included in general and administrative and \$11,579 included in research and development in 2024 (\$4,038 and \$6,662 for general and administrative, and research and development in 2023, respectively). During the six months ended June 30, 2024 and 2023, depreciation expense of \$30,346 and \$21,352 respectively, was recognized with \$10,730 included in general and administrative and \$19,616 included in research and development in 2024 (\$13,470 and \$7,882 for general and administrative, and research and development in 2023, respectively).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2024	December 31, 2023
Research and development	\$ 1,268,548	\$ 1,968,263
General and administrative	678,406	1,040,204
Wages and payroll remittances	30,819	18,357
Employee bonus payable ⁽¹⁾	-	858,628
Taxes payable	-	36,423
Total	\$ 1,977,773	\$ 3,921,875

(1) Bonus relates to corporate bonuses for the year ended December 31, 2023.

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023
(Unaudited and Expressed in U.S. Dollars, except share amounts)

8. LOANS PAYABLE

On September 10, 2021, the Company entered into a Master Loan and Security Agreement (“Loan Agreement”) whereby the Company borrowed \$235,000 to purchase production and test equipment (see Note 5 – Property and Equipment).

The Loan Agreement has a term of 36 months commencing September 13, 2021. The Loan Agreement accrues interest at 5.84% per annum with monthly payments (principal and interest) being made on the 1st of each month, beginning October 1, 2021. As part of the agreement, the Company granted the lender first priority interest on the equipment it purchased.

Below is a breakdown of loan balance as at June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Balance, beginning	\$ 62,709	\$ 142,127
Loan repayment	(41,389)	(79,441)
Foreign exchange adjustment	(111)	23
Balance, ending	\$ 21,209	\$ 62,709
Current portion	\$ 21,209	\$ 62,709

During the quarter, Management identified that loan payments should be presented within cash flows from operating activities as opposed to cash flows from financing activities in the consolidated statements of cash flows. As such, Management changed the presentation for the current and comparative periods to conform to the requirements under U.S. GAAP.

9. LEASE LIABILITY

The Company entered into an operating lease agreement for its Victoria, BC facility (of approximately 4,900 square feet of office space). As previously highlighted, the Company extended the term of the lease for 12 months. The lease expires on November 30, 2025.

The cost components of the operating lease were as follows for the years ended June 30, 2024 and 2023:

	Three months ended June 30, 2024	Three months ended June 30, 2024	Six months ended June 30, 2024	Six months ended June 30, 2024
Lease Cost				
Operating lease expense	\$ 16,023	\$ 16,327	\$ 32,291	\$ 32,544
Variable lease expense	17,803	17,234	35,866	34,345
Lease term and Discount Rate				
Weighted average remaining lease term (years)	1.42	0.92	1.42	0.92
Weighted average discount rate	9.02%	14.00%	9.02%	14.00%

Variable lease costs are payments that vary because of changes in facts or circumstances and include common area maintenance and property taxes related to the premises. Variable lease costs are excluded from the calculation of minimum lease payments.

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023
(Unaudited and Expressed in U.S. Dollars, except share amounts)

9. LEASE LIABILITY

The Company's future minimum lease payments as of June 30, 2024 are as follows:

Total undiscounted future minimum lease payments	\$ 112,127
Less: imputed interest	(6,167)
Present value of lease liabilities at June 30, 2024	105,960
Current Portion	71,008
Non-current portion	\$ 34,952

During the three months ended June 30, 2024, the Company subleased approximately 616 square feet office space with amounts totaling \$6,115 for the three months ended June 30, 2024 (\$6,125 – three months ended June 30, 2023) being recorded as a reduction to general and administrative expenses. During the six months ended June 30, 2024, the subleased amounts totaling \$12,214 for the six months ended June 30, 2024 (\$12,211 – six months ended June 30, 2023) being recorded as a reduction to general and administrative expenses.

During the quarter, Management identified that lease payments should be presented within cash flows from operating activities as opposed to cash flows from financing activities in the consolidated statements of cash flows. As such, Management changed the presentation for the current and comparative periods to conform to the requirements under U.S. GAAP.

