



WPD Pharmaceuticals Inc.
(formerly Westcot Ventures Corp.)

Condensed Consolidated Interim Financial Statements
For the nine months ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)

(Unaudited – prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying condensed consolidated interim financial statements of WPD Pharmaceuticals Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review or audit of these interim financial statements.

WPD PHARMACEUTICALS INC.
(formerly Westcot Ventures Corp.)
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at	September 30, 2020	December 31, 2019
ASSETS		
Current		
Cash	\$ 2,699,615	\$ 2,951,338
Receivables (Note 4)	206,705	221,918
Prepays and deposits	10,583	10,583
	2,916,903	3,183,839
Right of use asset (Note 9)	15,040	60,162
Intangible assets (Note 5)	762,537	325,356
Investment (Note 6)	476,246	476,246
Equipment	33,940	27,031
	\$ 4,204,666	\$ 4,072,634
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	\$ 1,741,344	\$ 609,968
Loans payable	-	192,707
Lease liability (Note 9)	15,451	61,804
	1,756,795	864,479
Shareholders' equity (deficiency)		
Share capital (Note 8)	17,094,600	15,833,685
Reserves (Note 8)	3,736,723	-
Accumulated other comprehensive loss	13,885	19,055
Deficit	(18,397,337)	(12,644,585)
	2,447,871	3,208,155
	\$ 4,204,666	\$ 4,072,634

Nature and continuance of operations (Note 1)

Commitments (Note 12)

Subsequent events (Note 14)

Approved and authorized by the Board of Directors on November 27, 2020.

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

WPD PHARMACEUTICALS INC.
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Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
EXPENSES				
Administration and supplies	\$ (5,917)	\$ 73,956	\$ 21,777	\$ 102,351
Amortization and depreciation (Notes 5 and 9)	25,575	26,378	75,550	79,135
Consultants	302,479	484,191	894,104	730,354
Foreign exchange	(732)	-	1,585	-
Interest expense	2,554	23,011	5,398	69,033
Lab fees, services, and supplies	19,925	(4,302)	194,001	-
Management and director fees (note 7)	103,179	-	197,379	-
Marketing and advertising	43,900	-	364,545	-
Professional fees	66,960	(14,872)	198,294	-
Regulatory, transfer agent and shareholder info	68,682	(2,871)	130,485	-
Salaries	196,618	229,069	529,005	338,295
Share-based payments	763,202	-	3,903,710	-
Taxes and fees	2,935	5,019	32,415	7,768
	<u>(1,589,360)</u>	<u>(819,579)</u>	<u>(6,548,248)</u>	<u>(1,326,936)</u>
Other income (Notes 7 and 13)	<u>327,530</u>	<u>12,905</u>	<u>795,496</u>	<u>139,928</u>
Loss for the period	(1,261,830)	(806,674)	(5,752,752)	(1,187,008)
Foreign exchange translation adjustment	<u>(3,577)</u>	<u>14,127</u>	<u>(5,170)</u>	<u>42,381</u>
Loss and comprehensive loss for the period	\$ (1,265,407)	\$ (795,547)	\$ (5,757,922)	\$ (1,144,627)
Basic and diluted loss per common share	\$ (0.01)	\$ (8,067)	\$ (0.05)	\$ (11,870)
Weighted average number of common shares outstanding	113,438,244	100	113,020,531	100

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

WPD PHARMACEUTICALS INC.
(formerly Westcot Ventures Corp.)
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Nine months ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (5,752,752)	\$ (1,187,008)
Items not affecting cash:		
Amortization and depreciation	75,234	79,135
Interest expense	2,554	69,033
Share-based payments	3,903,710	-
Non-cash working capital item changes:		
Receivables, prepaids and deposits	15,213	13,513
Accounts payable and accrued liabilities	1,123,652	979,168
Net cash provided by (used in) operating activities	<u>(632,389)</u>	<u>(46,159)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangibles	(460,166)	-
Acquisition of equipment	(14,036)	-
Net cash provided by (used in) investing activities	<u>(474,202)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options	297,500	-
Proceeds from exercise of warrants	796,438	-
Lease payments	(46,353)	(72,125)
Proceeds from (repayment of) loans	(192,707)	200,000
Net cash provided by (used in) financing activities	<u>854,868</u>	<u>127,875</u>
Change in cash for the period	<u>(251,723)</u>	<u>81,716</u>
Effect of foreign exchange on cash	-	(76,392)
Cash, beginning of period	<u>2,951,338</u>	<u>2,481</u>
Cash, end of period	<u>\$ 2,699,615</u>	<u>\$ 7,805</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Fair value of options transferred to share capital from contributed surplus on exercise of options	166,987	-

