



Condensed Consolidated Interim Financial Statements

(Unaudited)

**APTOSE BIOSCIENCES INC.**

For the three and nine months ended September 30, 2022 and 2021

**APTOSE BIOSCIENCES INC.**

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in thousands of US dollars)

(unaudited)

	September 30, 2022	December 31, 2021
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 27,991	\$ 39,114
Investments	27,402	40,014
Prepaid expenses	838	2,476
Other current assets	346	133
<b>Total current assets</b>	<b>56,577</b>	<b>81,737</b>
<b>Non-current assets:</b>		
Property and equipment	251	323
Right-of-use assets, operating leases	220	465
<b>Total non-current assets</b>	<b>471</b>	<b>788</b>
<b>Total assets</b>	<b>\$ 57,048</b>	<b>\$ 82,525</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 2,416	\$ 1,699
Accrued liabilities	7,547	6,016
Current portion of lease liability, operating leases	270	459
<b>Total current liabilities</b>	<b>10,233</b>	<b>8,174</b>
<b>Non-current liabilities:</b>		
Lease liability, operating leases	1	115
<b>Total liabilities</b>	<b>10,234</b>	<b>8,289</b>
<b>Shareholders' equity:</b>		
<b>Share capital:</b>		
Common shares, no par value, unlimited authorized shares, 92,294,734 and 92,215,024 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	437,469	437,386
Additional paid-in capital	68,008	63,673
Accumulated other comprehensive loss	(4,333)	(4,316)
Deficit	(454,330)	(422,507)
<b>Total shareholders' equity</b>	<b>46,814</b>	<b>74,236</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 57,048</b>	<b>\$ 82,525</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements (unaudited).

*Subsequent event (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,	
	2022	2021	2022	2021
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses:				
Research and development	6,578	7,718	21,312	25,777
General and administrative	3,448	3,641	10,887	15,322
Operating expenses	10,026	11,359	32,199	41,099
Other income/(expense):				
Interest income	254	22	387	72
Foreign exchange gain/(loss)	(5)	4	(11)	(3)
Total other income	249	26	376	69
Net loss	\$ (9,777)	\$ (11,333)	\$ (31,823)	\$ (41,030)
Other comprehensive income/(loss):				
Unrealized gain/(loss) on available-for-sale securities	20	-	(17)	-
Total comprehensive loss	\$ (9,757)	\$ (11,333)	\$ (31,840)	\$ (41,030)
Basic loss per common share	\$ (0.11)	\$ (0.13)	\$ (0.34)	\$ (0.46)
Weighted average number of common shares outstanding (in thousands) used in the calculation of basic loss per common share	92,289	88,949	92,253	88,927
Diluted loss per common share	\$ (0.11)	\$ (0.13)	\$ (0.34)	\$ (0.46)
Weighted average number of common shares outstanding (in thousands) used in the calculation of diluted loss per common share	92,289	88,949	92,253	88,927

The accompanying notes are an integral part of these 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	Accumulated other		Total
	Shares (in thousands)	Amount	paid-in capital	comprehensive loss	Deficit	
Balance, December 31, 2021	92,215	\$ 437,386	\$ 63,673	\$ (4,316)	\$ (422,507)	\$ 74,236
Common shares issued under the 2020 ATM Facility	55	50	-	-	-	50
Common shares issued upon exercise of stock options	14	26	(11)	-	-	15
Common shares issued under the ESPP plan	11	7	-	-	-	7
Stock-based compensation	-	-	4,346	-	-	4,346
Other comprehensive loss	-	-	-	(17)	-	(17)
Net loss	-	-	-	-	(31,823)	(31,823)
Balance, September 30, 2022	92,295	\$ 437,469	\$ 68,008	\$ (4,333)	\$ (454,330)	\$ 46,814
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