10. AURITEC LICENSE AGREEMENT

Eupraxia Pharmaceuticals USA LLC (“Eupraxia LLC”) entered into an amended and restated license agreement with Auritec Pharmaceuticals Inc. (“Auritec”) on October 9, 2018 (as further amended, the “Amended and Restated License Agreement”). Under the terms of the Amended and Restated License Agreement, Auritec has granted Eupraxia LLC an exclusive license (including the right to sublicense to its affiliates and third parties) under the licensed patents held by Auritec and for all the technical information and know-how relating to the technology claimed in the licensed patents held by Auritec with respect to the use of Auritec’s “Plexis Platform” for the delivery of fluticasone in all medical fields (except for otolaryngology and the prevention, treatment and control of all diseases, disorders and conditions of the eye and its adnexa (collectively, the “Excluded Fields”)), to develop, make, have made, manufacture, use, commercialize, sell, sublicense, offer for sale, import, and have imported products for the delivery of fluticasone drug products using the Plexis Platform in all medical fields except the Excluded Fields (“Licensed Products”).

Pursuant to the terms of the Amended and Restated License Agreement, Eupraxia USA LLC has paid \$5,000,000 to Auritec (the “Upfront Fee”). In addition, Eupraxia LLC has agreed to pay Auritec up to \$30,000,000 upon achievement of certain regulatory and commercial milestones related to products licensed under the Amended and Restated License Agreement (“Licensed Products”) as well as a royalty of 4% of net sales of Licensed Products by Eupraxia LLC or its affiliates, subject to certain reductions.

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10. AURITEC LICENSE AGREEMENT (continued)

The following table summarizes the milestone payment schedule. As of June 30, 2024, the only milestone that has been accrued and provided for in the financial statements is \$5,000,000 related to the successful completion of the Phase 2b clinical study report. The Company anticipates this milestone payment will be paid in the third quarter of 2024.

Milestone Event	Milestone Payment
Successful Completion of a Phase 2b Study	\$ 5,000,000
First OA Regulatory Approval	5,000,000
Second OA Regulatory Approval	5,000,000
Non-OA Indication Regulatory Approval	10,000,000
First calendar year in which aggregate Net Sales by Eupraxia USA, its affiliates and sublicenses exceed \$500,000,000	5,000,000
Maximum amount payable	\$ 30,000,000

Eupraxia LLC also agreed to pay to Auritec 20% of sublicensing royalties or other consideration based on net sales of Licensed Products. Eupraxia LLC further agreed to pay Auritec a percentage of Non-Royalty Monetization Revenue (as defined in the Amended and Restated License Agreement), which includes payments received for a sale of Eupraxia LLC or sale or sublicense of a Licensed Product, which percentage ranges from 10% to 30% depending on the development stage of the most-advanced Licensed Product, up to a maximum of \$100,000,000. The following table summarizes the Non-Royalty Monetization Revenue percentage schedule:

Date of Execution	Percentage of Non-Royalty Monetization Revenue
Prior to Successful Completion of a Phase 2b Study	30%
After Successful Completion of a Phase 2b Study but prior to Successful Completion of a Phase 3 Study	20%
After Successful Completion of a Phase 3 Study but prior to Regulatory Approval of a Product in the Eupraxia Field from FDA in the United States	15%
After Regulatory Approval of a Product in the Eupraxia Field from FDA in the United States	10%

11. CONVERTIBLE DEBT

On June 21, 2021, the Company entered into a contingent convertible debt agreement (the “Debt Agreement”) with SVB and concurrently drew down, in full, the CDN\$10,000,000 principal amount under the Debt Agreement.

The Debt Agreement had a term of 36 months (or 48 months at SVB’s election). As SVB did not make such an election, the Debt Agreement matured on June 21, 2024.

