



WPD Pharmaceuticals Inc.
(formerly Westcot Ventures Corp.)

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

JUNE 30, 2020

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 | June 30, 2020 | December 31, 2019 |
|--|---------------------|----------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 1,990,401 | \$ 2,951,338 |
| Receivables (Note 4) | 217,571 | 221,918 |
| Prepays and deposits | 10,583 | 10,583 |
| | <u>2,218,555</u> | <u>3,183,839</u> |
| Right of use asset (Note 9) | 30,262 | 60,162 |
| Intangible assets (Note 5) | 746,111 | 325,356 |
| Investment (Note 6) | 476,246 | 476,246 |
| Equipment | 37,819 | 27,031 |
| | <u>\$ 3,508,993</u> | <u>\$ 4,072,634</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY) | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 530,113 | \$ 609,968 |
| Loans payable | - | 192,707 |
| Lease liability (Note 9) | 28,804 | 61,804 |
| | <u>558,917</u> | <u>864,479</u> |
| Shareholders' equity (deficiency) | | |
| Share capital (Note 8) | 17,094,600 | 15,833,685 |
| Reserves (Note 8) | 2,973,521 | - |
| Accumulated other comprehensive loss | 17,462 | 19,055 |
| Deficit | (17,135,507) | (12,644,585) |
| | <u>2,950,076</u> | <u>3,208,155</u> |
| | <u>\$ 3,508,993</u> | <u>\$ 4,072,634</u> |

Nature and continuance of operations (Note 1)

Commitments (Note 12)

Subsequent events (Note 14)

Approved and authorized by the Board of Directors on October 13, 2020.

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 Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|---------------------|---------------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 |
| EXPENSES | | | | |
| Administration and supplies | \$ (14,911) | \$ - | \$ 27,694 | \$ 28,395 |
| Amortization and depreciation (Notes 5 and 9) | 24,901 | 31,012 | 49,975 | 52,757 |
| Consultants | 89,411 | 211,989 | 591,625 | 246,163 |
| Foreign exchange | 1,498 | - | 2,317 | - |
| Interest expense | 2,059 | 46,022 | 2,844 | 46,022 |
| Lab fees, services, and supplies | 42,014 | - | 174,076 | 4,302 |
| Management and director fees (note 7) | 56,100 | - | 94,200 | - |
| Marketing and advertising | 265,813 | - | 320,645 | - |
| Professional fees | 40,985 | - | 131,334 | 14,872 |
| Regulatory, transfer agent and shareholder info | 34,767 | - | 61,803 | 2,871 |
| Salaries | 190,587 | 70,001 | 332,387 | 109,226 |
| Share-based payments | 1,627,420 | - | 3,140,508 | - |
| Taxes and fees | 29,480 | 2,749 | 29,480 | 2,749 |
| | <u>(2,390,124)</u> | <u>(361,773)</u> | <u>(4,958,888)</u> | <u>(507,357)</u> |
| Other income (Notes 7 and 13) | <u>135,986</u> | <u>127,023</u> | <u>467,966</u> | <u>127,023</u> |
| Loss for the period | (2,254,138) | (234,750) | (4,490,922) | (380,334) |
| Foreign exchange translation adjustment | <u>(2,706)</u> | <u>18,255</u> | <u>(1,593)</u> | <u>28,254</u> |
| Loss and comprehensive loss for the period | \$ (2,256,844) | \$ (216,495) | \$ (4,492,515) | \$ (352,080) |
| Basic and diluted loss per common share | \$ (0.02) | \$ (2,348) | \$ (0.04) | \$ (3,803) |
| Weighted average number of common shares outstanding | 113,345,622 | 100 | 112,809,379 | 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)

| | Six months ended June 30, | |
|---|---------------------------|-----------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss for the period | \$ (4,490,922) | \$ (380,334) |
| Items not affecting cash: | | |
| Amortization and depreciation | 49,975 | 52,757 |
| Interest expense | 2,059 | 46,022 |
| Share-based payments | 3,140,508 | - |
| Non-cash working capital item changes: | | |
| Receivables, prepaids and deposits | 4,347 | (124,047) |
| Accounts payable and accrued liabilities | (83,507) | 537,652 |
| Net cash provided by (used in) operating activities | <u>(1,377,540)</u> | <u>132,050</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of intangibles | (436,078) | (65,121) |
| Acquisition of equipment | (15,540) | - |
| Net cash provided by (used in) investing activities | <u>(451,618)</u> | <u>(65,121)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from exercise of options | 297,500 | - |
| Proceeds from exercise of warrants | 796,428 | - |
| Lease payments | (33,000) | (64,123) |
| Proceeds from (repayment of) loans | (192,707) | - |
| Net cash provided by (used in) financing activities | <u>868,221</u> | <u>(64,123)</u> |
| Change in cash for the period | (960,937) | 2,806 |
| Cash, beginning of period | <u>2,951,338</u> | <u>2,481</u> |
| Cash, end of period | <u>\$ 1,990,401</u> | <u>\$ 5,287</u> |

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 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 | - | - | - | - | 28,254 | (380,334) | (352,080) |
| Balance, June 30, 2019 | 100 | 1,752 | 404,928 | - | 14,606 | (1,410,707) | (989,421) |
| 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 | - | - | - | 3,140,508 | - | - | 3,140,508 |
| Comprehensive loss for the period | - | - | - | - | (1,593) | (4,490,922) | (4,492,515) |
| Balance, June 30, 2020 | 113,438,244 | 17,094,600 | - | 2,973,521 | 17,462 | (17,135,507) | 2,950,076 |

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. The Company incurred a net loss of \$4,490,922 during the six months ended June 30, 2020 (2019 – \$380,334) and, as of that date, the Company had working capital of \$1,659,638 (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.

