



WPD Pharmaceuticals Inc.

**Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2021
(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.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
Unaudited

As at	Note	September 30, 2021	December 31, 2020
ASSETS			
Current			
Cash		\$ 637,588	\$ 1,238,896
Restricted cash	14	812,694	629,890
Receivables	4	174,919	39,726
Prepays and deposits		13,608	27,238
		1,638,809	1,935,750
Right-of-use-assets	10	17,456	22,926
Intangible assets	5	441,324	661,530
Equipment	6	48,749	64,369
		\$ 2,146,338	\$ 2,684,575
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current			
Accounts payable and accrued liabilities		\$ 3,029,538	\$ 831,713
Loans payable	7	288,432	92,456
Lease liabilities	10	17,759	22,926
Deferred grant income	14	812,694	629,890
		4,148,423	1,576,985
Shareholders' equity (deficiency)			
Share capital	9	17,084,266	17,084,266
Reserves	9	4,304,686	4,166,625
Accumulated other comprehensive loss		(135,144)	23,985
Deficit		(23,255,893)	(20,167,286)
		(2,002,085)	1,107,590
		\$ 2,146,338	\$ 2,684,575

Nature and continuance of operations (Note 1)

Commitments (Note 13)

Approved and authorized by the Board of Directors on November 29, 2021.

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

WPD PHARMACEUTICALS INC.**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**

(Expressed in Canadian Dollars)

Unaudited

	Note	For the three months ended		For the nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Expenses					
Administration and supplies		\$ 174,188	\$ 40,571	\$ 462,641	\$ 128,007
Amortization and depreciation	5; 6	91,783	25,575	271,302	75,550
Consultants		211,754	235,063	610,382	703,964
Foreign exchange		155	(732)	496	1,585
Interest expense		7,092	2,554	12,031	5,398
Lab fees, services and supplies		14,866	21,343	91,930	197,685
Management and director fees	8	57,900	103,179	173,700	197,379
Marketing and advertising		22,514	43,900	69,780	365,673
Professional fees		24,271	77,345	192,907	264,233
Regulatory, transfer agent and shareholder info		111,285	68,682	198,640	130,485
Research and development		159,910	667	1,693,436	667
Salaries		268,023	196,618	812,360	529,005
Share-based payments		21,066	763,202	138,061	3,903,710
Taxes and fees		50,314	11,393	83,009	44,907
		<u>(1,215,121)</u>	<u>(1,589,360)</u>	<u>(4,810,675)</u>	<u>(6,548,248)</u>
Other income	14	<u>507,493</u>	<u>327,530</u>	<u>1,722,068</u>	<u>795,496</u>
Loss for the period		(707,628)	(1,261,830)	(3,088,607)	(5,752,752)
Items that may be reclassified to profit or loss:					
Foreign exchange translation adjustment		<u>(237,428)</u>	<u>(3,577)</u>	<u>(159,129)</u>	<u>(5,170)</u>
Loss and comprehensive loss for the period		\$ (945,056)	\$ (1,265,407)	\$ (3,247,736)	\$ (5,757,922)
Basic and diluted loss per common share		\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.05)
Weighted average number of common shares outstanding		113,438,244	113,438,244	113,438,244	113,020,531

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

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

	For the nine months ended	
	September 30, 2021	September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (3,088,607)	\$ (5,752,752)
Items not affecting cash:		
Amortization and depreciation	271,302	75,550
Interest expense	7,280	2,238
Share-based payments	138,061	3,903,710
Non-cash working capital item changes:		
Receivables, prepaids and deposits	(121,563)	15,213
Accounts payable and accrued liabilities	2,197,825	1,123,652
Deferred grant income	182,804	-
Net cash used in operating activities	<u>(412,898)</u>	<u>(632,389)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangibles	(40,215)	(460,166)
Acquisition of equipment	(292)	(14,036)
Net cash used in investing activities	<u>(40,507)</u>	<u>(474,202)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options	-	297,500
Proceeds from exercise of warrants	-	796,428
Lease payments	(6,002)	(46,353)
Proceeds of loans	223,262	-
Repayment of loans	-	(192,707)
Net cash provided by (used in) financing activities	<u>217,260</u>	<u>854,868</u>
Change in cash and restricted cash for the period	(236,145)	(251,723)
Effect of foreign exchange on cash	(182,359)	-
Cash and restricted cash, beginning of the period	<u>1,868,786</u>	<u>2,951,338</u>
Cash and restricted cash, end of the period	\$ 1,450,282	\$ 2,699,615
SUPPLEMENTARY CASH FLOW INFORMATION		
Acquisition of intangible assets included in accounts payable and accrued liabilities	\$ -	\$ 186,478
Interest and taxes paid	\$ -	\$ -

