

PART I—FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS



Condensed Consolidated Interim Financial Statements

(Unaudited)

**APTOSE BIOSCIENCES INC.**

For the three and nine months ended September 30, 2021 and 2020

**APTOSE BIOSCIENCES INC.**

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in thousands of US dollars)

(unaudited)

	September 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 75,095	\$ 117,393
Investments	20,006	5,000
Prepaid expenses	1,034	2,554
Other current assets	131	129
<b>Total current assets</b>	<b>96,266</b>	<b>125,076</b>
<b>Non-current assets:</b>		
Property and equipment	353	261
Right-of-use assets, operating leases	579	925
<b>Total non-current assets</b>	<b>932</b>	<b>1,186</b>
<b>Total assets</b>	<b>\$ 97,198</b>	<b>\$ 126,262</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,630	\$ 2,171
Accrued liabilities	6,188	4,102
Current portion of lease liability, operating leases	482	539
<b>Total current liabilities</b>	<b>8,300</b>	<b>6,812</b>
<b>Non-current liabilities:</b>		
Lease liability, operating leases	218	535
<b>Total liabilities</b>	<b>8,518</b>	<b>7,347</b>
<b>Shareholders' equity:</b>		
<b>Share capital:</b>		
Common shares, no par value, unlimited authorized shares, 88,948,744 and 88,881,737 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	429,795	429,523
Additional paid-in capital	61,384	50,861
Accumulated other comprehensive loss	(4,316)	(4,316)
Deficit	(398,183)	(357,153)
<b>Total shareholders' equity</b>	<b>88,680</b>	<b>118,915</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 97,198</b>	<b>\$ 126,262</b>

See accompanying notes to condensed consolidated interim financial statements (unaudited).

*Subsequent events (note 12)*

**APTOSE BIOSCIENCES INC.**

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in thousands of US dollars, except for per common share data)

(unaudited)

	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses:				
Research and development	7,718	7,519	25,777	20,319
General and administrative	3,641	5,775	15,322	20,690
Operating expenses	11,359	13,294	41,099	41,009
Other income (expense):				
Interest income	22	46	72	485
Foreign exchange gains/(losses)	4	(1)	(3)	(1)
Total other income	26	45	69	484
Net loss	\$ (11,333)	(13,249)	\$ (41,030)	\$ (40,525)
Other comprehensive gain/(loss):				
Unrealized loss on securities available-for-sale	-	(2)	-	(17)
Total comprehensive loss	\$ (11,333)	(13,251)	\$ (41,030)	\$ (40,542)
Basic and diluted loss per common share	\$ (0.13)	\$ (0.15)	\$ (0.46)	\$ (0.51)
Weighted average number of common shares outstanding used in the calculation of (in thousands)				
Basic and diluted loss per common share	88,949	85,860	88,927	79,477

See accompanying notes to condensed consolidated interim financial statements (unaudited).

**APTOSE BIOSCIENCES INC.**

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in thousands of US dollars, except for per common share data)

(unaudited)

	Common Shares		Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total
	Shares (thousands)	Amount				
Balance, December 31, 2020	88,882	\$ 429,523	\$ 50,861	\$ (4,316)	\$ (357,153)	\$ 118,915
Common shares issued upon exercise of stock options	67	272	(112)	-	-	160
Stock-based compensation	-	-	10,635	-	-	10,635
Net loss	-	-	-	-	(41,030)	(41,030)
Balance, September 30, 2021	88,949	\$ 429,795	\$ 61,384	\$ (4,316)	\$ (398,183)	\$ 88,680
Balance, December 31, 2019	76,108	\$ 365,490	\$ 34,649	\$ (4,298)	\$ (301,915)	\$ 93,926
Common shares issued pursuant to the public offering	11,854	58,234	-	-	-	58,234
Common shares issued upon exercise of stock options	215	932	(401)	-	-	531
Stock-based compensation	-	-	17,007	-	-	17,007
Common shares issued upon redemption of restricted share units	685	4,801	(4,801)	-	-	-
Other comprehensive loss	-	-	-	(17)	-	(17)
Net loss	-	-	-	-	(40,525)	(40,525)
Balance, September 30, 2020	88,862	\$ 429,457	\$ 46,454	\$ (4,315)	\$ (342,440)	\$ 129,156

See accompanying notes to condensed consolidated interim financial statements (unaudited).