WPD PHARMACEUTICALS INC.
(formerly Westcot Ventures Corp.)
Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended June 30, 2020 and 2019
Expressed in Canadian Dollars
(Unaudited)

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

| | June 30, 2020 | December 31, 2019 |
|-------------------|--------------------------|------------------------------|
| Trade receivables | \$ 92,628 | \$ 61,297 |
| Tax receivables | 124,943 | 160,621 |
| | <u>\$ 217,571</u> | <u>\$ 221,918</u> |

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 | | <u>9,819</u> |
| Balance at December 31, 2019 | | 361,585 |
| Additions | | 433,578 |
| Cumulative translation adjustment | | <u>2,500</u> |
| Balance at June 30, 2020 | \$ | <u>797,663</u> |
| Amortization | | |
| Balance at December 31, 2018 | \$ | 5,583 |
| Additions | | <u>30,646</u> |
| Balance at December 31, 2019 | | 36,229 |
| Additions | | <u>15,323</u> |
| Balance at June 30, 2020 | \$ | <u>51,552</u> |
| Carrying Value as at December 31, 2019 | \$ | 325,356 |
| Carrying Value as at June 30, 2020 | \$ | <u>746,111</u> |

WPD PHARMACEUTICALS INC.
(formerly Westcot Ventures Corp.)
Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended June 30, 2020 and 2019
Expressed in Canadian Dollars
(Unaudited)

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 six months ended June 30, 2020 and year ended December 31, 2019, this financing was determined to be the most reliable indicator of fair value as at June 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 six months ended June 30, 2020 and 2019 was as follows:

| | For the six months ended | |
|----------------------------|--------------------------|---------------|
| | June 30, 2020 | June 30, 2019 |
| Management fees (CEO) | \$ 56,176 | \$ - |
| Management fees (Director) | 27,000 | - |
| Consulting fees (CFO) | 21,000 | - |
| Director fees | 9,000 | - |
| Share-based payments | 2,406,400 | - |
| | \$ 2,519,576 | \$ - |

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 June 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 six months ended June 30, 2019.

WPD PHARMACEUTICALS INC.
(formerly Westcot Ventures Corp.)
Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended June 30, 2020 and 2019
Expressed in Canadian Dollars
(Unaudited)

For the six months ended June 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 six months ended June 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 Six months ended June 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 |

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, June 30, 2020 | 7,975,000 | \$ 0.88 | 3.66 |

WPD PHARMACEUTICALS INC.
(formerly Westcot Ventures Corp.)
Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended June 30, 2020 and 2019
Expressed in Canadian Dollars
(Unaudited)

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

| Expiry date | June 30, 2020 | | |
|--------------------|--------------------------|---|--|
| | 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 six months ended June 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, June 30, 2020 | 2,357,142 | 0.50 |

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

WPD PHARMACEUTICALS INC.
(formerly Westcot Ventures Corp.)
Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended June 30, 2020 and 2019
Expressed in Canadian Dollars
(Unaudited)

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 June 30, 2020 | \$ 120,746 |
| Depreciation: | |
| At December 31, 2018 | \$ - |
| Depreciation | 60,584 |
| At December 31, 2019 | 60,584 |
| Depreciation | 29,900 |
| At June 30, 2020 | \$ 90,484 |
| Net book value: | |
| At December 31, 2019 | \$ 60,162 |
| At June 30, 2020 | \$ 30,262 |

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 six months ended June 30, 2020 was 10%. For equipment leases, the interest rate implicit in the lease was 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 | (31,647) |
| Interest expense | 1,354 |
| Cumulative translation adjustment | (2,707) |
| At June 30, 2020 | \$ 28,804 |

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

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 June 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.

WPD PHARMACEUTICALS INC.
(formerly Westcot Ventures Corp.)
Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended June 30, 2020 and 2019
Expressed in Canadian Dollars
(Unaudited)

a) Interest rate risk

As at June 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 six months ended June 30, 2020 and 2019 between the Canadian and Polish Zloty would result in a fluctuation of approximately \$1,200 and \$500 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.

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.
- 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

WPD PHARMACEUTICALS INC.
(formerly Westcot Ventures Corp.)
Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended June 30, 2020 and 2019
Expressed in Canadian Dollars
(Unaudited)

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 in the amount of \$467,966 (2019 – \$127,023).

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the Company:

- a) signed a Development Agreement with CNS ("CNS Development Agreement"). Under the CNS Development Agreement, 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 and 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.
- b) 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. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.