

PART I—FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS



Condensed Consolidated Interim Financial Statements

(Unaudited)

**APTOSE BIOSCIENCES INC.**

For the three months and nine months ended September 30, 2024 and 2023

## TABLE OF CONTENTS

	<u>Page</u>
<u>PART I—FINANCIAL INFORMATION</u>	5
<u>Item 1 – Financial Statements</u>	5
<u>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	21
<u>Item 3 – Qualitative and Quantitative Disclosures about Market Risk</u>	36
<u>Item 4 – Controls and Procedures</u>	36
 <u>PART II—OTHER INFORMATION</u>	 37
<u>Item 1 – Legal Proceedings</u>	37
<u>Item 1A – Risk Factors</u>	37
<u>Item 6 – Exhibits</u>	38
<u>Signatures</u>	39

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and “forward-looking information” within the meaning of applicable Canadian securities law, which we collectively refer to as “forward-looking statements”. Such forward-looking statements reflect our current beliefs and are based on information currently available to us. In some cases, forward-looking statements can be identified by terminology such as “may,” “would,” “could,” “will,” “should,” “expect,” “plan,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue,” “hope,” “foresee” or the negative of these terms or other similar expressions concerning matters that are not historical facts.

Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, among others:

- our risk of imminent bankruptcy;
- we need to obtain substantial funding immediately in order to continue operations and our exploration of strategic alternatives;
- if a financing is completed, it may not be a large enough financing to fully fund the company operations, as such the use of proceeds used during a subsequent bankruptcy proceeding to settle existing liabilities;
- our suppliers or clinical sites may choose to implement work stoppage on key programs, change the terms of contracts or terminate contracts for key programs;
- our conversations with partners to renegotiate existing product license agreements may not be successful;
- our lack of product revenues and net losses and a history of operating losses;
- our compliance plans to address various notifications from Nasdaq and whether such compliance plans will be accepted by Nasdaq;
- our early stage of development, particularly the inherent risks and uncertainties associated with (i) developing new drug candidates generally, (ii) demonstrating the safety and efficacy of these drug candidates in clinical studies in humans, and (iii) obtaining regulatory approval to commercialize these drug candidates;
- our need to raise substantial additional capital in the near future and our ability to raise such funds when needed and on acceptable terms;
- further equity financing, which may substantially dilute the interests of our existing shareholders;
- clinical studies and regulatory approvals of our drug candidates are subject to delays, and may not be completed or granted on expected timetables, if at all, and such delays may increase our costs and could substantially harm our business;
- our reliance on external contract research/manufacturing organizations for certain activities and if we are subject to quality, cost, or delivery issues with the preclinical and clinical grade materials supplied by contract manufacturers, our business operations could suffer significant harm;
- clinical studies are long, expensive and uncertain processes and the U.S. Food and Drug Administration (“FDA”), or other similar foreign regulatory agencies that we are required to report to, may ultimately not approve any of our product candidates;
- our ability to comply with applicable governmental regulations and standards;
- our inability to achieve our projected development goals in the time frames we announce and expect;
- difficulties in enrolling patients for clinical trials may lead to delays or cancellations of our clinical trials;
- our reliance on third parties to conduct and monitor our preclinical studies;
- our ability to attract and retain key personnel, including key executives and scientists;
- any misconduct or improper activities by our employees;
- our exposure to exchange rate risk;
- our ability to commercialize our business attributed to negative results from clinical trials;

- the marketplace may not accept our products or product candidates due to the intense competition and technological change in the biotechnical and pharmaceuticals, and we may not be able to compete successfully against other companies in our industries and achieve profitability;
- our ability to obtain and maintain patent protection;
- our ability to afford substantial costs incurred with defending our intellectual property;
- our ability to protect our intellectual property rights and not infringe on the intellectual property rights of others;
- our business is subject to potential product liability and other claims;
- potential exposure to legal actions and potential need to take action against other entities;
- commercialization limitations imposed by intellectual property rights owned or controlled by third parties;
- our ability to maintain adequate insurance at acceptable costs;
- our ability to find and enter into agreements with potential partners;
- extensive government regulation;
- data security incidents and privacy breaches could result in increased costs and reputational harm;
- our share price has been and is likely to continue to be volatile;
- future sales of our common shares (the "Common Shares") by us or by our existing shareholders could cause our share price to drop;
- changing global market and financial conditions;
- changes in an active trading market in our Common Shares;
- difficulties by non-Canadian investors to obtain and enforce judgments against us because of our Canadian incorporation and presence;
- potential adverse U.S. federal tax consequences for U.S. shareholders because we are a "passive foreign investment company";
- our "smaller reporting company" status;
- any failures to maintain an effective system of internal controls may result in material misstatements of our financial statements, or cause us to fail to meet our reporting obligations or fail to prevent fraud;
- our broad discretion in how we use the proceeds of the sale of Common Shares; and
- our ability to expand our business through the acquisition of companies or businesses.

More detailed information about risk factors and their underlying assumptions is included in our Annual Report on Form 10-K for the year ended December 31, 2023, under Item 1A – Risk Factors. Except as required under applicable securities legislation, we undertake no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

**APTOSE BIOSCIENCES INC.**

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in thousands of US dollars)

(unaudited)

	September 30, 2024	December 31, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,962	\$ 9,252
Prepaid expenses	912	2,042
Other current assets	1,361	600
Total current assets	10,235	11,894
Non-current assets:		
Property and equipment	30	152
Right-of-use assets, operating leases	664	943
Total non-current assets	694	1,095
Total assets	<u>\$ 10,929</u>	<u>\$ 12,989</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable to related parties	—	\$ 2,554
Accounts payable	1,830	3,492
Accrued liabilities	7,512	8,829
Current portion of lease liability, operating leases	416	394
Total current liabilities	9,758	15,269
Non-current liabilities:		
Lease liability, operating leases	305	621
Loan payable to related parties	10,000	—
Total non-current liabilities	10,305	621
Total liabilities	20,063	15,890
Shareholders' equity:		
Share capital:		
Common shares, no par value, unlimited authorized shares, 19,521,183 and 7,942,363 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	452,302	444,806
Additional paid-in capital	82,262	72,146
Accumulated other comprehensive loss	(4,316)	(4,316)
Deficit	(539,382)	(515,537)
Total shareholders' equity	(9,134)	(2,901)
Total liabilities and shareholders' equity	<u>\$ 10,929</u>	<u>\$ 12,989</u>

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

Going concern, see Note 2.