**APTOSE BIOSCIENCES INC.**

## Condensed Consolidated Interim Statements of Cash Flows

(Expressed in thousands of US dollars)

(unaudited)

	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
<b>Cash flows from (used in) operating activities:</b>				
Net loss for the period	\$ (11,333)	\$ (13,249)	\$ (41,030)	\$ (40,525)
<b>Items not involving cash:</b>				
Stock-based compensation	1,828	4,905	10,635	17,007
Depreciation and amortization	36	37	106	115
Amortization of right-of-use assets	119	116	353	345
Interest on lease liabilities	10	17	35	54
Unrealized foreign exchange (loss)/gain	4	-	(1)	9
Accrued interest on investments	(3)	9	(5)	22
<b>Change in non-cash operating working capital:</b>				
Prepaid expenses	788	(83)	1,520	(81)
Other assets	10	2	(2)	26
Operating lease payments	(139)	(136)	(416)	(401)
Account payable	(1,284)	(374)	(541)	(431)
Accrued liabilities	1,905	486	2,086	320
<b>Cash used in operating activities</b>	<b>(8,059)</b>	<b>(8,270)</b>	<b>(27,260)</b>	<b>(23,540)</b>
<b>Cash flows from (used in) financing activities:</b>				
Issuance of common shares pursuant to Public Offering, net of broker commission and agent legal fees	-	58,234	-	58,234
Issuance of common shares upon exercise of stock options	-	49	160	531
<b>Cash provided by financing activities</b>	<b>-</b>	<b>58,283</b>	<b>160</b>	<b>58,765</b>
<b>Cash flows from (used in) investing activities:</b>				
Maturity (acquisition) of investments, net	(4)	(4,398)	(15,000)	(15,278)
Purchase of property and equipment	(181)	-	(198)	(53)
<b>Cash provided by (used in) investing activities</b>	<b>(185)</b>	<b>(4,398)</b>	<b>(15,198)</b>	<b>(15,331)</b>
Effect of exchange rate fluctuations on cash and cash equivalents held	(4)	-	-	(9)
<b>Decrease in cash and cash equivalents</b>	<b>(8,248)</b>	<b>45,615</b>	<b>(42,298)</b>	<b>19,885</b>
Cash and cash equivalents, beginning of period	83,343	54,112	117,393	79,842
<b>Cash and cash equivalents, end of period</b>	<b>\$ 75,095</b>	<b>\$ 99,727</b>	<b>\$ 75,095</b>	<b>\$ 99,727</b>

See accompanying notes to condensed consolidated interim financial statements (unaudited).

## **APTOSE BIOSCIENCES INC.**

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2021 and 2020

(Tabular amounts in thousands of United States dollars, except as otherwise noted)

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### **1. Reporting entity:**

Aptose Biosciences Inc. (“Aptose” or the “Company”) is a clinical-stage biotechnology company committed to discovering and developing personalized therapies addressing unmet medical needs in oncology. The Company’s executive offices are located in San Diego, California and its head office is located in Toronto, Canada.