The Debt Agreement accrued interest at the greater of 2.45% and the Canadian prime rate, requiring monthly interest payments. An additional payment in kind accrued interest at a rate of 7% per annum, which was partially settled at maturity. During the six months ended June 30, 2024, the Canadian prime rate ranged from 6.95% - 7.20%. During the six months ended June 30, 2023, the Canadian prime rate ranged from 6.45% - 6.95%.

11. CONVERTIBLE DEBT (continued)

Subject to the terms and conditions of the Debt Agreement, SVB had the option to elect to convert the principal amount of the convertible debt and the accrued and unpaid interest thereon into common shares at a conversion price equal to CDN\$5.68 per common share. The conversion price of the accrued and unpaid interest would be subject to the minimum pricing requirements of the TSX, to the extent applicable, at the time of conversion.

The Company granted SVB a security interest in all of its assets, excluding its patents and other intellectual property, and the testing and product equipment by way of the loan agreement it entered into on September 10, 2021 (Note 8 – Loans Payable) as security for its obligations under the Debt Agreement.

Recent developments with Silicon Valley Bank (“SVB”), including its closure and placement into receivership, have not impacted the Company’s outlook for cash runway. The Company holds no amounts on deposit with SVB and repaid 50% of the SVB convertible debt facility which matured on June 21, 2024. The Company has, since June 21, 2024, been requesting payout instructions with respect to the remaining 50% of the SVB convertible debt facility from the court-appointed liquidator of SVB and SVB Financial Group.

The Company intends to fulfill its obligations when such a decision is reached. The convertible debt balance is comprised of the following:

Balance - December 31, 2022	\$	8,741,996
Accrued interest		1,162,773
Interest paid		(591,170)
Change in fair value		836,595
Foreign exchange		185,809
Balance - December 31, 2023	\$	10,336,003
Accrued interest		601,637
Interest paid		(360,040)
Change in fair value		(1,200,541)
Loan repayment		(4,494,795)
Foreign exchange		(349,428)
Balance - June 30, 2024	\$	4,532,836

12. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

- a) Authorized
- An unlimited number of Common shares, with no par value, with one vote per share.
 - An unlimited number of Preferred shares, with no par value (none have been issued to date).
- b) Issued

Capital transactions which took place during the year ended December 31, 2023, are as follows:

- i) During the year ended December 31, 2023, 2,385,484 common shares were issued on the exercise of warrants for gross proceeds of \$5,241,811. The weighted average share price during the period in which these warrants were exercised was CDN\$7.15. On exercise, \$733,177 was transferred from additional paid-in capital to share capital.
- ii) During the year ended December 31, 2023, 20,600 common shares were issued on the exercise of options for gross proceeds of \$30,059. The weighted average share price during the period in which these options were exercised was CDN\$2.00. On exercise, \$18,776 was transferred from additional paid-in capital to share capital.
- iii) On August 18, 2023, the Company closed a non-brokered private placement (the “Private Placement”). Pursuant to the Private Placement, the Company issued 3,183,875 common shares at a price of CDN\$7.00 per Common share for aggregate gross proceeds of \$16,445,635. The Company incurred cash costs of issuing shares of \$559,098. In addition, the Company issued 99,061 common shares as finder’s fees which were valued at \$511,681.

Capital transactions which took place during the six months ended June 30, 2024.

- iv) During the six months ended June 30, 2024 79,943 common shares were issued on the exercise of warrants for gross proceeds of \$337,184. The weighted average share price during the period in which these warrants were exercised was CDN\$5.50. On exercise, \$214,062 was transferred from additional paid-in capital to share capital.
- v) During the six months ended June 30, 2024, 10 common shares were issued on the exercise of options for gross proceeds of \$14. The weighted average share price during the period in which these options were exercised was CDN\$5.15. On exercise, \$9 was transferred from additional paid-in capital to share capital.
- vi) On March 15, 2024, the Company closed an overnight marketed public offering (the “Offering”). Pursuant to the Offering, the Company issued 8,260,435 common shares at a price of CDN\$4.10 for aggregate gross proceeds of \$25,026,073, which includes the issuance of 943,435 Shares upon exercise of the over-allotment option.