Commitments, see Note 8.

Related party transactions, see Note 9.

Subsequent events, see Note 10 and 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 September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenue	\$ —	\$ —	\$ -	\$ -
Expenses:				
Research and development	4,702	8,256	15,560	27,649
General and administrative	2,263	3,425	8,510	12,580
Operating expenses	6,965	11,681	24,070	40,229
Other income/(expense):				
Interest income	12	232	226	980
Foreign exchange income/(loss)	—	2	(1)	(3)
Total other income	12	234	225	977
Net loss	\$ (6,953)	\$ (11,447)	\$ (23,845)	\$ (39,252)
Other comprehensive loss:				
Unrealized (loss) gain on available-for-sale securities	—	—	—	3
Total comprehensive loss	\$ (6,953)	\$ (11,447)	\$ (23,845)	\$ (39,249)
Basic and diluted loss per common share	\$ (0.37)	\$ (1.76)	\$ (1.48)	\$ (6.14)
Weighted average number of common shares outstanding used in the calculation of (in thousands)				
Basic and diluted loss per common share	18,560	6,495	16,107	6,391

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 paid-in capital	Accumulated other		Total
	Shares (in thousands)	Amount		comprehensive loss	Deficit	
Balance, December 31, 2023	7,942	\$ 444,806	\$ 72,146	\$ (4,316)	\$ (515,537)	\$ (2,901)
Shares and warrants issued under the Registered Direct Offering	3,195	1,018	\$ 3,122			4,140
Common shares and warrants issued under the Hanmi Subscription Agreement	2,105	2,043	1,659	—	—	3,702
Common shares and warrants issued in S-1 financing	5,649	3,595	4,532	—	—	8,127
Common shares issued under the 2023 Committed Equity Facility	520	717	(82)	—	—	635
Common shares issued under the 2022 ATM	82	97	(118)	—	—	(21)
Stock-based compensation	—	—	1,003	—	—	1,003
Common shares issued under the ESPP plan	28	26	—	—	—	26
Net loss	—	—	—	—	(23,845)	(23,845)
Balance, September 30, 2024	<u>19,521</u>	<u>\$ 452,302</u>	<u>\$ 82,262</u>	<u>\$ (4,316)</u>	<u>\$ (539,382)</u>	<u>\$ (9,134)</u>
Balance, December 31, 2022	6,158	\$ 437,520	\$ 68,869	\$ (4,318)	\$ (464,330)	\$ 37,741
Common shares issued under the Hanmi Subscription Agreement	668	3,000	—	—	—	3,000
Common shares issued in exchange for RSUs	38	376	(376)	—	—	—
Common shares issued under the 2023 Committed Equity Facility	336	1,185	—	—	—	1,185
Common shares issued under the 2022 ATM Facility	337	1,828	—	—	—	1,828
Stock-based compensation	—	—	3,242	—	—	3,242
Common shares issued under the ESPP plan	6	29	—	—	—	29
Other comprehensive gain	—	—	—	3	—	3
Net loss	—	—	—	-	(39,252)	(39,252)
Balance, September 30, 2023	<u>7,543</u>	<u>\$ 443,938</u>	<u>\$ 71,735</u>	<u>\$ (4,315)</u>	<u>\$ (503,582)</u>	<u>\$ 7,776</u>

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,	
	2024	2023	2024	2023
<b>Cash flows used in operating activities:</b>				
Net loss for the period	\$ (6,953)	\$ (11,447)	\$ (23,845)	\$ (39,252)
Items not involving cash:				
Stock-based compensation	(13)	599	1,003	3,242
Depreciation and amortization	4	20	28	70
Loss on disposal of property and equipment	—	—	76	—
Amortization of right-of-use assets	92	91	279	286
Interest on lease liabilities	15	23	52	73
Unrealized (gain)/loss on short-term investment	—	(1)	—	(3)
Accrued interest on investments	—	(44)	—	(56)
Changes in non-cash operating assets and liabilities:				
Prepaid expenses	324	29	1,130	646
Other current assets	(768)	(44)	(761)	(4)
Operating lease liabilities	(112)	(117)	(346)	(290)
Accounts payable to related parties	—	—	(2,554)	—
Accounts payable	(5,281)	(690)	(1,662)	(3,515)
Accrued liabilities	2,316	1,045	(1,317)	3,472
Cash used in operating activities	<u>(10,376)</u>	<u>(10,536)</u>	<u>(27,917)</u>	<u>(35,331)</u>
<b>Cash flows from financing activities:</b>				
Proceeds from loan payable to related parties	10,000	—	10,000	—
Issuances of common shares and warrants under the Registered Direct Offering	—	—	4,140	—
Issuance of common shares and warrants under the S-1 Filing	—	—	8,127	—
Shares issuances to Hanmi under subscription agreement	—	3,000	3,702	3,000
Issuance of common shares under 2023 CMPO	—	1,150	694	1,150
Share subscription advance under the 2023 CMPO	—	50	—	50
Issuance of common shares under 2022 ATM Facility	—	694	97	1,837
Cost of offering	—	(5)	(177)	(10)
Issuance of common shares under the ESPP plan	8	13	26	29
Cash from financing activities	<u>10,008</u>	<u>4,902</u>	<u>26,609</u>	<u>6,056</u>
<b>Cash flows from/(used in) investing activities:</b>				
Disposal/(purchase) of property and equipment, net	—	—	18	(29)
Maturity/(acquisition) of investments, net	—	12,953	—	8,051
Cash from/(used in) investing activities	<u>—</u>	<u>12,953</u>	<u>18</u>	<u>8,022</u>
Effect of exchange rate fluctuations on cash and cash equivalents	—	1	—	3
Increase/(decrease) in cash and cash equivalents	<u>\$ (368)</u>	<u>\$ 7,320</u>	<u>\$ (1,290)</u>	<u>\$ (21,250)</u>
Cash and cash equivalents, beginning of period	<u>\$ 8,330</u>	<u>\$ 8,400</u>	<u>\$ 9,252</u>	<u>\$ 36,970</u>
Cash and cash equivalents, end of period	<u>\$ 7,962</u>	<u>\$ 15,720</u>	<u>\$ 7,962</u>	<u>\$ 15,720</u>