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WPD PHARMACEUTICALS INC.
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Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share Capital		Subscriptions received in advance	Reserves	Cumulative translation adjustment	Deficit	Total
	Number	Amount \$					
Balance, December 31, 2018	100	1,752	404,928	-	(13,648)	(1,030,373)	(637,341)
Comprehensive loss for the period	-	-	-	-	42,381	(1,187,008)	(1,144,627)
Balance, September 30, 2019	100	1,752	404,928	-	28,733	(2,217,381)	(1,781,968)
Balance, December 31, 2019	111,520,388	15,833,685	-	-	19,055	(12,644,585)	3,208,155
Shares for options	325,000	464,487	-	(166,987)	-	-	297,500
Shares for warrants	1,592,856	796,428	-	-	-	-	796,428
Share-based payments	-	-	-	3,903,710	-	-	3,903,710
Comprehensive loss for the period	-	-	-	-	(5,170)	(5,752,752)	(5,757,922)
Balance, September 30, 2020	113,438,244	17,094,600	-	3,736,723	13,885	(18,387,337)	2,447,871

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

1. NATURE AND CONTINUANCE OF OPERATIONS

WPD Pharmaceuticals Inc. (formerly Wescot Ventures Corp.) (the “Company”) was incorporated under the Provincial Laws of British Columbia on July 4, 2006. The Company is listed on the Canadian Securities Exchange (the “Exchange”) under the symbol “WBIO”. The Company is principally engaged in the research and development of innovative medicinal products in the fields of oncology and infectious diseases.

The head office and the registered address of the Company is Suite 1080, 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. During the nine months ended September 30, 2020, the Company incurred a net loss of \$5,752,752 (2019 – \$1,187,008) and, as of that date, the Company had working capital of \$1,160,108 (December 31, 2019 – \$2,319,360). While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These events and conditions, along with those discussed in Note 14(b), indicate that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern.

These condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. They do not include all the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

Basis of Consolidation

The Company’s condensed consolidated interim financial statements include the accounts of the Company and its subsidiary, WPD Pharmaceuticals Sp. Z.o.o. (“WPD Poland”). WPD Poland is an entity controlled by the Company, where control is achieved by the Company being exposed to, or having rights to, variable returns from the entity and having the ability to affect those returns through its power over the entity. The subsidiary is fully consolidated from the date on which control is obtained by the Company, and would be deconsolidated from the date that control ceases. All inter-company transactions, balances, income and expense are eliminated on consolidation.

Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are carried at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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Significant Accounting Judgments and Estimates

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the audited annual consolidated financial statements for the year ended December 31, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of these condensed consolidated interim financial statements is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2019.

4. ACCOUNTS RECEIVABLE

	September 30, 2020	December 31, 2019
Trade receivables	\$ -	\$ 61,297
Tax receivables	82,772	160,621
	\$ 82,772	\$ 221,918

Tax receivables are comprised of GST in Canada and Value-added tax ("VAT") in Poland.

5. INTANGIBLE ASSETS

Cost	
Balance at December 31, 2018	\$ 225,692
Additions	126,074
Cumulative translation adjustment	9,819
Balance at December 31, 2019	361,585
Additions	456,416
Cumulative translation adjustment	3,750
Balance at September 30, 2020	\$ 821,751
Amortization	
Balance at December 31, 2018	\$ 5,583
Additions	30,646
Balance at December 31, 2019	36,229
Additions	22,985
Balance at September 30, 2020	\$ 59,214
Carrying Value as at December 31, 2019	\$ 325,356
Carrying Value as at September 30, 2020	\$ 762,537

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6. INVESTMENT

Animal Life Sciences (“ALS”) was formed as a limited liability company in the State of Nevada on August 22, 2018. In June 2019, ALS converted from an LLC to a “C Corporation” under the US Tax code and changed its name to Animal Life Sciences Inc. ALS is considered a related party as its controlling shareholder is also a founding shareholder of the Company.

ALS was established as a pharmaceutical and nutritional development company focused on the licensing, development and commercialization of safe and effective treatments for pet animals based on human cancer technologies. ALS has not presently undertaken any business operations, however, it has entered into sub-license agreements with three minority members, including WPD, pertaining to certain prospective technologies that those members have recently licensed from health research institutions.

At December 31, 2018, the Company determined that because ALS had no operations and no significant identifiable assets, the fair value of its investment was \$nil, based on these Level 3 inputs.

