

Neuralstem, Inc.  
Form 10-Q  
August 13, 2018

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**(Mark one)**

**Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the Quarterly Period Ended June 30, 2018**

**Or**

**Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Commission File Number 001-33672**

**NEURALSTEM, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
State or other jurisdiction of  
incorporation or organization

**52-2007292**  
(I.R.S. Employer  
Identification No.)

**20271 Goldenrod Lane**  
**Germantown, Maryland**                      **20876**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(301)-366-4841**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.    Yes    No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).    Yes    No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer    (Do not check if a small reporting company) Smaller reporting company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)    Yes  
No

As of July 31, 2018, there were 15,160,014 shares of common stock, \$.01 par value, issued and outstanding.



**Neuralstem, Inc.**

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**PART I****FINANCIAL INFORMATION****ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Neuralstem, Inc.

## Unaudited Condensed Consolidated Balance Sheets

|   | June 30,<br>2018 | December 31,<br>2017 |
|---|------------------|----------------------|
| <b>ASSETS</b>   |                  |                      |
| <b>CURRENT ASSETS</b>   |                  |                      |
| Cash and cash equivalents                                     | \$7,092,832      | \$6,674,940          |
| Short-term investments  | -                | 5,000,000            |
| Trade and other receivables                                   | 478,722          | 312,802              |
| Current portion of related party receivable, net of discount  | -                | 58,784               |
| Prepaid expenses  | 343,428          | 402,273              |
| Total current assets  | 7,914,982        | 12,448,799           |
| Property and equipment, net                                   | 128,017          | 172,886              |
| Patents, net  | 814,023          | 883,462              |
| Related party receivable, net of discount and current portion | 343,281          | 365,456              |
| Other assets  | 33,004           | 13,853               |
| Total assets  | \$9,233,307      | \$13,884,456         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                   |                  |                      |
| <b>CURRENT LIABILITIES</b>                                    |                  |                      |
| Accounts payable and accrued expenses                         | \$713,068        | \$875,065            |
| Accrued bonuses   | -                | 418,625              |
| Other current liabilities                                     | 52,933           | 220,879              |
| Total current liabilities                                     | 766,001          | 1,514,569            |
| Warrant liabilities, at fair value                            | 2,283,833        | 3,852,882            |
| Other long term liabilities                                   | 8,270            | 1,876                |
| Total liabilities   | 3,058,104        | 5,369,327            |

Commitments and contingencies (Note 5)

**STOCKHOLDERS' EQUITY**

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|   |               |               |
|---|---------------|---------------|
| Preferred stock, 7,000,000 shares authorized, \$0.01 par value; 1,000,000 shares issued and outstanding at both June 30, 2018 and December 31, 2017 | 10,000        | 10,000        |
| Common stock, \$0.01 par value; 300,000,000 shares authorized, 15,160,014 shares issued and outstanding at both June 30, 2018 and December 31, 2017 | 151,600       | 151,600       |
| Additional paid-in capital  | 217,485,751   | 217,050,174   |
| Accumulated other comprehensive income  | 1,142         | 2,631         |
| Accumulated deficit   | (211,473,290) | (208,699,276) |
| Total stockholders' equity  | 6,175,203     | 8,515,129     |
| Total liabilities and stockholders' equity  | \$9,233,307   | \$13,884,456  |

See accompanying notes to unaudited condensed consolidated financial statements.

Neuralstem, Inc.

## Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss

|  | Three Months Ended June 30, |                | Six Months Ended June 30, |                 |
|--|-----------------------------|----------------|---------------------------|-----------------|
|  | 2018                        | 2017           | 2018                      | 2017            |
| Revenues   | \$252,500                   | \$2,500        | \$255,000                 | \$5,000         |
| Operating expenses:  |                             |                |                           |                 |
| Research and development expenses                                  | 1,014,780                   | 2,585,079      | 2,184,221                 | 5,487,165       |
| General and administrative expenses                                | 1,260,692                   | 1,635,652      | 2,442,746                 | 2,968,073       |
| Total operating expenses   | 2,275,472                   | 4,220,731      | 4,626,967                 | 8,455,238       |
| Operating loss   | (2,022,972 )                | (4,218,231 )   | (4,371,967 )              | (8,450,238 )    |
| Other income (expense):  |                             |                |                           |                 |
| Interest income  | 19,514                      | 14,013         | 37,263                    | 34,896          |
| Interest expense   | (772 )                      | (15,728 )      | (2,692 )                  | (154,460 )      |
| Change in fair value of derivative instruments                     | 1,378,830                   | (341,611 )     | 1,569,049                 | (3,082,925 )    |
| Fees related to issuance of inducement warrants and other expenses | (1,646 )                    | (87,635 )      | (5,667 )                  | (563,719 )      |
| Total other income (expense)                                       | 1,395,926                   | (430,961 )     | 1,597,953                 | (3,766,208 )    |
| Net loss   | \$(627,046 )                | \$(4,649,192 ) | \$(2,774,014 )            | \$(12,216,446 ) |
| Net loss per share - basic and diluted                             | \$(0.04 )                   | \$(0.39 )      | \$(0.18 )                 | \$(1.06 )       |
| Weighted average common shares outstanding - basic and diluted     | 15,144,243                  | 11,906,334     | 15,130,666                | 11,525,730      |
| Comprehensive loss:  |                             |                |                           |                 |
| Net loss   | \$(627,046 )                | \$(4,649,192 ) | \$(2,774,014 )            | \$(12,216,446 ) |
| Foreign currency translation adjustment                            | (1,604 )                    | (384 )         | (1,489 )                  | (555 )          |
| Comprehensive loss   | \$(628,650 )                | \$(4,649,576 ) | \$(2,775,503 )            | \$(12,217,001 ) |

See accompanying notes to unaudited condensed consolidated financial statements.





Neuralstem, Inc.

## Unaudited Condensed Consolidated Statements of Cash Flows

|   | Six Months Ended June 30, |                |
|---|---------------------------|----------------|
|   | 2018                      | 2017           |
| Cash flows from operating activities:   |                           |                |
| Net loss  | \$(2,774,014)             | \$(12,216,446) |
| Adjustments to reconcile net loss to cash used in operating activities:               |                           |                |
| Depreciation and amortization   | 114,312                   | 180,586        |
| Share-based compensation expense  | 435,577                   | 1,174,388      |
| Amortization of deferred financing fees and debt discount                             | -                         | 59,781         |
| Change in fair value of liability classified warrants                                 | (1,569,049)               | 3,082,925      |
| Warrant inducement expense  | -                         | 563,744        |
| Loss on disposal of fixed assets  | -                         | 8,128          |
| Changes in operating assets and liabilities:  |                           |                |
| Trade and other receivables   | (165,920 )                | 5,146          |
| Related party receivable  | 80,959                    | 74,356         |
| Prepaid expenses  | 43,664                    | 459,398        |
| Other assets  | (4,000 )                  | 1,971          |
| Accounts payable and accrued expenses   | (151,704 )                | (160,741 )     |
| Accrued bonuses   | (418,625 )                | (852,963 )     |
| Other current liabilities   | 41,690                    | (173,440 )     |
| Other long term liabilities   | (3,321 )                  | (14,073 )      |
| Net cash used in operating activities   | (4,370,431)               | (7,807,240 )   |
| Cash flows from investing activities:   |                           |                |
| Maturity of short-term investments  | 5,000,000                 | 5,000,000      |
| Purchase of short-term investments  | -                         | (5,000,000 )   |
| Patent costs  | -                         | (83,774 )      |
| Purchase of property and equipment  | -                         | (9,674 )       |
| Net cash provided by (used in) investing activities                                   | 5,000,000                 | (93,448 )      |
| Cash flows from financing activities:   |                           |                |
| Proceeds from issuance of common stock from warrants exercised, net of issuance costs | -                         | 3,006,410      |
| Proceeds from sale of common stock  | -                         | 97,050         |
| Payments of long-term debt  | -                         | (3,765,568 )   |
| Payments of short-term notes payable  | (209,636 )                | (189,306 )     |
| Net cash (used in ) provided by financing activities                                  | (209,636 )                | (851,414 )     |
| Effects of exchange rates on cash   | (2,041 )                  | (363 )         |
| Net increase (decrease) in cash and cash equivalents                                  | 417,892                   | (8,752,465 )   |
| Cash and cash equivalents, beginning of period  | 6,674,940                 | 15,194,949     |