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 months and nine months ended September 30, 2024 and 2023

(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 science-driven, clinical-stage biotechnology company committed to the development and commercialization of precision medicines addressing unmet clinical needs in oncology, with an initial focus on hematology. The Company's small molecule cancer therapeutics pipeline includes products designed to provide single agent efficacy and to enhance the efficacy of other anti-cancer therapies and regimens without overlapping toxicities. The Company's executive offices are located in San Diego, California, and our head office address has been changed to 66 Wellington Street West, Suite 5300, TD Bank Tower Box 48, Toronto, Ontario, Canada.

We are advancing targeted agents to treat life-threatening hematologic cancers that, in most cases, are not elective for patients and require immediate treatment. We have two clinical-stage investigational products for hematological malignancies: tuspetinib, an oral, potent myeloid kinase inhibitor, and luxepetinib, an oral, dual lymphoid and myeloid kinase inhibitor.

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, licensing fees, drug manufacturing costs, laboratory supplies and materials, and professional fees.

Management recognizes that in order for us to meet our capital requirements, and continue to operate, additional financing will be necessary. We plan to raise additional funds to fund our business operations but there is no assurance that such additional funds will be available for us to finance our operations on acceptable terms, if at all. The Company's current cash and cash equivalents are projected to support operations through January 2025. 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, See Note 2(a).

Our ability to raise additional funds has been affected by adverse market conditions, the status of our product pipeline, possible delays in enrollment in our trial, and various other factors and we may be unable to raise capital when needed, or on terms favorable to us. The raising of additional capital, and/or the trade sale of some of the Company's operations to make bulk payments to repay accounts payable, if successful, would potentially alleviate any significant doubt on the Company's ability to continue as a going concern. In the event that debt and/or capital financing is unable to be secured or contemplated trade sale fail to materialize, the Company may need to resolve to other means of protecting its assets in the best interests of its shareholders, including foreclosure or forced liquidation and/or seeking creditors' protection.

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.

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the use of the going concern assumption on which these unaudited condensed interim consolidated financial statements are prepared may not be appropriate based on the factors described in Note 2(a). Management recognizes that in order to meet the capital requirements, and continue to operate, additional financing will be necessary. The Company plans to raise additional funds to fund our business operations through equity financing under other financing activities, as further described in Note 10 and Note 12. Management continues considering other options for raising capital including debt, equity, collaborations, and reorganization to reduce operational expenses. However, given the decrease in the share price, difficulty for micro-cap market capitalization companies to raise significant capital and the matters in Note 10, Share capital, that may impact the Company's ability to raise significant financing in the capital markets, the Company may be unable to access financing when needed. As such, there can be no assurance that the Company will be able to obtain additional liquidity when needed or under acceptable terms, if at all. These conditions raise substantial doubt about the Company's ability to continue as a going concern, see Note 2(a). The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

On May 23, 2023, during the Aptose Annual and Special Meeting of Shareholders, our shareholders voted to approve special resolutions providing for an amendment to our articles of incorporation to effect a reverse share split of our outstanding Common Shares,

at a ratio in the range of 1-for-10 to 1-for-20. Our Board of Directors then approved a ratio of 1-for-15 on May 23, 2023. On May 24, 2023, we filed articles of amendment under the *Canada Business Corporations Act* to give effect to the reverse stock split (consolidation) of our Common Shares on the basis of one post-consolidation Common Share for each 15 pre-consolidation Common Shares (the “Reverse Stock Split”). The Common Shares commenced trading on a post-Reverse Stock Split basis at market open on Tuesday, June 6, 2023. All references in this report to historical Common Share prices, numbers of Common Shares, and earnings per share calculations have been presented to reflect the effect of the Reverse Stock Split.

## 2. Significant accounting policies:

### a. Basis of presentation - Going concern

These unaudited condensed consolidated interim financial statements have been prepared in conformity with generally accepted accounting principles in the United States, or GAAP and the rules and regulations of the Securities and Exchange Commission, or SEC, related to quarterly reports filed on Form 10-Q, assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and discharge of liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting year. The Company is in substantial doubt to continue as a going concern; As of September 30, 2024, the Company had negative shareholder's equity of \$9.1 million (December 31, 2023 negative shareholder's equity of \$2.9 million); an accumulated deficit of approximately \$539.4 million (December 31, 2023, \$515.5 million); during the nine months period ended September 30, 2024, the Company incurred a net loss of \$23.8 million (2023 - \$39.3 million) and as of September 30, 2024 we had a working capital of approximately \$477 thousand (December 31, 2023, negative working capital of \$3.4 million), including approximately \$8 million (December 31, 2023, \$9.3 million) in cash and cash equivalent balance, and current liabilities of approximately \$9.8 million (December 31, 2023, \$15.3 million).