As consideration for the services rendered by the Underwriter in connection with the Offering, the Company paid the Underwriters a cash commission of \$1,501,564 which is equal to 6% of the gross proceeds raised under the Offering. An additional \$309,652 in legal and agents’ expenses were also paid to the Underwriters. The Company incurred an additional \$361,466 in share issuance costs associated with the Offering.

12. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

c) Options

Under the Amended Stock Option Plan (the “Amended Plan”), approved by the Board of Directors on October 27, 2021, and ratified by Shareholders on December 3, 2021, the Board of Directors may grant stock options to directors, officers, employees and consultants of the Company up to an aggregate of 18.5% of the Company’s then issued and outstanding common shares.

Options granted under the Amended Plan have lives of up to ten years from the date of grant. The vesting schedule of all granted options is determined at the discretion of the Board. Unless otherwise determined by the Board, in its sole discretion, all grants of options will vest over a three-year period, with the first twenty-five percent (25%) of the Options vesting on the date of grant, and the remaining options vesting over the following thirty-six-month period in three equal instalments on an annual basis.

The following table summarizes the Company’s option transactions:

	Number of options	Weighted average exercise price (CDN\$)
Outstanding, December 31, 2022	3,306,450	\$ 6.18
Exercised	(20,600)	2.00
Cancelled	(24,800)	3.73
Granted	257,200	6.91
Outstanding, December 31, 2023	3,518,250	\$ 6.27
Exercised	(10)	1.90
Cancelled	(40,750)	6.58
Granted	1,506,880	3.96
Outstanding, June 30, 2024	4,984,370	\$ 5.57

Share-based payments for the three months ended June 30, 2024, was \$1,474,919 (2023 - \$426,119) (See Note 13 – General & Administrative Expenses and Note 14 – Research & Development Expenses for breakdown by function).

Share-based payments for the six months ended June 30, 2024, was \$1,688,050 (2023 - \$743,538) (See Note 13 – General & Administrative Expenses and Note 14 – Research & Development Expenses for breakdown by function).

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12. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

c) Options (continued)

As of June 30, 2024, the unrecognized stock-based compensation expense related to the non-vested stock options was \$2,196,546, which is expected to be recognized over a weighted-average period of 2.59 years.

Grant Date	Options Outstanding	Options Exercisable	Exercise Price (CDN\$)	Expiry Date	Remaining Contractual Life (years)
Sep 27, 2015	181,250	181,250	\$8.00	Mar 31, 2025	0.75
Nov 2, 2015	95,000	95,000	\$8.00	Nov 2, 2025	1.34
Mar 5, 2018	446,000	446,000	\$8.00	Mar 5, 2028	3.68
Mar 9, 2021	1,063,750	1,063,750	\$8.00	Mar 9, 2031	6.69
May 3, 2021	257,000	257,000	\$8.00	May 3, 2031	6.84
Dec 9, 2021	60,000	57,500	\$2.02	Dec 9, 2031	7.45
Mar 31, 2022	382,990	284,865	\$1.90	Mar 31, 2032	7.76
Dec 9, 2022	734,300	407,983	\$3.85	Dec 9, 2032	8.45
May 18, 2023	180,000	90,000	\$6.84	May 18, 2033	8.89
May 30, 2023	17,200	8,600	\$6.75	May 30, 2033	8.92
Sep 27, 2023	60,000	15,000	\$7.16	Sep 27, 2033	9.25
May 13, 2024	1,456,880	576,720	\$3.96	May 13, 2034	9.87
May 28, 2024	50,000	25,000	\$3.82	May 28, 2034	9.92
	4,984,370	3,508,668	\$5.57		7.54

Options granted during the six months ended	June 30, 2024	June 30, 2023
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%
Weighted average annual volatility	79.11%	80.11%
Weighted average risk-free interest rate	3.74%	3.33%
Weighted average expected option life	5.56 years	5.75 years
Weighted average share price (CDN\$)	\$3.96	\$6.83
Weighted average exercise price (CDN\$)	\$3.96	\$6.83
Weighted average fair value of options granted (CDN\$)	\$2.70	\$4.73