Aptose has two clinical-stage programs and a second program that is discovery-stage and partnered with another company. Luxeptinib (previously named CG-806), Aptose’s pan-FMS-like tyrosine kinase 3 / pan-Bruton’s tyrosine kinase inhibitor, is currently enrolling patients in a Phase 1, multicenter, open label, dose-escalation study with expansions to assess the safety, tolerability, PK, and preliminary efficacy of luxeptinib in patients with chronic lymphocytic leukemia (CLL/SLL) or non-Hodgkin lymphomas (NHL). Aptose was granted IND allowance from the U.S Food and Drug Administration (FDA) to initiate a separate Phase 1 trial in patients with relapse or refractory acute myeloid leukemia (AML) in June 2020, and this trial is also enrolling patients. APTO-253, Aptose’s second program, is a small molecule MYC inhibitor and is currently enrolling patients in a Phase 1b clinical trial for the treatment of patients with R/R blood cancers, including AML and high-risk Myelodysplastic Syndrome.

We are advancing first-in-class targeted agents to treat life-threatening cancers that, in most cases, are not elective for patients and require immediate treatment. However, COVID-19 has caused global economic and social disruptions that could adversely affect our ongoing and planned research and development of our clinical-stage programs including but not limited to drug manufacturing campaigns, clinical trial activities including enrollment of patients in our ongoing and planned clinical trials, collection and analysis of patient data and eventually, the reporting of results from our trials.

Since our inception, we have financed our operations and technology acquisitions primarily from equity financing, proceeds from the exercise of warrants and stock options, and interest income on funds held for future investment. Our uses of cash for operating activities have primarily consisted of salaries and wages for our employees, facility and facility-related costs for our offices and laboratories, fees paid in connection with preclinical and clinical studies, drug manufacturing costs, laboratory supplies and materials, and professional fees.

We do not expect to generate positive cash flow from operations for the foreseeable future due to the early stage of our clinical trials. It is expected that negative cash flow will continue until such time, if ever, that we receive regulatory approval to commercialize any of our products under development and/or royalty or milestone revenue from any such products exceeds expenses.

We believe that our cash, cash equivalents and investments on hand at September 30, 2021 will be sufficient to finance our operations for at least 12 months from the issuance date of these financial statements. Our cash needs for the next twelve months include estimates of the number of patients and rate of enrollment of our clinical trials, the amount of drug product that we will require to support our clinical trials, and our general corporate overhead costs to support our operations, and our reliance on our manufacturers. We have based these estimates on assumptions and plans which may change and which could impact the magnitude and/or timing of operating expenses and our cash runway.

Our ability to raise additional funds could be affected by adverse market conditions, the status of our product pipeline, possible delays in enrollment in our trial related to COVID-19, and various other factors and we may be unable to raise capital when needed, or on terms favorable to us. If necessary funds are not available, we may have to delay, reduce the scope of, or eliminate some of our development programs, potentially delaying the time to market for any of our product candidates.

### **2. Significant accounting policies**

#### **(a) Basis of consolidation:**

These condensed consolidated interim financial statements include the accounts of its subsidiaries. All intercompany transactions, balances, revenue and expenses are eliminated on consolidation.

#### **(b) Basis of presentation:**

The accompanying unaudited condensed consolidated interim financial statements have been prepared in conformity with generally accepted accounting principles in the United States, or GAAP, for the interim financial information and the rules and regulations of the Securities and Exchange Commission, or SEC, related to quarterly reports on Form 10-Q. Accordingly, they do not include all of the information and disclosures required by GAAP for annual audited financial statements and should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K, or Annual Report, filed with the SEC on March 23, 2021. In the opinion of management, these condensed consolidated interim financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for any future period, including the full year.

**APTOSE BIOSCIENCES INC.**

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(Tabular amounts in thousands of United States dollars, except as otherwise noted)

**(c) Significant accounting policies, estimates and judgments:**

During the nine months ended September 30, 2021, there have been no changes to our significant accounting policies as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from those 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 recognized in the period in which the estimate is revised and in any future periods affected.

**(d) Foreign currency:**

The functional and presentation currency of the Company is the US dollar.