The Company faces increasingly challenging financial and business conditions, including an inability to raise sufficient equity and equity-linked financing to fully fund execution of its business plans and to satisfy its \$2.5 million Nasdaq shareholder's equity requirement. The Company has financed its activities to date through the issuance of Common Shares and continues to seek capital through various means including the issuance of equity and/or debt. During this year to September 30, 2024, the Company has explored numerous alternatives to ensure the funding of the Company's clinical trials, services and repay its outstanding vendors and increase its equity level, which level has resulted in a major hurdle for the Company to secure required financing.

Management recognizes that in order to meet the capital requirements, and continue to operate, additional financing will be necessary. The Company is evaluating strategies to obtain the required additional funding for future operations. These strategies may include, but are not limited to, obtaining equity financing, debt financing, committed equity facilities or other financing instruments and restructuring of operations to decrease expenses. However, given the impact of the volatile financial markets on micro-cap market capitalization companies such as the Company and the matter in Note 10, Share capital and 12, Subsequent events, the Company may be unable to access further equity when needed. As the Company is primarily pursuing one compound that is licensed from a related party with significant licensing payments who will have influence on the Company, other investors may not be willing to invest in the Company. As such, there can be no assurance that the Company will be able to obtain additional liquidity when needed or under acceptable terms, if at all. The Company's current cash and cash equivalents are projected to support operations through January 2025. 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. The unaudited condensed consolidated interim financial statements do not reflect any adjustments to the carrying amounts and classification of assets, liabilities, and reported expenses that may be necessary if the Company were unable to continue as a going concern. Such adjustments could be material.

### b. Basis of consolidation:

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

### c. Significant accounting policies, estimates and judgments:

During the nine months ended September 30, 2024, 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, 2023 filed with the SEC on March 26, 2024.

The preparation of the unaudited 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 unaudited condensed consolidated interim financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from those estimates. The unaudited condensed consolidated interim financial statements include estimates, which, by their nature, are uncertain.

The impacts of such estimates are pervasive throughout the unaudited 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

We have adopted no new accounting pronouncements during the three months and nine months ended September 30, 2024. 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, 2024, consist of restricted cash of \$1,416 thousand (December 31, 2023 - \$2,764 thousand) and of restricted deposits in high interest savings accounts, money market funds and accounts with maturities of less than 90 days totaling of \$6,546 thousand (December 31, 2023 - \$6,488 thousand).

On August 27, 2024, the Company received \$10 million from a loan payable to a third party. Under the terms of the loan agreement (the "Hanmi Loan Agreement"), the proceeds of \$10 million are restricted for use solely in connection of Tuspentinib related business operations, unless otherwise authorized by the related party. See Note 9, Related party transactions.

**4. Prepaid expenses:**

Prepaid expenses as of September 30, 2024 and December 31, 2023 are shown below. Other prepaid expenses primarily consist of subscriptions, software, conference deposits and deposits for general and administrative items.

	September 30, 2024	December 31, 2023
Prepaid research and development expenses	\$ 662	\$ 720
Prepaid insurance	71	882
Other prepaid operating expenses	179	440
Total	<u>\$ 912</u>	<u>\$ 2,042</u>

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

	September 30, 2024	December 31, 2023
Right-of-use assets, beginning of period	\$ 3,124	\$ 3,100
Additions to right-of-use assets	—	24
Right-of-use assets, end of period	3,124	3,124
Accumulated amortization	(2,460)	(2,181)
Right-of use assets, NBV	<u>\$ 664</u>	<u>\$ 943</u>

## 6. 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.

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, 2024	Level 1	Level 2	Level 3
<b>Assets</b>				
High interest savings account	\$ 6,546	—	6,546	—
Total	<u>\$ 6,546</u>	<u>\$ —</u>	<u>\$ 6,546</u>	<u>\$ —</u>

	December 31, 2023	Level 1	Level 2	Level 3
<b>Assets</b>				
High interest savings accounts	\$ 2,002	—	2,002	—
United States Treasury Bills	4,486	—	4,486	—
Total	<u>\$ 6,488</u>	<u>—</u>	<u>\$ 6,488</u>	<u>—</u>

## 7. Accrued liabilities:

Accrued liabilities as of September 30, 2024 and December 31, 2023 consisted of the following:

	September 30, 2024	December 31, 2023
Accrued personnel related costs	\$ 876	\$ 1,989
Accrued research and development expenses	6,466	6,527
Other accrued expenses	170	313
Total	<u>\$ 7,512</u>	<u>\$ 8,829</u>

## 8. Lease liability:

Aptose leases office space in San Diego, California. The lease for the San Diego office space is scheduled to expire in May 31, 2026. We leased office space in Toronto, Ontario, Canada, which lease expired on June 30, 2024. 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.

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

Years ending December 31,	
2024	\$ 113
2025	462
2026	197
Total	<u>\$ 772</u>

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

	September 30, 2024	December 31, 2023
Weighted-average remaining term – operating leases (years)	1.7	2.4
Weighted-average discount rate – operating leases	7.90%	7.38%
Lease liability, current portion	\$ 416	\$ 394
Lease liability, long-term portion	305	621
Total	<u>\$ 721</u>	<u>\$ 1,015</u>

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Operating lease cost	\$ 107	\$ 114	\$ 331	\$ 359
Operating cash flows from operating leases	\$ 112	\$ 117	\$ 346	\$ 290