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12. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

d) Warrants

The following table summarizes the Company's warrant transactions:

	Number of warrants	Weighted average exercise price (CDN\$)
Outstanding December 31, 2022	11,504,814	\$ 4.95
Exercised	(2,385,484)	2.90
Outstanding December 31, 2023	9,119,330	\$ 5.49
Exercised	(79,943)	5.62
Expired	(231,110)	5.88
Outstanding June 30, 2024	8,808,277	\$ 5.48

As at June 30, 2024, the following warrants were outstanding:

Expiry date	Exercise price (CDN\$)	Remaining contractual life (years)	Warrants outstanding and exercisable
120 days after holder to be a Director/ Officer or consultant	\$ 0.7572	N/A	243,421
120 days after former spouse ceases to be a Director/ Officer or consultant	0.7572	N/A	137,500
120 days after holder ceases to be a Director/ Officer or consultant ⁽¹⁾	0.4984	N/A	315,500
March 9, 2026	11.20	2.19	2,826,024
April 20, 2026	3.00	2.30	5,196,550
April 20, 2026	2.05	2.30	50,054
April 29, 2026	11.20	2.33	39,228
	\$ 5.48		8,808,277

(1) Represents unit purchase to acquire 315,500 units consisting of one Common Share and one additional warrant at an exercise price of \$0.75CDN. These underlying warrants expire two years from the date of exercise of the primary warrant.

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12. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

e) Class B Non-Voting shares

On January 31, 2021, the Company entered into a contribution agreement with the Chief Scientific Officer of the Company, and certain of the Company’s subsidiaries (the “Contribution Agreement”). Pursuant to the Contribution Agreement, the Company acquired AMDM Holdings Inc., a corporation wholly-owned by the Chief Scientific Officer, which held 5% of the equity interest in the Company’s subsidiary, Eupraxia USA. In exchange, the Company issued to the Chief Scientific Officer 225 non-voting Class B shares (the “Class B Shares”) in Eupraxia Pharma Inc. representing 5% of the outstanding securities of Eupraxia Pharma. The Company holds the remaining 95% of such securities, which consists of 4,275 voting Class A shares.

Each Class B Share is exchangeable into common shares of the Company based on an exchange rate of 2,500 common shares for each Class B Share, subject to adjustments upon the occurrence of certain events, for a total of 562,500 common shares. The Class B Shares are exchangeable by the Chief Scientific Officer at her election, provided that the Company may force the exchange of the Class B Shares into common shares of the Company at any time on or after January 31, 2031, or on or after January 31, 2026, if the Company is listed on a stock exchange and is a reporting issuer in Canada at such time. The Company may also force the exchange of the Class B Shares into common shares if there is a change of control transaction involving the Company, a change in law which makes the exchange necessary or desirable or if there are a *de minimis* number of Class B Shares outstanding. If the Company is listed on a stock exchange at the time of the applicable exchange, the Company may elect to pay the Chief Scientific Officer cash in lieu of issuing common shares, with such cash amount to be determined based on the then current market price of the common shares of the Company.

13. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Office expenses	\$ 94,670	\$ 92,418	\$ 205,979	\$ 189,417
Insurance	284,604	109,209	386,037	173,763
Travel	98,269	54,466	220,691	140,864
Professional fees	255,354	921,634	1,357,152	1,210,465
Public company costs	390,642	122,347	795,200	175,440
Salaries and benefits	546,270	458,508	1,068,146	910,278
Share based payments (Note 12(c))	913,317	163,986	1,067,944	384,177
Total expenses during the period	\$ 2,583,126	\$ 1,922,568	\$ 5,101,149	\$ 3,184,404