In fiscal 2019, ALS completed an equity financing which valued ALS at USD \$6 million. At that time, the Company’s shares amounted to a 6.1% position in ALS which implies a valuation of \$476,246. This is considered a Level 2 input. As there were no further observable inputs during the nine months ended September 30, 2020 and year ended December 31, 2019, this financing was determined to be the most reliable indicator of fair value as at September 30, 2020 and December 31, 2019.

7. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company’s Chief Executive Officer and Chief Financial Officer.

Key management compensation for the nine months ended September 30, 2020 and 2019 was as follows:

	For the nine months ended September 30,	
	2020	2019
Management fees	\$ 183,879	\$ 52,500
Director fees	13,500	-
	<u>\$ 197,379</u>	<u>\$ 52,500</u>

During the nine months ended September 30, 2020, \$2,029,933 (2019 – \$nil) was included in share-based payments for stock options granted to related parties.

As at September 30, 2020, accounts payable and accrued liabilities includes \$20,250 (December 31, 2019 – \$nil) payable to key management personnel.

Amounts due to related parties included in accounts payable and accrued liabilities are unsecured, non-interest-bearing and are without fixed terms of repayment.

8. SHAREHOLDERS' EQUITY

Authorized

The Company is authorized to issue an unlimited number of voting common shares without par value.

Issued share capital

As at September 30, 2020, the Company has 113,438,244 (December 31, 2019 – 111,520,388) common shares issued and outstanding.

There were no share issuances during the nine months ended September 30, 2019.

For the nine months ended September 30, 2020, the Company issued 325,000 common shares on the exercise of 325,000 stock options for gross proceeds of \$297,500.

For the nine months ended September 30, 2020, the Company issued 1,592,856 common shares on the exercise of 1,592,856 warrants for gross proceeds of \$796,428.

Stock Options

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees, and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Stock options and charitable options will be exercisable for a year of up to 10 years from the date of grant.

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days, or, in the case of an optionee providing investor relations activities, the 30th day following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum year of six months after such death, subject to the expiry date of such option.

The fair value of stock options issued during the nine months ended September 30, 2020 was measured based on the Black-Scholes option pricing model with the following assumptions:

	2020
Risk-free interest rate	0.75% ~ 1.52%
Dividend yield	0.00%
Expected life (years)	1.00 ~ 5.00
Volatility	100.00%
Forfeiture rate	0.00%
Fair value at grant date	\$0.38 ~ \$0.64

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The following table summarizes the Company's stock options activity:

	Number of Options	Weighted average exercise price	Weighted average remaining life (years)
Outstanding, December 31, 2019 and 2018	-	\$ -	-
Issued	8,300,000	0.89	4.04
Exercised	(325,000)	0.92	-
Outstanding, September 30, 2020	7,975,000	\$ 0.88	3.66

As at September 30, 2020, the Company had the following options outstanding:

	September 30, 2020		
Expiry date	Number of options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life (Years)
January 23, 2021	1,800,000	0.95	0.57
January 13, 2025	5,475,000	0.86	4.54
March 13, 2025	500,000	0.86	4.70
March 23, 2025	200,000	1.23	4.73
	7,975,000	0.88	3.66

During the nine months ended September 30, 2020, the Company recorded share-based payments expense of \$3,140,508 (2019 – \$nil) in relation to the vesting of stock options.

Warrants

The following table summarizes the Company's warrant activity:

	Number of Warrants	Weighted Average Exercise Price (\$)
Outstanding, December 31, 2018	-	-
Issued	3,949,998	0.50
Outstanding, December 31, 2019	3,949,998	0.50
Exercised	(1,592,856)	0.50
Outstanding, September 30, 2020	2,357,142	0.50

As at September 30, 2020, the Company had 2,357,142 warrants outstanding, exercisable at \$0.50 per warrant until December 20, 2021.

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9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use Assets

	Premises and Equipment
Cost:	
At December 31, 2018	\$ -
Adjustment on initial adoption of IFRS 16 (Note 2)	127,307
Cumulative translation adjustment	(6,561)
At December 31, 2019 and September 30, 2020	\$ 120,746
Depreciation:	
At December 31, 2018	\$ -
Depreciation	60,584
At December 31, 2019	60,584
Depreciation	45,122
At September 30, 2020	\$ 105,706
Net book value:	
At December 31, 2019	\$ 60,162
At September 30, 2020	\$ 15,040

The Company has right-of-use-assets and lease liabilities for leased office space and laboratory equipment. The incremental borrowing rate for the Company at January 1 and through December 31, 2019 and for the nine months ended September 30, 2020 is 10%. For equipment leases, the interest rate implicit in the lease is 3.06%.