**(e) Concentration of risk:**

The Company is subject to credit risk from the Company's cash and cash equivalents and investments. The carrying amount of the financial assets represents the maximum credit exposure. The Company manages credit risk associated with its cash and cash equivalents and investments by maintaining minimum standards of R1-low or A-low investments and the Company invests only in highly rated corporations and treasury bills, which are capable of prompt liquidation.

**3. Cash and cash equivalents:**

Cash and cash equivalents consists of cash of \$180 thousand (December 31, 2020 - \$329 thousand), deposits in high interest savings accounts, money market funds and accounts with maturities less than 90 days totaling \$74.915 million (December 31, 2020 - \$117.064 million).

**4. Prepaid expenses:**

	September 30, 2021	December 31, 2020
Prepaid research and development expenses	\$ 843	\$ 622
Other prepaid expenses	191	1,932
	\$ 1,034	\$ 2,554

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**5. Right-of-use assets:**

	Nine months ended September 30, 2021	Year ended December 31, 2020
Right-of-use assets, beginning of period	\$ 1,848	\$ 1,837
Additions to right-of-use assets	7	11
Right-of-use assets, end of period	1,855	1,848
Accumulated amortization	(1,276)	(923)
Right-of use assets, NBV	\$ 579	\$ 925

**6. Investments:**

Investments consisted of the following as of September 30, 2021 and December 31, 2020:

	September 30, 2021		
	Cost	Unrealized gain	Market value
Guaranteed Investment Certificate	\$ 20,006	-	20,006
	\$ 20,006	-	20,006
	December 31, 2020		
	Cost	Unrealized gain	Market value
United States Treasury Bills	\$ 5,000	-	5,000
	\$ 5,000	-	5,000

**7. Fair value measurements and financial instruments:**

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means; and

Level 3 - inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

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(Tabular amounts in thousands of United States dollars, except as otherwise noted)

The following table presents the fair value of the Company's financial instruments for the periods presented:

	September 30, 2021		Level 1	Level 2	Level 3
<b>Assets</b>					
Money Market accounts	\$ 682	\$ -	\$ 682	\$ -	-
Money Market Funds	35,801	-	35,801	-	-
High interest savings accounts	18,433	-	18,433	-	-
Government of Canada Treasury Bill	19,999	-	19,999	-	-
Guaranteed Investment Certificate	20,006	-	20,006	-	-
	\$ 94,921	\$ -	\$ 94,921	\$ -	-
<b>December 31, 2020</b>					
<b>Assets</b>					
Money Market accounts	\$ 668	\$ -	\$ 668	\$ -	-
Money Market Funds	44,000	-	44,000	-	-
High interest savings accounts	48,397	-	48,397	-	-
United States Treasury Bill	5,000	-	5,000	-	-
Government of Canada Treasury Bill	23,999	-	23,999	-	-
	\$ 122,064	\$ -	\$ 122,064	\$ -	-

**8. Accrued liabilities:**

Accrued liabilities as of September 30, 2021 and December 31, 2020 consisted of the following:

	September 30, 2021	December 31, 2020
Accrued personnel related costs	\$ 1,741	\$ 1,917
Accrued research and development expenses	3,783	1,932
Other accrued expenses	664	253
	\$ 6,188	\$ 4,102

**9. Lease liability**

Aptose leases office space and lab space in San Diego, California. The lease for the office space expires on March 31, 2023 and can be extended for an additional 5 year period. The lease for our lab space expires on February 28, 2022. We lease office space in Toronto, Ontario, Canada and the lease for this location expires on June 30, 2023 with an option to renew for another 5-year period. The Company has not included any extension periods in calculating its right-to-use assets and lease liabilities. The Company also enters into leases for small office equipment.