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

WPD PHARMACEUTICALS INC.**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**

(Expressed in Canadian Dollars)

Unaudited

	Share Capital			Cumulative translation adjustment \$	Deficit \$	Total \$
	Number	Amount \$	Reserves \$			
Balance, December 31, 2019	111,520,388	15,833,685	-	19,055	(12,644,585)	3,208,155
Shares issued for options exercised	325,000	464,487	(166,987)	-	-	297,500
Shares issued for warrants exercised	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	(18,397,337)	2,447,871
Balance, December 31, 2020	113,438,244	17,084,266	4,166,625	23,985	(20,167,286)	1,107,590
Share-based payments	-	-	138,061	-	-	138,061
Comprehensive loss for the period	-	-	-	(159,129)	(3,088,607)	(3,247,736)
Balance, September 30, 2021	113,438,244	17,084,266	4,304,686	(135,144)	(23,255,893)	(2,002,085)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

WPD Pharmaceuticals Inc. (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 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, 2021, the Company incurred a net loss of \$3,088,607 (2020 – \$5,752,752) and, as of that date, the Company had a working capital deficit of \$2,509,614 (December 31, 2020 – working capital of \$358,765). 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 18, 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, 2020, 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 wholly owned 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. Subsidiaries of the Company are fully consolidated from the date on which control is obtained 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

These condensed consolidated interim 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 condensed consolidated interim financial statements for the year ended December 31, 2020.

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, 2020.

Certain prior year comparative figures have been reclassified to comply with current period presentation.

4. ACCOUNTS RECEIVABLE

	September 30, 2021	December 31, 2020
Other receivables	\$ 129,011	\$ 13,123
Tax receivables	45,908	26,603
	\$ 174,919	\$ 39,726

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

5. INTANGIBLE ASSETS

Cost	
Balance at December 31, 2019	\$ 361,585
Additions	644,791
Cumulative translation adjustment	(1,055)
Balance at December 31, 2020	1,005,321
Additions	40,215
Cumulative translation adjustment	1
Balance at September 30, 2021	\$ 1,045,537
Amortization	
Balance at December 31, 2019	\$ (36,229)
Additions	(307,562)
Balance at December 31, 2020	(343,791)
Additions	(260,422)
Balance at September 30, 2021	\$ (604,213)
Carrying Value as at December 31, 2020	\$ 661,530
Carrying Value as at September 30, 2021	\$ 441,324

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6. EQUIPMENT

Cost		
Balance at December 31, 2019	\$	40,549
Additions		61,070
Cumulative translation adjustment		(108)
Balance at December 31, 2020	\$	101,511
Additions		292
Cumulative translation adjustment		(10,594)
Balance at September 30, 2021	\$	91,209
Depreciation		
Balance at December 31, 2019	\$	(13,518)
Additions		(23,624)
Balance at December 31, 2020	\$	(37,142)
Additions		(5,318)
Balance at September 30, 2021	\$	(42,460)
Carrying Value as at December 31, 2020	\$	64,369
Carrying Value as at September 30, 2021	\$	48,749

7. LOANS PAYABLE

Short-Term Loans

During the year ended December 31, 2020, WPD received \$106,626 (PLN 307,800) from the Polish government's COVID-19 assistance program ("COVID-19 Contribution"). The funds were provided to help fight the effects of COVID-19 on employment and business activities and were received by the Company's wholly owned Polish subsidiary, WPD Poland.

The COVID-19 Contribution is interest-free and is partially a grant and partially a loan, depending on what level of activity and employment the Company maintains over the next 12 months. The amount of the loan is to be determined at the end of 12 months. Once determined, the loan amount is to be repaid in 24 monthly instalments commencing in the 13th month after receipt of the COVID-19 Contribution.

During the year ended December 31, 2020, the Company recognized a gain and discounted the COVID-19 Contribution by \$26,982 as a result of the imputed interest benefit received from the interest-free COVID-19 Contribution.

As at	September 30, 2021	December 31, 2020
Unamortized discount, opening balance	\$ 26,982	\$ -
Additions	-	26,982
Accretion	(6,533)	-
Unamortized discount, opening balance	\$ 20,449	\$ 26,982

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The total amount of undiscounted future cash flows required to settle the COVID-19 Contribution at September 30, 2021 and December 31, 2020 was \$106,626. The future cash flows have been discounted using a rate of 10.1%.