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14. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are comprised of the following:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Preclinical	\$ 704,653	\$ 218,878	\$ 966,289	\$ 649,531
Clinical	334,399	1,925,205	1,367,359	2,433,241
Manufacturing & analytical	1,204,094	679,375	2,950,838	1,099,873
Regulatory	55,592	99,713	90,576	193,313
Direct research and development	2,298,738	2,923,171	5,375,062	4,375,958
Pipeline development	-	2,732	-	69,561
Other research and development	201,227	126,719	374,173	307,024
Salaries and benefits	910,407	521,681	1,778,087	1,044,249
Share based payments (Note 12(c))	561,603	262,132	620,106	359,361
Government grants (Note 15)	-	(49,239)	-	(94,334)
Total expenses during the period	\$ 3,971,975	\$ 3,787,196	\$ 8,147,428	\$ 6,061,819

15. GOVERNMENT GRANTS AND ASSISTANCE

National Research Council – Industrial Research Assistance Program (“NRC-IRAP”)

On October 1, 2021, the Company entered into an agreement with NRC-IRAP for funding support of specified research and development activities during a project phase, commencing on September 1, 2021, and ending on December 15, 2023. Under the agreement, NRC-IRAP would reimburse up to 80% of supported salary costs, and 50% of supported contractor fees to a maximum of \$553,185. The Company claimed \$49,239 pertaining to the agreement during the three months ended June 30, 2023 (\$94,237 for the six months ended June 30, 2023). There were no amounts claimed during the three and six months ended June 30, 2024 as the project ended December 31, 2023.

The following table summarizes the government grants and assistance the Company received or accrued during the three and six months ended June 30, 2024 and 2023:

	Three months ended June 30, 2024	Three months ended June 30, , 2023	Six months ended June 30, 2024	Six months ended June 30, 2024
NRC-IRAP	\$ -	\$ 49,239	\$ -	\$ 94,334
Total	\$ -	\$ 49,239	\$ -	\$ 94,334

Government assistance of \$nil (2023 - \$94,334) relating to research and development activities has been offset against research and development expense.

16. COMMITMENTS

The Company may be required to make milestone, royalty, and other research and development funding payments under research and development collaboration and other agreements with third parties. These payments are contingent upon the achievement of specific development, regulatory and/or commercial milestones. Other than the \$5,000,000 milestone accrued for in December 2023 (see Note 10 – Auritec License Agreement), the Company has not accrued any payments as at June 30, 2024 due to the uncertainty over whether these milestones will be achieved.

Eupraxia has entered into a number of service contracts with its vendors. Some of those contracts have cancellation clauses which state Eupraxia would pay a cancellation fee of between 15% and 100% of the next service milestone if it terminates the contract. As of June 30, 2024, the Company did cancel a contract with one of its vendors which triggered a cancellation fee of \$87,598 which was expensed during the three months ended June 30, 2024. There were no other cancelled contracts during the three and six months ended June 30, 2024.

17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, payable to Auritec, loans payable and convertible debt.

There were no changes to the Company's risk exposures or management of risks during the year ended June 30, 2024. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company believes it has no significant credit risk, as its cash and cash equivalents and short-term investments, being its primary exposure to credit risk, is with a large Canadian bank. The Company's maximum exposure to credit risk is the carrying value of these financial assets.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2024, the Company had cash of \$23,316,105 (2023 - \$19,341,756) in addition to total liabilities of \$11,637,778 (2023 - \$19,373,903). Management is currently working on certain strategic alternatives including, but not limited to raising additional capital and strategic alternatives to its existing convertible debt facility. There is no assurance, however, that any or all of these alternatives will materialize or that additional funding will be available, if and when needed.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

17. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate cash flow risk; and to the extent that the prevailing market interest rates differ from the interest rate on the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk. At June 30, 2024, the Company maintains an equipment loan of \$235,000 of which a principal balance of \$21,209 remains. The remaining balance of the convertible debt facility (CDN\$5,000,000) matured on June 21, 2024 (see Note 11 – Convertible Debt for more information), at which time the Company was prepared to settle the obligation. As such, it is no longer impacted by changes in interest rates.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk due to its frequency of transactions in U.S. dollars. The Company does not use derivatives to hedge against this risk, however, it has purchased U.S. dollars to cover the majority of the costs of the Company's Phase 2 clinical trial.