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Minimum payments, undiscounted, under our operating leases are as follows:

Years ending December 31,		
2021	\$	139
2022		467
2023		120
Thereafter		-
	\$	726

To calculate the lease liability, the lease payments in the table above were discounted over the remaining term of the leases using the Company's incremental borrowing rate as at January 1, 2019 for existing leases at the time of adopting the Topic 842, and for new leases after the date adoption, as at the date of the execution date of the new lease. The following table presents the weighted average remaining term of the leases and the weighted average discount rate:

	September 30, 2021	December 30, 2020
Weighted-average remaining term – operating leases (in years)	1.4	2.1
Weighted-average discount rate – operating leases	5.39%	5.40%
Lease liability, current portion	\$ 482	\$ 539
Lease liability, long term portion	218	535
Lease liability, total	\$ 700	\$ 1,074

Operating lease costs and operating cash flows from our operating leases are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Operating lease cost	\$ 129	\$ 132	\$ 388	\$ 399
Operating cash flows from operating leases	\$ 139	\$ 136	\$ 416	\$ 401

**10. Share capital:**

The Company has authorized share capital of an unlimited number of common voting shares.

## (a) Equity issuances:

## (i) July/August 2020 Confidentially Marketed Public Offering (CMPO)

On July 20, 2020 and August 10, 2020, the Company completed a confidentially marketed public offering through the issuance of 11,854,472 common shares at a price of \$5.25 per share for gross proceeds of \$62.236 million (approximately \$58.234 million net of share issue costs). Costs associated with the proceeds consisted of a 6% cash commissions and share issue costs, which consisted of agent commission, legal and professional fees and listing fees.

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(Tabular amounts in thousands of United States dollars, except as otherwise noted)

## (ii) 2020 At-The-Market (“ATM”) Facility

On May 5, 2020, the Company entered into an equity distribution agreement with Piper Sandler and Canaccord Genuity acting as co-agents in connection with the 2020 ATM Facility. Under the terms of the 2020 ATM Facility, the Company may, from time to time, sell Common Shares having an aggregate offering value of up to \$75 million through Piper Sandler and Canaccord Genuity on the Nasdaq Capital Market. During the year ended December 31, 2020 and in the nine months period ended September 30, 2021, the Company did not issue any shares under the 2020 ATM Facility.

## (b) Loss per share:

Loss per common share is calculated using the weighted average number of common shares outstanding and is presented in the table below:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Net loss	\$ (11,333)	\$ (13,249)	\$ (41,030)	\$ (40,525)
Weighted-average common shares – basic and diluted	88,949	85,860	88,927	79,477
Net loss per share – basic and diluted	\$ (0.13)	\$ (0.15)	\$ (0.46)	\$ (0.51)

The effect of any potential exercise of the Company’s stock options outstanding during the three and nine-month periods ended September 30, 2021 and September 30, 2020 has been excluded from the calculation of diluted loss per common share as it would be anti-dilutive.

**11. Stock-based compensation:**

## (a) Stock option plan and employee stock purchase plan

Effective June 1, 2021, the Company adopted a new stock incentive plan (New Incentive Plan) and an employee stock purchase plan (ESPP).

The New Incentive Plan authorizes the Board of Directors to administer the New Incentive Plan to provide equity-based compensation in the form of stock options, stock appreciation rights, restricted stock, restricted stock units and Dividend Equivalents.

The Corporation currently maintains its existing Share Option Plan and 2015 Stock Incentive Plan (2015 SIP). Effective June 1, 2021 no further grants will be made under the Share Option Plan or 2015 SIP, though existing grants under the Share Option Plan will remain in effect in accordance with their terms.

The aggregate number of our common shares, no par value, that may be issued under all awards under the New Incentive Plan is (i) 6,343,242, plus (ii) any of our common shares subject to any outstanding award under our prior plans that, after June 1, 2021, are not purchased or are forfeited or reacquired by us, or otherwise not delivered to the participant due to termination, cancellation or cash settlement of such award subject to the share counting provisions of the New Incentive Plan.

Under both the Share Option Plan and the New Incentive Plan, the exercise price of each option equals the closing trading price of the Company’s stock on the day prior to the grant if the grant is made during the trading day or the closing trading price on the day of grant if the grant is issued after markets have closed. Vesting is provided for at the discretion of the Board of Directors and the expiration of options is to be no greater than 10 years from the date of grant.