Loan payable movement during the nine months ended September 30, 2021 and year ended December 31, 2020 was as follows:

As at	September 30, 2021	December 31, 2020
Opening balance	\$ 92,456	\$ 192,707
Loans received	223,262	106,626
Accretion	6,533	-
Interest expense	-	10,966
Repayments	-	(111,494)
Imputed interest benefit	-	(26,982)
Foreign exchange	(33,819)	(79,367)
Ending balance	\$ 288,432	\$ 92,456

8. 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 consist 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, 2021 and 2020 was as follows:

	Nine months ended	
	September 30, 2021	September 30, 2020
Management and consulting fees	\$ 160,200	\$ 183,879
Director fees	13,500	13,500
	\$ 173,700	\$ 197,379

During the nine months ended September 30, 2021, \$50,131 (2020 – \$2,029,933) was included in share-based payments for stock options granted to key management personnel.

As at September 30, 2021, accounts payable and accrued liabilities include \$91,317 (December 31, 2020 – \$28,110) 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.

During the nine months ended September 30, 2021 and the year ended December 31, 2020, the Company also had the following transactions with related parties:

a) CNS Agreements

On August 30, 2018, WPD entered into a sublicense agreement (the "CNS Sublicense Agreement") with CNS Pharmaceuticals, Inc. ("CNS Pharma"). In connection, the Company is committed to spend at least US \$2 million

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on the development, testing, regulatory approval, or commercialization of the products governed under the CNS License Agreement by August 30, 2021.

On March 23, 2020, the Company announced that it signed a development agreement with CNS according to which the Company will receive a portion of the development costs from CNS for certain products in development in exchange for certain economic rights. In connection, the Company received an upfront cash payment of \$USD 225,000 all of which was recorded in other income as the Company incurred corresponding development costs during the year ended December 31, 2020. As well, CNS committed to a milestone payment of \$USD 775,000 upon completion of certain milestones. In return for the funding, CNS is entitled to receive 50% of net sales of resulting commercial products in certain of the Company's licensed territories.

Although to date the Company has not yet submitted any expenditures for formal approval under its commitments, the agreement remains in good standing.

CNS Pharma is a related party due to its founder and controlling shareholder being a significant shareholder of the Company.

b) **Moleculin Sublicense Agreement**

On February 19, 2019, the Company entered into a sublicense agreement (the "Moleculin Sublicense Agreement") with Moleculin Biotech, Inc. ("Moleculin"), under which Moleculin sublicensed certain intellectual property rights to WPD, including rights to certain products. In consideration for sublicensing rights provided, the Company agreed to make expenditure of at least: (i) USD \$2,500,000 during the first two years of the agreement on the research, development and commercialization of products in the licensed territories, and (ii) USD \$1,000,000 annually for the two years thereafter on the research and development of products in the licensed territories.

On March 22, 2021, WPD entered into an amendment of the Moleculin Sublicense Agreement (the "Amended Moleculin Sublicense Agreement") in which WPD agreed that it must use commercially reasonable efforts to develop and commercialize products in the licensed territories. The term "commercially reasonable efforts" has been amended to mean expenditure by WPD of at least USD\$2,500,000 during the first 4 years of the agreement on the research, development and commercialization of products and at least USD\$1,000,000 in each of the 4 years thereafter. WPD also will pay to Moleculin a royalty on products sold.

The Amended Moleculin Sublicense Agreement also extends the period of time in which WPD has to expend the research, development and commercialization costs to 8 years from February, 2019, increases the amounts required to be spent over that longer period and provides a process to extend the period of time further, if necessary.

Although to date the Company has not yet submitted any expenditures for formal approval under its commitments, the agreement remains in good standing.

Moleculin is a related party due to its founder being a significant shareholder of the Company.

9. 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, 2021, the Company has 113,438,244 (December 31, 2020 – 113,438,244) common shares issued and outstanding.

There were no shares issued during the nine months ended September 30, 2021.

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During 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 and 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 (the “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. Options granted the Plan vest immediately or over a period of time at the discretion of the Board of Directors.