## 9. Related party transactions:

### Hanmi Pharmaceutical Co. Ltd.

On November 4, 2021, Aptose entered a licensing agreement (the "Hanmi Licensing Agreement") with the South Korean company Hanmi Pharmaceutical Co. Ltd. ("Hanmi") for the clinical and commercial development of tuspentinib. Under the terms of the Hanmi Licensing Agreement, Hanmi granted Aptose exclusive worldwide rights to tuspentinib for all indications. Hanmi received an upfront payment of \$12.5 million, including \$5 million in cash and \$7.5 million in Common Shares. Aptose issued Hanmi 215,703 Common Shares under this upfront licensing payment. Hanmi will also receive up to \$407.5 million in future milestone payments contingent upon achieving certain clinical, regulatory and sales milestones across several potential indications, as well as tiered royalties on net sales. The Hanmi milestone payments based on progression of research as outlined in Note 13 to the Annual report on Form 10-K for the year ended December 31, 2023. The term of the agreement will continue on a product-by-product and country-by-country basis until the expiration of the royalty period for such product in such country. The licenses to Aptose pursuant to the Hanmi Licensing Agreement will survive and become non-exclusive, perpetual, irrevocable and fully paid-up on a product-by-product and country-by-country basis, upon their natural expiration under the terms of the Hanmi Licensing Agreement.

In 2022, the Company and Hanmi also entered into a separate supply agreement for additional production of new drug substance ("API") and drug product to support further tuspentinib clinical development, for which the Company pays Hanmi per batch of production. Expenses related to this supply agreement have been recognized by the Company, amounting to nil and \$3.1 million for the nine months ended September 30, 2024 and 2023, respectively. Since inception to September 30, 2024, \$7.1 million has been recognized for the period under the supply agreement.

The Company paid supply costs to Hanmi of \$2.6 million and \$4.5 million in the nine months ended September 30, 2024 and 2023, respectively. Since inception to September 30, 2024, payments of \$7.1 million have been made under the supply agreement. At September 30, 2024, the Company did not have either accounts payable or accrued liabilities related to the Hanmi supply agreement. At December 31, 2023, there was \$2.6 million in accounts payable and nil in accrued liabilities.

On August 27, 2024, the Company entered into a loan agreement (the "Hanmi Loan Agreement") with the South Korean Company Hanmi Pharmaceutical Co. Ltd ("Hanmi") for \$10 million. Under the terms of the Hanmi Loan Agreement, the loan proceeds are restricted to be used for Tuspentinib related business operation purposes, unless otherwise authorized by Hanmi. The use of the funds is also contingent upon the Company meeting specific manufacturing and clinical milestones as outlined in the agreement. The loan is repayable in full on January 31, 2027, with an initial interest period ended on September 30, 2024 and subsequent interest payments due at the end of each three-month period thereafter. Aptose may repay all or any portion of the outstanding principal at any time without penalty, provided that any accrued and unpaid interest on the principal amount being repaid is also settled. The accrued interest on the unpaid principal loan amount is payable at the periods specified on the Hanmi Loan agreement at a rate of 6% per annum. During the ninth months period ended September 30, 2024, Aptose paid \$51 thousand of interest on the loan.

On September 2, 2024, and in connection with the Hanmi Loan Agreement, Aptose and Hanmi executed a letter of understanding ("LOU"), which outlines the steps associated with the negotiation of the Future Collaboration Agreement (the "Future Collaboration Agreement"). This agreement will establish a co-development collaboration for the advancement of tuspentinib. Under the terms of the

Future Collaboration Agreement, upon execution, the loan principal and any accrued and unpaid interest under the "Hanmi Loan Agreement" will automatically convert to Hanmi's prepayment of future milestone obligations under the Future Collaboration Agreement. Upon conversion, the Hanmi Loan Agreement, consisting of the \$10 million loan principal with any accrued and unpaid interest, would be deemed fully paid and satisfied.

See Note 10, Share capital, for share capital transactions with Hanmi.

## **10. Share capital:**

On April 2, 2024, the Company received a letter (the "Notification Letter") from Nasdaq stating that the Company was not in compliance with Nasdaq Listing Rule 5550(b)(1) (the "Rule") because the stockholders' equity of the Company as of December 31, 2023, as reported in the Company's Annual Report on Form 10-K, was below the minimum requirement of \$2.5 million (the "Stockholders' Equity Requirement"). The Company submitted a Compliance Plan on May 17, 2024.

On June 28, 2024, the Company received a letter from Nasdaq stating that Nasdaq had granted the Company an extension until September 30, 2024 to regain compliance with the Rule. On August 1, 2024 the Company filed a preliminary S-1 prospectus to raise financing as part of its Compliance Plan, in addition to funds raised in the 10a.(i), June 2024 Registered Direct Offering.

On July 16, 2024, the Company received a deficiency letter (the "Deficiency Letter") from the Staff of The Nasdaq Stock notifying the Company that, for the prior thirty consecutive business days, the closing bid price for the Company's Common Shares have been below the minimum \$1.00 per share required for continued listing on Nasdaq pursuant to Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Requirement"). The Deficiency Letter had no immediate effect on the listing of the Company's Common Shares, and its Common Shares will continue to trade on Nasdaq. The Company's Common Shares continue to trade on the Toronto Stock Exchange ("TSX") under the symbol "APS." The Company's listing on the TSX is independent and will not be affected by the Nasdaq listing status. The Company has been given 180 calendar days, or until January 13, 2025, to regain compliance with the Minimum Bid Price Requirement. If at any time before January 13, 2025, the bid price of the Company's Common Shares closes at \$1.00 per share or more for a minimum of 10 consecutive business days, the Staff will provide written confirmation that the Company has achieved compliance with the Minimum Bid Requirement. If the Company does not regain compliance with the Minimum Bid Price Requirement by January 13, 2025, the Company may, at Nasdaq's discretion, be afforded a second 180 calendar day period to regain compliance, but if Nasdaq does not grant such extension, the Company's common shares could be delisted from Nasdaq. To qualify for the extension, the Company will be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for Nasdaq, with the exception of the bid price requirement. The Company intends to monitor the closing bid price of its Common Shares and may, if appropriate, consider available options, including the possibility of seeking shareholder approval of a reverse stock split, to regain compliance with the Minimum Bid Price Requirement. However, there can be no assurance that the Company will be able to regain compliance with the Minimum Bid Price Requirement or will otherwise be in compliance with other Nasdaq Listing Rules.