The Company uses the fair value based method of accounting for employee awards granted under both plans. The Company calculates the fair value of each stock option grant using the Black-Scholes option pricing model at the grant date. The stock-based compensation cost of the options is recognized as stock-based compensation expense over the relevant vesting period of the stock options using an estimate of the number of options that will eventually vest.

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The ESPP, which will be administered by the Board of Directors, allows eligible employees of the Company with an opportunity to purchase Common Shares through accumulated payroll deductions up to a maximum 15% of eligible compensation. The ESPP will be implemented by consecutive offering periods with a new offering period commencing on the first trading day on or after February 1 and August 1 each year, or on such other date as the Board of Directors will determine, and continuing thereafter until terminated in accordance with the Plan. Unless the Board of Directors provides otherwise, the purchase price will be equal to eighty-five percent (85%) of the fair market value of a Common Share on the offering date or the exercise date, whichever is lower.

The maximum number of Common Shares which will be made available for sale under the ESPP will be 1,700,000 Common Shares.

The Company has not established a first offering period; there are no options outstanding under the ESPP as of September 30, 2021.

Stock option transactions for the nine months ended September 30, 2021 and September 30, 2020, are summarized as follows:

*Option numbers are in (000's)*

	Nine months ended September 30, 2021		
	Options	Weighted average exercise price	Weighted average remaining contractual life (years)
Outstanding, beginning of period	11,942	\$ 4.97	
Granted	4,199	4.04	
Exercised	(67)	2.39	
Forfeited	(1,205)	5.47	
Outstanding, end of the period	14,869	4.68	6.8
Exercisable, end of the period	8,092	4.55	5.5
Vested and expected to vest, end of period	13,851	4.67	6.7

*Option numbers are in (000's)*

	Nine months ended September 30, 2020		
	Options	Weighted average exercise price	Weighted average remaining contractual life (years)
Outstanding, beginning of period	5,941	\$ 2.84	
Granted	6,352	6.82	
Exercised	(215)	2.49	
Forfeited	(71)	2.87	
Outstanding, end of the period	12,007	4.93	8.2
Exercisable, end of the period	4,310	2.99	6.5
Vested and expected to vest, end of period	10,853	4.82	8.1

As of September 30, 2021, there was \$7.92 million of total unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over an estimated weighted-average period of 1.59 years.

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(Tabular amounts in thousands of United States dollars, except as otherwise noted)

The following table presents the weighted average assumptions that were used in the Black-Scholes option pricing model to determine the fair value of stock options granted during the period, and the resultant weighted average fair values:

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Risk-free interest rate	0.52%	1.27%
Expected dividend yield	-	-
Expected volatility	81.8%	85.9%
Expected life of options (in years)	5	5
Grant date fair value	\$ 2.59	\$ 4.59

The Company uses historical data to estimate the expected dividend yield and expected volatility of its common shares in determining the fair value of stock options. The expected life of the options represents the estimated length of time the options are expected to remain outstanding.

The following table presents the vesting terms of options granted in the period:

<i>Option numbers are in (000's)</i>	Nine months ended September 30, 2021	Nine months ended September 30, 2020
	Number of options	Number of options
Cliff vesting after one year anniversary	-	300
3 year vesting (50%-25%-25%)	430	862
4 year vesting (50%-16 2/3%-16 2/3%-16 2/3%)	2,969	5,190
Earlier of Performance criteria or 4 years	800	-
Total stock options granted in the period	4,199	6,352

During the nine months period ended September 30, 2021, the option agreements of one officer were modified as part of a separation and release agreement. Vested options of 1,679,169, with exercise prices ranging from \$1.03 to \$7.44, were allowed to continue to be exercisable for an additional 12 month period, and also 504,833 options that would have expired unvested, were allowed to continue to vest for a 12 month period. As there was no service requirement, during the nine months ended September 30, 2021, the company recorded \$945 thousand and \$663 thousand additional compensation related to these modifications for the vested and unvested options, respectively.