At June 30, 2024, the Company held cash of \$1,967,901 (2023 – \$933,816), had accounts payable of \$653,563 (2023 – \$1,292,128), a payable owing to Auritec of \$5,000,000 (2023 - \$5,000,000), amounts receivable of \$47,148 (2023 – nil) and a loan payable of \$21,209 (2023 – \$62,709) denominated in U.S. dollars which were translated to Canadian dollars at 1.3687 (2023 – 1.3226). The impact of a 10% change in the exchange rates would have an impact of approximately \$365,972 (2023 – \$542,102) on profit or loss. The Company also has accounts payable of £175,858 (2023 - £676) denominated in Great Britain pound sterling which was translated to Canadian dollars at 1.7301 (2023 – 1.6837). The impact of a 10% change in the exchange rate would have an impact of \$22,229 (2023 - \$86) on profit and loss. The Company also has cash in accounts payable in Australian dollars and Euros. The impact of a 10% change in the exchanges of these currencies would have an immaterial effect on future cash flows.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Company is not exposed to significant price risk with respect to commodity or equity prices.

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17. FINANCIAL INSTRUMENTS (continued)

Fair Value Measurement

The Company categorizes its financial instruments measured at fair value into one of three different levels depending on the observation of inputs used in the measurement.

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets

Level 2: Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs

The Company's financial instruments consist of cash, short-term investments, accounts payable and accrued liabilities, loans payable and convertible debt. With the exception of convertible debt, the carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities.

The following table summarizes information regarding the carrying values of the Company's financial instruments measured at amortized cost:

Financial assets/liabilities	June 30, 2024	December 31, 2023
Cash	\$ 23,316,105	\$ 19,341,756
Amounts receivable	155,235	190,612
Accounts payable and accrued liabilities	1,977,773	3,921,875
Payable to Auritec	5,000,000	5,000,000
Loans payable	21,209	62,709

For the convertible debt, the key inputs that affect the ongoing valuation are the discount price, the share price and the share price volatility. See Note 11 – Convertible Debt to see the movement in the SVB debt facility.

18. INTEREST EXPENSE

Interest expense is comprised of the following:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Interest on SVB debt facility (Note 11)	\$ 281,319	\$ 300,054	\$ 601,637	\$ 588,833
Other interest and accretion	526	1,716	1,348	4,414
Total	\$ 281,845	\$ 301,770	\$ 602,985	\$ 593,247

19. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company paid interest of \$199,191 during the three months ended June 30, 2024 (\$146,399 paid during the three months ended June 30, 2023). The Company paid interest of \$361,386 during the six months ended June 30, 2024 (\$282,564 paid during the six months ended June 30, 2023).

The Company received interest of \$401,226 during the three months ended June 30, 2024 (\$152,271 received during the three months ended June 30, 2023). The Company received interest of \$637,595 during the six months ended June 30, 2024 (\$364,501 received during the six months ended June 30, 2023).

The Company did not have non-cash transactions for six months ended June 30, 2024 and June 30, 2023.

20. SUBSEQUENT EVENT

On August 1, 2024, the Company entered into a new C\$12 million convertible debt facility (the “Convertible Debt Facility”). Under the Convertible Debt Facility, Yabema Capital Limited and other current Eupraxia shareholders (together, the “Lenders”) will make available for drawdown an aggregate amount of C\$12 million for a period of 120 days following entry into the agreement. The decision to draw on the facility within 120 days of closing is at the discretion of Eupraxia and is subject to the full and final release of the SVB convertible debt (see Note 11 – Convertible Debt), originally agreed to on June 21, 2021.

The aggregate unpaid principal amount and any accrued and unpaid interest thereon will be convertible at the discretion of the lenders into Eupraxia common shares at a conversion price equal to C\$4.84375 per common share.