As of September 30, 2024, the Company had not gained compliance with the requirement. The Company's stockholder's equity as of September 30, 2024 was negative \$9.1 million.

On October 1, 2024, the Company received a staff determination letter from the Listing Department stating that the Company did not meet the terms of the extension because it did not complete its proposed financing initiatives to regain compliance. On October 8, 2024, the Company requested an appeal and hearing; such hearing is scheduled for November 21, 2024. The hearing request has automatically stayed Nasdaq's delisting of the Company's Common Shares pending the Panel's decision. At or prior to the hearing, the Company plans to present to Nasdaq information demonstrating that it has regained compliance with the continued listing standards under the Nasdaq Listing Rules, or alternatively a plan to regain compliance and a request for an extension of time to effectuate the plan. Notwithstanding the foregoing, there can be no assurance that the Company will regain compliance with the continued listing standards under the Nasdaq Listing Rules, or that the Panel will grant the Company an extension of time to regain compliance, in the event the Company requests such an extension.

On October 30, 2024, the Company filed Amendment 1 to this S-1, see note 12, Subsequent Events.

The Company has authorized share capital of an unlimited number of Common Shares.

a. Equity issuances:

(i) June 2024 Registered Direct Offering

On June 3, 2024, the Company closed a registered direct offering priced at-the-market under Nasdaq rules of 1,800,000 Common Shares at a purchase price of \$1.15 per share and 2,055,000 pre-funded warrants at a purchase price of \$1.149 per pre-funded warrant. Additionally, in a concurrent private placement, Aptose issued unregistered series A warrants to purchase up to 3,855,000 Common Shares and series B warrants to purchase up to 3,855,000 Common Shares, each at an exercise price of \$1.15 per share. The series A and series B unregistered warrants became exercisable beginning on the effective date of shareholder approval of the issuance of the shares issuable upon exercise of the warrants which was obtained on September 5, 2024. The series A warrants will expire five years from September 5, 2024 and the series B warrants will expire eighteen months from September 5, 2024. The gross proceeds to the Company from the offering was approximately \$4.43 million, before deducting the placement agent's fees and other offering expenses. Financing costs of approximately \$408 thousand included underwriting costs of 7% and professional fees. In addition, the underwriter received 192,750 warrants, each at an exercise price of \$1.44. The unregistered warrants are exercisable on September 5, 2024 and will expire five years from September 5, 2024.

On September 5, 2024, the Company held a Special Meeting of Shareholders pursuant to which, shareholders voted to authorize, for purposes of complying with Nasdaq Listing Rule 5635(d), the issuance of Common Shares underlying certain warrants in an amount equal to or in excess of 20% of the Common Shares outstanding immediately prior the issuance of such warrants issued pursuant to that certain securities purchase agreement dated as of May 30, 2024 by and among the Company and certain institutional and accredited investors in connection with the Company's registered direct offering and private placement which closed on June 3, 2024. On September 11, 2024, the Company issued 1,395,000 Common Shares upon the exercise of 1,395,000 Pre-Funded Warrants for a cash proceeds of \$1 thousand at an exercise price of \$0.001.

#### (ii) January 2024 Public Offering and Private Placement

On January 31, 2024, the Company announced the closing of a \$9.7 million public offering (the "Public Offering") and a \$4 million private placement (the "Private Placement") with Hanmi. The Public Offering comprised 5,649,122 Common Shares and warrants at a combined offering price of \$1.71. This included 736,842 Common Shares and warrants pursuant to a full exercise by the underwriter of its over-allotment option. The Private Placement comprised 2,105,263 Common Shares sold at a price of \$1.90, representing an 11% premium over the price of the Common Shares issued as part of the Public Offering. Nasdaq subsequently issued a letter to the Company regarding the value and the date of the Private Placement, as discussed in this note, below. Financing costs of approximately \$1.4 million included underwriting costs of 7% and approximately \$0.4 million in professional fees. The Company also issued Hanmi warrants to purchase Common Shares at an exercise price of \$1.71 per Share.

On February 29, 2024, the Company received a deficiency letter (the "February Deficiency Letter") from the Nasdaq Listing Qualifications Department of Nasdaq notifying the Company that the Company's Private Placement violated Nasdaq Listing Rule 5635(d) because the Company did not obtain shareholder approval prior to such issuance. Nasdaq stated that the Private Placement involved the issuance of greater than 20% of the issued and outstanding Common Shares of the Company at a discount to the Nasdaq official closing price on January 25, 2024, the date of the subscription agreement between the Company and Hanmi. The February Deficiency Letter had no immediate effect on the listing of the Company's Common Shares. In accordance with the Nasdaq Listing Rules, the Company was given 45 calendar days to submit a plan to regain compliance. The approval of the potential issuance of Common Shares in connection with the Hanmi investment, which would exceed 19.99% of the Corporation's outstanding shares as of the closing date of the Hanmi investment, as required by Nasdaq listing rules, was approved at the June 2024 Annual and General meeting.

In response to a Deficiency Letter from Nasdaq received on February 29, 2024 regarding the private placement with Hanmi and the resulting claimed violation of Nasdaq Listing Rule 5635(d), the Company submitted a plan to regain compliance on April 15, 2024. On April 25, 2024, the Company received a letter from the Listing Qualifications Department (the "Staff") of Nasdaq notifying the Company of the Staff's determination that the Company had regained compliance with Nasdaq Listing Rule 5635(d) and the Staff has determined that the matter is now closed. Pursuant to the Company's plan to regain compliance, on April 26, 2024, the Company announced that it had amended the warrant agreement with Hanmi to prohibit the exercise of the Hanmi warrants in excess of the Nasdaq 19.99% limitation (the "Nasdaq 19.99% Cap"), unless shareholder approval is first obtained to exceed the Nasdaq 19.99% Cap.