The accompanying notes are an integral part of these 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Cash flows used in operating activities:</b>				
Net loss for the period	\$ (9,777)	\$ (11,333)	\$ (31,823)	\$ (41,030)
<b>Items not involving cash:</b>				
Stock-based compensation	1,053	1,828	4,346	10,635
Depreciation and amortization	30	36	92	106
Loss on disposal of property and equipment	-	-	4	-
Amortization of right-of-use assets	111	119	336	353
Interest on lease liabilities	4	10	17	35
Unrealized foreign exchange gain/(loss)	7	4	10	(1)
Accrued interest on investments	78	(3)	85	(5)
<b>Changes in non-cash operating assets and liabilities:</b>				
Prepaid expenses	825	788	1,638	1,520
Other assets	(225)	10	(213)	(2)
Operating lease liabilities	(134)	(139)	(411)	(416)
Accounts payable	23	(1,284)	717	(541)
Accrued liabilities	1,026	1,905	1,531	2,086
Cash used in operating activities	(6,979)	(8,059)	(23,671)	(27,260)
<b>Cash flows from financing activities:</b>				
Issuance of common shares under 2020 ATM Facility	21	-	50	-
Issuance of common shares upon exercise of stock options	-	-	15	160
Cash from financing activities	21	-	65	160
<b>Cash flows from/(used in) investing activities:</b>				
Maturity (acquisition) of investments, net	(5,078)	(4)	12,517	(15,000)
Purchase of property and equipment	-	(181)	(24)	(198)
Cash from/(used in) investing activities	(5,078)	(185)	12,493	(15,198)
Effect of exchange rate fluctuations on cash and cash equivalents	(7)	(4)	(10)	-
Decrease in cash and cash equivalents	(12,043)	(8,248)	(11,123)	(42,298)
Cash and cash equivalents, beginning of period	40,034	83,343	39,114	117,393
Cash and cash equivalents, end of period	\$ 27,991	\$ 75,095	\$ 27,991	\$ 75,095

The accompanying notes are an integral part of these condensed consolidated interim financial statements (unaudited).

## **APTOSE BIOSCIENCES INC.**

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2022 and 2021

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

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

Aptose Biosciences Inc. (“Aptose”, the “Company,” “we,” “us,” or “our”) is a clinical-stage precision oncology company developing differentiated kinase inhibitors addressing unmet medical needs in oncology. The Company’s executive offices are located in San Diego, California, and our head office is located in Toronto, Canada.

We are advancing 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, such as 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, 2022 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 financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions, balances, revenue, and expenses are eliminated on consolidation.

#### **b. Basis of presentation:**

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States (“US GAAP”) for the interim financial information and the rules and regulations of the United States Securities and Exchange Commission (“SEC”) related to quarterly reports on Form 10-Q. Accordingly, they do not include all of the information and disclosures required by US 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 for the year ended December 31, 2021, filed with the SEC on March 22, 2022. In the opinion of management, these condensed consolidated interim financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation

of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for the 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.**

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2022 and 2021

(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, 2022, 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, 2021.

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. Recent Accounting Pronouncements

New Accounting Pronouncements - Recently Adopted

We have adopted no new accounting pronouncements during the nine months ended September 30, 2022.

Recent Accounting Pronouncements Not Yet Adopted

There were various accounting standards and interpretations issued recently, none of which are expected to have a material impact on our financial position, operations or cash flows.

e. Foreign currency:

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

f. 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 as of September 30, 2022, consist of cash of \$874 thousand (December 31, 2021 - \$294 thousand), deposits in high interest savings accounts, money market funds and accounts and other term deposits with maturities of less than 90 days totaling of \$27.117 million (December 31, 2021 - \$38.82 million).

**4. Prepaid expenses:**

	September 30, 2022	December 31, 2021
Prepaid research and development expenses	\$ 589	\$ 632

Other prepaid expenses		249		1,844
<b>Total</b>	<b>\$</b>	<b>838</b>	<b>\$</b>	<b>2,476</b>

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

		Nine months ended September 30, 2022		Year ended December 31, 2021
Right-of-use assets, beginning of period	\$	1,860	\$	1,848
Additions to right-of-use assets		91		12
Right-of-use assets, end of period		1,951		1,860
Accumulated amortization		(1,731)		(1,395)
Right-of use assets, NBV	\$	220	\$	465