During the nine-month period ended September 30, 2021, the Company issued 800,000 performance stock option (PSO) to two officers of the Company. One officer received 400,000 PSOs, of which 200,000 PSOs will vest in tranches connected with financing events, and the remaining 200,000 PSOs will vest in connection with licensing and partnering events. The other officer received 400,000 PSOs, of which 200,000 PSOs will vest in tranches connected to dose escalation trials and the remaining 200,000 PSOs will vest in connection with expansion trials. If such performance triggers are not attained, such PSOs will vest on the fourth anniversary of the grant.

**Restricted share units**

The Company has a stock incentive plan (SIP) pursuant to which the Board may grant stock-based awards comprised of restricted stock units or dividend equivalents to employees, officers, consultants, independent contractors, advisors and non-employee directors of the Company. Each restricted unit is automatically redeemed for one common share of the Company upon vesting. The following table presents the activity under the SIP plan for the nine months ended September 30, 2021 and 2020 the units outstanding.

**APTOSE BIOSCIENCES INC.**

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2021 and 2020

(Tabular amounts in thousands of United States dollars, except as otherwise noted)

	Nine months ended, September 30, 2021		Nine months ended, September 30, 2020	
	Number (in thousands)	Weighted average grant date fair value	Number (in thousands)	Weighted average grant date fair value
Outstanding, beginning of period	-	\$ -	40	\$ 2.00
Granted	-	-	645	7.32
Vested	-	-	(685)	7.01
Outstanding, end of period	-	\$ -	-	\$ -

On March 10, 2020, the Company granted 645,000 restricted share units (RSUs) with a vesting term of three months. On May 5, 2020, the vesting term on the RSUs was extended from three months to four months. On July 10, 2020, all of these restricted share units were vested and were redeemed for 645,000 common shares.

On June 3, 2019, the Company granted 80,000 restricted share units (RSUs), 40,000 of which have a vesting term of three months and the balance have a vesting term of one year. On May 5, 2020, the vesting term on the balance was extended from one year to one year and one month. On July 2, 2020, the remaining of these restricted share units were vested and were redeemed for 40,000 common shares.

The grant date fair value of the RSUs was determined as the closing value of the common shares of the Company on the Nasdaq Stock Market on the date prior to the date of grant.

## (b) Share-based payment expense

The Company recorded share-based payment expense related to stock options and RSUs as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Research and development	\$ 609	\$ 1,051	\$ 2,985	\$ 2,784
General and administrative	1,219	3,854	7,650	14,223
	\$ 1,828	\$ 4,905	\$ 10,635	\$ 17,007

**12. Subsequent events**

On November 4, 2021, the Effective Date, the Company entered into an exclusive license agreement with Hanmi Pharmaceutical Co. Ltd. (Hanmi) for global rights to its compound named HM43239. In consideration of the license and other rights granted, within 50 days of the Effective Date, Aptose will make an upfront payment to Hanmi in the amount of \$12.5 million, including \$5.0 million in cash and \$7.5 million in Aptose common shares (the "Aptose Shares"). The number of Aptose Shares to be issued is determined using the average market closing price of the Aptose Shares on the NASDAQ stock market over the five (5) trading day period ending on the Effective Date. Accordingly, Aptose will issue 3,235,548 shares to Hanmi.

The Company has maximum obligations for clinical development and global regulatory milestones totaling \$64.5 million for the first potential clinical indication of HM43239, \$34 million for the second indication, and \$29 million for the third Indication. The company has maximum obligations for tiered global sales based milestones totaling \$280 million. The Company also has an obligation for tiered royalty payments on global sales of commercialized product. The timing of any milestone or royalty payments that may become due is not yet determinable.