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|  |             |             |
|--|-------------|-------------|
| Cash and cash equivalents, end of period           | \$7,092,832 | \$6,442,484 |
| Supplemental disclosure of cash flows information: |             |             |
| Cash paid for interest                             | \$2,692     | \$139,080   |

See accompanying notes to unaudited condensed consolidated financial statements.

**NEURALSTEM, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

**Note 1. Organization, Business and Financial Condition**

Nature of business

Neuralstem, Inc. and its subsidiary are referred to as “Neuralstem,” the “Company,” “us,” or “we” throughout this report. The operations of our wholly-owned and controlled subsidiary located in China are consolidated in our unaudited condensed consolidated financial statements and all intercompany activity has been eliminated. The Company operates in one business segment.

Neuralstem is a clinical stage biopharmaceutical company that is utilizing its proprietary human neural stem cell technology to create a comprehensive platform of therapies for the treatment of central nervous system diseases. The Company has utilized this technology as a tool for small-molecule drug discovery and to create cell therapy biotherapeutics to treat central nervous system diseases. The Company was founded in 1997 and currently has laboratory and office space in Germantown, Maryland and laboratory facilities in the People’s Republic of China. Our operations to date have been directed primarily toward developing business strategies, raising capital, research and development activities, and conducting pre-clinical testing and human clinical trials of our product candidates.

Liquidity and Going Concern

The Company has incurred losses since its inception and has not demonstrated an ability to generate significant revenues from the sales of its therapies or services and accordingly has not yet achieved profitable operations. There can be no assurance that profitable operations will ever be achieved, or if achieved, could be sustained on a continuing basis. In addition, development activities, clinical and pre-clinical testing, and commercialization of our products will require significant additional financing. These factors create substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. In making this assessment the Company performed a comprehensive analysis of its current circumstances including: its financial position at June 30, 2018, its cash flow and cash usage forecasts for the period covering one-year from the issuance date of this Quarterly Report filed on Form 10-Q, its current capital structure including outstanding warrants and other equity-based instruments.

The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Accordingly, the consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

We expect that our existing cash and cash equivalents will be sufficient to enable us to fund our anticipated level of operations based on our current operating plans into the first quarter of 2019. Accordingly, we will require additional capital to further develop our pre-clinical and clinical development programs. To continue to fund our operations and the development of our product candidates, we anticipate raising additional cash through the private and public sales of equity or debt securities, collaborative arrangements, licensing agreements or a combination thereof. Although management believes that such funding sources will be available, there can be no assurance that any such collaborative or licensing arrangements will be entered into or that financing will be available to us when needed in order to allow us to continue our operations, or if available, on terms acceptable to us. If we do not raise sufficient funds in a timely manner, among other things, we may be forced to delay, scale back or eliminate some or all of our research and product development programs, planned clinical trials, and/or our capital expenditures or to license our potential products or technologies to third parties on unfavorable terms. We currently do not have commitments for future funding from any source.

Our independent registered public accounting firm issued an emphasis of matter in their audit report regarding substantial doubt over our ability to continue as a going concern in our audited financial statements as of and for the year ended December 31, 2017.

We have spent and will continue to spend substantial funds in the research, development, pre-clinical and clinical testing of our small molecule and stem cell product candidates with the goal of ultimately obtaining approval from the United States Food and Drug Administration (the "FDA") and its international equivalents, to market and sell our products. No assurance can be given that (i) FDA or other regulatory agency approval will ever be granted for us to market and sell our product candidates, or (ii) if regulatory approval is granted, that we will ever be able to sell our proposed products or be profitable.

## **Note 2. Significant Accounting Policies and Basis of Presentation**

### Basis of Presentation

In man