#### (iii) Hanmi 2023 Investment

On August 10, 2023, the Company entered into a binding term sheet with Hanmi whereby Hanmi agreed at their sole discretion to invest, up to a maximum of \$7 million in Aptose up to a total ownership of 19.99% of Aptose by Hanmi. On September 6, 2023, the Company entered into a subscription agreement with Hanmi, pursuant to which the Corporation

agreed to sell 668,449 Common Shares to Hanmi for proceeds of \$3 million. Hanmi held 2,989,415 Common Shares of Aptose as of September 30, 2024.

(iv) 2023 Committed Equity Facility

On May 25, 2023, the Company and Keystone Capital Partners, LLC ("Keystone") entered into a committed equity facility, (the "2023 Committed Equity Facility"), which provides that subject to the terms and conditions set forth therein, we may sell to Keystone up to the lesser of (i) \$25.0 million of the Common Shares and (ii) a number of Common Shares equal to 19.99% of the Common Shares outstanding immediately prior to the execution of the 2023 Committed Equity Facility Agreement, with Keystone which respect to the 2023 Committed Equity Facility (subject to certain exceptions) (the "Total Commitment"), from time to time during the 24-month term of the 2023 Committed Equity Facility. Additionally, on May 25, 2023, the Company entered into a Registration Rights Agreement with Keystone, pursuant to which the Company agreed to file a registration statement with the SEC covering the resale of Common Shares that are issued to Keystone under the 2023 Committed Equity Facility. This registration statement became effective on June 30, 2023 and the 2023 Committed Equity Facility commencement date was July 12, 2023 (the "Commencement Date").

Upon entering into the 2023 Committed Equity Facility, the Company agreed to issue to Keystone an aggregate of 25,156 Common Shares (the "Commitment Shares") as consideration for Keystone's commitment to purchase Common Shares upon the Company's direction under the 2023 Committed Equity Facility. The Company issued 7,547 Common Shares, or 30% of the Commitment Shares, on the date of the 2023 Committed Equity Facility Agreement. An additional 7,547 Common Shares, or 30% of the Commitment Shares, were issued to Keystone in October 2023. In the nine months ended September 30, 2024, the Company's issuance of Common Shares to Keystone consisted of 10,062 Commitment Shares.

In the year ended December 31, 2023, the Company's issuance of Common Shares to Keystone comprised 720,494 Common shares sold to Keystone at an average price of \$2.91 per Common share for cash proceeds of \$2.1 million and 15,094 Commitment Shares. During the nine months ended September 30, 2024, the Company issued 510,101 Common Shares to Keystone at an average price of \$1.36 per Common Share for cash proceeds of \$694 thousand and 10,062 Commitment Shares. The Company recognized \$82 thousand of financing costs associated with professional fees during the nine months ended September 30, 2024. Since inception to April 2024, the time the Committed Equity Facility was terminated, the Company's issuance of Common Shares to Keystone comprised of an aggregate of 1,230,595 Common Shares at an average price of \$2.27 per Common Share for aggregate gross cash proceeds of \$2.8 million and 25,156 Commitment Shares. From inception to the termination of the Committed Equity Facility, the Company recognized \$168 thousand of financing costs associated with professional fees. In April 2024, the Company's issuances of Common Shares to Keystone reached the Total Commitment of the Committed Equity Facility, i.e. 19.99% of the Common Shares outstanding immediately prior to the execution of the 2023 Committed Equity Facility Agreement.

(v) 2022 At-The-Market Facility ("ATM")

On December 9, 2022, the Company entered into an equity distribution agreement pursuant to which the Company may, from time to time, sell Common Shares having an aggregate offering value of up to \$50 million through Jones Trading Institutional Services LLC ("Jones Trading") on Nasdaq (the "2022 ATM Facility"). During the current year up to May 30, 2024, the date on which the Company terminated the 2022 ATM Facility, the Company issued 81,591 Common Shares under this 2022 ATM Facility at an average price of \$1.22 per share for gross proceeds of \$100 thousand (\$97 thousand net of share issuance costs). On May 30, 2024, the Company terminated the 2022 At-The-Market Facility. Since inception to May 30, 2024, the date the Company terminated the 2022 ATM Facility, the Company raised a total of \$2.1 million of gross proceeds (\$2.0 million net of share issuance costs) under the 2022 ATM Facility. Costs associated with the proceeds consisted of a 3% cash commission.

b. Loss per share:

Loss per 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,	
	2024	2023	2024	2023
Net loss	\$ (6,953)	\$ (11,447)	\$ (23,845)	\$ (39,252)
Weighted-average common shares – basic and diluted (in thousands)	18,560	6,495	16,107	6,391
Net loss per share – basic and diluted	<u>\$ (0.37)</u>	<u>\$ (1.76)</u>	<u>\$ (1.48)</u>	<u>\$ (6.14)</u>

The effects of any potential exercise of the Company's stock options outstanding during the three-month and nine-month periods ended September 30, 2024, and September 30, 2023 have been excluded from the calculation of diluted loss per share, since such securities would be anti-dilutive.

## 11. Stock-based compensation:

All references in this report to historical Common Share prices, numbers of Common Shares, and earnings per share calculations have been presented to reflect the effect of the Reverse Stock Split.

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 ("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) 691,400, 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, which is administered by the Board of Directors, allows eligible employees of the Company to purchase Common Shares through accumulated payroll deductions up to a maximum 15% of eligible compensation. The ESPP is implemented in 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 available for sale under the ESPP is 113,333 Common Shares. There were 27,681 and 5,991 Common Shares issued under the ESPP during the nine months ended September 30, 2024 and September 30, 2023, respectively.