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 granted during the year ended December 31, 2020 was measured based on the Black-Scholes option pricing model with the following assumptions:

	2020
Risk-free interest rate	0.40% ~ 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	\$0.14 ~ \$0.64

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	-	\$ -	-
Issued	8,800,000	0.89	4.10
Exercised	(325,000)	0.92	-
Outstanding, December 31, 2020	8,475,000	\$ 0.89	3.26
Expired	(1,800,000)	0.95	-
Outstanding, September 30, 2021	6,675,000	\$ 0.87	3.37

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As at September 30, 2021, the Company had the following options outstanding:

Expiry date	September 30, 2021			
	Number of options outstanding	Number of options exercisable	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life (Years)
January 13, 2025	5,475,000	5,475,000	0.86	3.29
March 13, 2025	500,000	-	0.86	3.45
March 23, 2025	200,000	150,000	1.23	3.48
November 4, 2025	500,000	229,167	0.86	4.10
	6,675,000	5,854,167	0.87	3.37

During the nine months ended September 30, 2021, the Company recorded share-based payments expense of \$138,061 (2020 – \$3,903,710) 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, 2019	3,949,998	0.50
Exercised	(1,592,856)	0.50
Outstanding, September 30, 2021 and December 31, 2020	2,357,142 ⁽¹⁾	0.50

⁽¹⁾ Expiry date is December 20, 2021 for these warrants.

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10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use Assets

	Premises and Equipment
Cost	
At December 31, 2019	\$ 120,746
Additions	22,926
Cumulative translation adjustment	422
At December 31, 2020	144,094
Cumulative translation adjustment	(5)
At September 30, 2021	\$ 144,089
Depreciation	
At December 31, 2019	(60,584)
Additions	(60,584)
At December 31, 2020	\$ (121,168)
Additions	(5,465)
At September 30, 2021	(126,633)
Net book value	
At December 31, 2020	\$ 22,926
At September 30, 2021	\$ 17,456

The Company has right-of-use-assets and lease liabilities for a vehicle. The incremental borrowing rate for the Company at January 1 and through December 31, 2020 and for the nine months ended September 30, 2021 is 10%. For vehicle leases, the interest rate implicit in the lease is 5.00%.

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

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Lease liabilities

	Premises and Equipment
At December 31, 2019	\$ 61,804
Additions	22,926
Lease payments	(64,123)
Interest expense	5,192
Cumulative translation adjustment	(2,873)
At December 31, 2020	\$ 22,926
Lease payments	(6,002)
Interest expense	747
Cumulative translation adjustment	88
At September 30, 2021	17,759
Current portion	\$ 17,759
Long-term portion	-
	\$ 17,759

11. SEGMENT INFORMATION

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

12. 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, accounts payable and accrued liabilities and loans payable 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. Investments are measured at fair value using Level 3 inputs. During the year ended, December 31, 2020, \$476,246 was transferred from Level 2 to Level 3, refer to Note 7 for relevant disclosures surrounding inputs.

Risk management

Financial instruments

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

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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 other 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, 2021, the Company had a working capital deficit of \$2,509,614 (December 31, 2020 – working capital of \$358,765). 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.

a) Interest rate risk

As at September 30, 2021, 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 are 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, 2021 and 2020 between the Canadian and Polish Zloty would result in a fluctuation of approximately \$100,000 and \$1,000 respectively in comprehensive 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 loans 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.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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There were no changes in the Company's approach to capital management during the nine months ended September 30, 2021. The Company is not subject to externally imposed capital requirements.

13. 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. Some of these are fixed payments, some are dependent on future milestones or events;
- The Company is subject to spending commitments outlined in the Moleculin Sublicense Agreement as outlined in Note 8;
- The Company is subject to spending commitments outlined in the CNS Sublicense Agreement as outlined in Note 8;
- 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 September 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 was extended to April 2021 in the amount of PLN 27,552 per month plus applicable VAT and was subsequently extended to September 2021 in the amount of PLN 21,000 per month plus applicable VAT.

14. OTHER INCOME

The Company's other income for the nine months ended September 30, 2021 in the amount of \$1,722,068 (2020 – \$795,496) relates to funds received from government grants.

During the nine months ended September 30, 2021, the Company received prepayments of \$467,902 (1,725,041 PLN) (year ended December 31, 2020 – \$1,373,881 (4,000,000 PLN)) from the Polish National Center for Research and Development ("NCRD") for the further development of Berubicin and WPD101, the Company's drug candidates targeting glioblastoma.

Of the total prepayments received, as at September 30, 2021, \$812,694 (December 31, 2020 – \$629,890) has been recorded as deferred grant income, is segregated in a separate bank account from the rest of the Company's working capital and is classified as restricted cash. This cash is only to be used for qualifying expenditures under the terms of the related grants.

15. 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.