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

Lease liabilities

	Premises and Equipment
Lease liabilities recognized as at January 1, 2019	\$ 127,307
Lease payments	(64,123)
Interest expense	5,192
Cumulative translation adjustment	(6,572)
At December 31, 2019	\$ 61,804
Lease payments	(45,438)
Interest expense	3,894
Cumulative translation adjustment	(4,809)
At September 30, 2020	\$ 15,451

The remaining lease payments are all due within 12 months, and therefore the entire balance is classified as current on the statement of financial position.

10. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the research and development of innovative medicinal products in the field of oncology. All of the Company's long-lived assets are located in Poland.

11. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables and accounts payable and accrued liabilities approximates fair value due to the short term nature of the financial instruments. Cash is valued at a level 1 fair value measurement and is classified as fair value through profit or loss. Receivables are classified as amortized cost. Accounts payable and accrued liabilities, and loan payable are classified as other financial liabilities. Investment transitions from Level 3 to Level 2 in the year ended December 31, 2019, refer to Note 6 for relevant disclosures surrounding inputs.

Risk management

Financial instruments

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company's receivables are primarily due to trade receivables and value added taxes. The Company limits its exposure to credit loss by placing its cash with major financial institutions. Credit risk with respect to value added taxes is minimal as the amounts are due from government agencies. The Company has no investment in asset backed commercial paper.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2020, the Company had working capital of \$1,659,638. The Company does not generate revenue aside from government research grants and will be reliant on external financing to fund operations and repay the debt. Debt and equity financing are dependent on market conditions and may not be available on favorable terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

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a) Interest rate risk

As at September 30, 2020, the Company has cash balances which are interest bearing. Interest income is not significant to the Company's projected operational budget and related interest rate fluctuations are not significant to the Company's risk assessment.

The Company's loans payable (prior to being settled in 2019) were interest-bearing debt at a fixed rate and therefore not subject to interest rate risk.

b) Foreign currency risk

The Company's foreign currency risk exposure relates to net monetary assets denominated in Polish Zloty. A 10% change in the foreign exchange rate for the nine months ended September 30, 2020 and 2019 between the Canadian and Polish Zloty would result in a fluctuation of approximately \$71,000 and \$9,200 respectively in the realized net loss. The Company does not currently engage in hedging activities.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Capital management

The Company considers its capital to include working capital, loan payable and the components of shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms. Future financings are dependent on market conditions and the ability to identify sources of investment. There can be no assurance the Company will be able to raise funds in the future.

Covid-19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The Company believes that the pandemic has slowed the pace of its research, but has not stopped it. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its further effects on the Company's business or results of operations at this time. However, Moleculin Biotech, Inc., the company from whom we license the compound WP1122 as well as other compounds, is investigating the potential that WP1122 may have in treating the symptoms of Covid-19, and if they are successful, it could prove a benefit to the Company.

12. COMMITMENTS

The Company has made the following commitments:

- The Company is subject to multiple future payments under the terms of the Wake Forest License Agreement outlined in detail in Note 6 of the Company's audited financial statements for the year ended December 31, 2019. Some of these are fixed payments, some are dependent on future milestones or events as outlined in Note 6 of the Company's audited financial statements for the year ended December 31, 2019;
- The Company is subject to spending commitments outlined in the Moleculin Sublicense Agreement, see Note 10 of the Company's audited financial statements for the year ended December 31, 2019 for details.
- The Company is subject to spending commitments outlined in the CNS Sublicense Agreement, see Note 10 of the Company's audited financial statements for the year ended December 31, 2019 for details.

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- The Company is party to two cost sharing agreements with Warsaw University for shared usage of space and medical equipment.
 - The premises agreement extends to June 30, 2021 and 2022 for usage of a seminar room and office respectively; at a rate of PLN 3,141 and PLN 90 / square meter plus applicable value added tax (“VAT”) respectively.
 - The equipment agreement extends to August 31, 2020 in the amount of PLN 24,600 per month plus applicable VAT.
- The Company is party to a lease agreement with Wroclaw Technology Park for laboratory infrastructure. The company will lease a laboratory room for PLN 95 per square meter plus applicable VAT. The original term of the agreement was from December 3, 2018 to December 3, 2020. The lab has only recently been made available to the Company. No payments have been made or accrued to date.

13. OTHER INCOME

The Company’s other income relates to funds received from government grants for the nine months ended September 30, 2020 in the amount of \$795,496 (2019 – \$139,928).