**APTOSE BIOSCIENCES INC.**

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2022 and 2021

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

**6. Investments:**

Investments consisted of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022		
	Cost	Unrealized gain/(loss)	Market value
United States treasury bills	\$ 19,941	\$ (4)	\$ 19,937
Commercial notes	7,478	(13)	7,465
Total	\$ 27,419	\$ (17)	\$ 27,402

  

	December 31, 2021		
	Cost	Unrealized gain/(loss)	Market value
Guaranteed Investment Certificate	\$ 20,016	\$ -	\$ 20,016
Commercial notes	19,998	-	19,998
Total	\$ 40,014	\$ -	\$ 40,014

**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.

**APTOSE BIOSCIENCES INC.**

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2022 and 2021

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

The following table presents the fair value of Company's assets that are measured at fair value on a recurring basis for the periods presented:

	September 30, 2022		Level 1		Level 2		Level 3
<b>Assets</b>							
Money Market accounts	\$ 165	\$ -		\$ 165	\$ -		
Money Market Funds	24,748		-		24,748		-
High interest savings accounts	2,203		-		2,203		-
United States Treasury Bill	19,938		-		19,938		-
Commercial notes	7,465		-		7,465		-
<b>Total</b>	<b>\$ 54,519</b>	<b>\$ -</b>		<b>\$ 54,519</b>	<b>\$ -</b>		

	December 31, 2021		Level 1		Level 2		Level 3
<b>Assets</b>							
Money Market accounts	\$ 17,974	\$ -		\$ 17,974	\$ -		
Money Market Funds	15,801		-		15,801		-
High interest savings accounts	5,045		-		5,045		-
Commercial notes	19,998		-		19,998		-
Guaranteed Investment Certificate	20,016		-		20,016		-
<b>Total</b>	<b>\$ 78,834</b>	<b>\$ -</b>		<b>\$ 78,834</b>	<b>\$ -</b>		

**8. Accrued liabilities:**

Accrued liabilities as of September 30, 2022 and December 31, 2021 consisted of the following:

	September 30, 2022	December 31, 2021
Accrued personnel related costs	\$ 1,863	\$ 2,152
Accrued research and development expenses	4,929	3,520
Other accrued expenses	755	344
<b>Total</b>	<b>\$ 7,547</b>	<b>\$ 6,016</b>

**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 five-year period. The lease for our lab space was renewed for 12 months on February 28, 2022 and expires on February 28, 2023. We also 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 five-year period. The Company has not included any extension periods in calculating its right-to-use assets and lease liabilities. The Company also leases for small office equipment.

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

Years ending December 31,

2022	\$	135
2023	\$	140
Thereafter	\$	-
Total	\$	275

**APTOSE BIOSCIENCES INC.**

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2022 and 2021

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

The following table presents the weighted average remaining term of the leases and the weighted average discount rate:

	September 30, 2022	December 31, 2021
Weighted-average remaining term – operating leases (years)	0.5	1.2
Weighted-average discount rate – operating leases	5.14%	5.37%
Lease liability, current portion	\$ 270	\$ 459
Lease liability, long term portion	1	115
Total	\$ 271	\$ 574

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Operating lease cost	\$ 115	\$ 129	\$ 353	\$ 388
Operating cash flows from operating leases	\$ 134	\$ 139	\$ 411	\$ 416

**10. Share capital:**

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

## a. Equity issuances:

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

On May 5, 2020, the Company entered into an “at-the-market” equity distribution agreement with Piper Sandler & Co. (“Piper Sandler”) and Canaccord Genuity LLC (“Canaccord Genuity”) acting as co-agents (the “2020 ATM Facility”). Under the terms of the 2020 ATM Facility, the Company may, from time to time, sell through Piper Sandler and Canaccord Genuity Common Shares having an aggregate offering value of up to \$75 million on the Nasdaq Capital Market. During the nine months ended September 30, 2022, the Company issued 54,687 shares under the 2020 ATM Facility at an average price of \$0.95 for gross proceeds of \$52 thousand (\$50 thousand, net of share issue costs, which included a 3% cash commission). During the period ended September 30, 2021, the Company did not issue any shares under the 2020 ATM Facility. On a cumulative basis to September 30, 2022, the Company has raised a total of \$89 thousand gross proceeds (\$86 thousand, net of share issue costs) 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net loss	\$ (9,777)	\$ (11,333)	\$ (31,823)	\$ (41,030)
Weighted-average common shares – basic and diluted (in thousands)	92,289	88,949	92,253	88,927
Net loss per share – basic and diluted	\$ (0.11)	\$ (0.13)	\$ (0.34)	\$ (0.46)