Stock option transactions for the nine months ended September 30, 2024 and September 30, 2023 are summarized as follows:

	Nine months ended September 30, 2024		
	Options (in thousands)	Weighted average exercise price	Weighted average remaining contractual life (years)
Outstanding, beginning of period	1,184	\$ 44.78	—
Granted	408	2.00	—
Exercised	—	—	—
Forfeited	(356)	16.05	—
Outstanding, end of the period	1,236	\$ 38.75	6.73
Exercisable, end of the period	800	\$ 55.34	5.67
Vested and expected to vest, end of period	1,145	\$ 41.18	6.57

	Nine months ended September 30, 2023		
	Options (in thousands)	Weighted average exercise price	Weighted average remaining contractual life (years)
Outstanding, beginning of period	1,100	\$ 52.22	—
Granted	217	9.87	—
Exercised	—	—	—
Forfeited	(125)	49.58	—
Outstanding, end of the period	1,192	\$ 44.76	7.1
Exercisable, end of the period	718	\$ 58.98	6.1
Vested and expected to vest, end of period	1,107	\$ 46.42	7.0

As of September 30, 2024, there was \$544 thousand of total unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over an estimated weighted-average period of 1.46 years. As of September 30, 2024, total compensation cost not yet recognized related to grants under the ESPP was nil.

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 resulting weighted-average fair values:

	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Risk-free interest rate	4.07%	3.42%
Expected dividend yield	—	—
Expected volatility	83.1%	80.3%
Expected life of options (years)	5 years	5 years
Grant date fair value	\$ 1.36	\$ 6.53

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, 2024	Nine months ended September 30, 2023
	Number of options (in thousands)	Number of options (in thousands)
3-year vesting (50%-25%-25%)	20	48
4-year vesting (50%-16 2/3%-16 2/3%-16 2/3%)	388	169
Total stock options granted in the period	<u>408</u>	<u>217</u>

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. During the nine-month period ended September 30, 2024, the Company granted nil (September 30, 2023 - 38,000) restricted stock units ("RSUs") with immediate vesting and an exercise price of \$9.90. On February 6, 2023, all of these RSUs were redeemed for 38,000 Common Shares. The following table presents the vesting and redemption of the RSUs granted in the three months and nine months ended September 30, 2024 and 2023.

	Nine months ended September 30, 2024		Nine months ended September 30, 2023	
	Number of options (in thousands)	Weighted average grant date fair value	Number of options (in thousands)	Weighted average grant date fair value
Outstanding, beginning of period	—	\$ —	—	\$ —
Granted	—	—	38	9.90
Vested and redeemed	—	—	(38)	9.90
Outstanding, ending of period	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>

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,	
	2024	2023	2024	2023
Research and development	\$ (81)	\$ 259	\$ 317	\$ 1,182
General and administrative	68	340	686	2,060
	<u>\$ (13)</u>	<u>\$ 599</u>	<u>\$ 1,003</u>	<u>\$ 3,242</u>

## 12. Subsequent events

On October 30, 2024, the Company filed an Amendment to the S-1 preliminary prospectus filed on August 1 (the "S-1/A") to raise financing as part of the Compliance Plan. The S-1/A relates to the offering of up to 21,528,525 Common Shares, no par value ("Offered Shares") together with warrants to purchase up to 10,764,263 Common Shares. Each Offered Share, or a pre-funded warrant (the "Pre-Funded Warrants") in lieu thereof, is being sold together with one half (1/2) common warrant (the "Common Warrants" and together, with the "Pre-Funded Warrants", the "Warrants") exercisable for one Common Share. The assumed combined public offering price for each Offered Share and accompanying Common Warrant is \$0.3716, which is the last reported sale price of the Company's Common Shares on Nasdaq on October 29, 2024. The completion of the offering is conditional upon the approval of the TSX. In addition, this S-1/A relates to the issuance of Placement Agent Warrants (as defined below) to purchase up to 861,141 shares of the Company's Common Shares issuable to the Placement Agent (as defined below), based on an assumed public offering price of the Offered Shares and Warrants and the underlying Common Shares issuable upon the exercise of Placement Agent Warrants.

Each Common Warrant has an assumed exercise price of \$0.3716 per Common Share, which is the last reported sale price of the Company's Common Shares on Nasdaq on October 29, 2024, will be exercisable immediately upon issuance, subject to certain limitations based on the holder's beneficial ownership of the Company's Common Shares, and will expire five years from the date of issuance. The Offered Shares and Common Warrants are immediately separable and will be issued separately in this offering, but must be purchased together in this offering. The Company is also offering Pre-Funded Warrants to purchase up to 21,528,525 Common Shares to those purchasers whose purchase of Offered Shares in this offering would result in the purchaser beneficially owning more than 4.99% (or, at the election of the purchaser, 9.99%) of the Company's outstanding Common Shares following the consummation of this

offering in lieu of the Offered Shares that would result in ownership in excess of 4.99% (or, at the election of the purchaser, 9.99%) following the consummation of this offering. Each Pre-Funded Warrant will be exercisable for one Common Share at an exercise price of \$0.0001 per Common Share. Each Pre-Funded Warrant is being issued together with the same Common Warrants described above being issued with each Offered Share. The assumed combined public offering price for each such Pre-Funded Warrant, together with the Common Warrants, is \$0.3715, which is equal to the assumed public offering price in this offering of an Offered Share and accompanying Common Warrant less the \$0.0001 per Common Share exercise price of each such Pre-Funded Warrant. Each Pre-Funded Warrant will be exercisable immediately upon issuance, subject to certain limitations based on the holder's beneficial ownership of the Company's Common Shares, and may be exercised at any time until the Pre-Funded Warrant is exercised in full. The Common Warrants are immediately separable and will be issued separately in this offering, but must be purchased together in this offering.