The effect of any potential exercise of the Company's stock options outstanding during the three- and nine-month periods ended September 30, 2022, and September 30, 2021 has been excluded from the calculation of diluted loss per common share, since such securities would be anti-dilutive.

## APTOSE BIOSCIENCES INC.

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2022 and 2021

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

### 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 Company 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) 9,343,242, 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 ten 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.

The ESPP 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 was 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 available for sale under the ESPP is 1,700,000 Common Shares. The first six-month offering period began on February 1, 2022, and ended on August 1, 2022. There were 10,858 Common Shares issued under the ESPP as of September 30, 2022 (December 31, 2021 – nil). The second six-month period began on August 1, 2022, and will end on February 1, 2023.

Stock option transactions for the nine months ended September 30, 2022, and September 30, 2021, are summarized as follows:

	Nine months ended September 30, 2022		
		Weighted average exercise price	Weighted average remaining contractual life (years)
Options (in thousands)			

Outstanding, beginning of period	15,112	\$	4.61	
Granted	6,295		1.19	
Exercised	(14)		1.08	
Forfeited	(2,325)		3.16	
Outstanding, end of the period	19,068		3.60	6.30
Exercisable, end of the period	10,564		4.53	4.50
Vested and expected to vest, end of period	17,790	\$	3.68	6.14

**APTOSE BIOSCIENCES INC.**

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2022 and 2021

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

	Nine months ended September 30, 2021		Weighted average remaining contractual life (years)
	Options (in thousands)	Weighted average exercise price	
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

As of September 30, 2022, there was \$3.99 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 1.5 years. As of September 30, 2022, total compensation cost not yet recognized related to grants under the ESPP was approximately \$4 thousand, which is expected to be recognized over four months.

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, 2022	Nine months ended September 30, 2021
Risk-free interest rate	2.17%	0.52%
Expected dividend yield	-	-
Expected volatility	82.7%	81.8%
Expected life of options	5 years	5 years
Grant date fair value	\$ 0.79	\$ 2.59

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:

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
	Number of options (in thousands)	Number of options (in thousands)
3-year vesting (50%-25%-25%)	5,220	430
4-year vesting (50%-16 2/3%-16 2/3%-16 2/3%)	475	2,969
Earlier of performance criteria or 4 years	600	800

Total stock options granted in the period

6,295

4,199

---

**APTOSE BIOSCIENCES INC.**

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2022 and 2021

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

During the nine months period ended September 30, 2022, the option agreements of one Company officer were modified as part of a separation and release agreement. Vested options of 851,053, with exercise prices ranging from \$1.34 to \$6.91, were allowed to continue to be exercisable for an additional 12-month period. Additionally, 477,166 options that would have expired under the original terms were allowed to continue to vest for a 12-month period. As there was no service requirement, the Company recorded \$67 thousand additional compensation in the period related to these modifications.

During the nine months period ended September 30, 2021, the option agreements of one Company 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. Additionally, 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, the Company recorded \$1.6 million additional compensation in the period related to these modifications.

## b. Share-based payment expense

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Research and development	\$ 440	\$ 609	\$ 1,923	\$ 2,985
General and administrative	613	1,219	2,423	7,650
	\$ 1,053	\$ 1,828	\$ 4,346	\$ 10,635

**12. Subsequent event**

In October 2022, we filed a short form base shelf prospectus (the 2022 “Base Shelf”) that allows us to distribute, upon the filing of prospectus supplements, up to \$200,000,000 of common shares, warrants, or units comprising any combination of common shares and warrants. The Base Shelf was declared effective by the SEC on October 21, 2022 and expires on October 7, 2025. The 2020 ATM Facility expired on the effective date of the 2022 “Base Shelf”.