Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)

WAVERLEY PHARMA INC.

Three and six months ended June 30, 2021
(unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2021.

Condensed Consolidated Interim Statements of Financial Position
(expressed in Canadian dollars)
(unaudited)

	Note	June 30, 2021	December 31, 2020
Assets			
Current assets:			
Cash		**$ 259,478**	$ 710,492
Accounts receivable	**3**	**605,370**	455,936
Inventory	**4**	**432,249**	265,682
Prepaid expenses and other current assets		**301,079**	249,706
Total current assets		**1,598,176**	1,681,816
Non-current assets			
Intangible assets	**5**	**1,756,264**	1,810,072
Total non-current assets		**1,756,264**	1,810,072
Total assets		**$ 3,354,440**	$ 3,491,888
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities	**8(b)**	**$ 1,065,115**	$ 836,110
Current portion of license fee payable	**8(b)**	**557,730**	572,940
Total current liabilities		**1,622,845**	1,409,050
Non-current liabilities:			
Long-term loan payable	**7**	**40,000**	40,000
Total non-current liabilities		**40,000**	40,000
Total liabilities		**1,662,845**	1,449,050
Equity:			
Share capital	**6(b)**	**7,000,100**	7,000,100
Contributed surplus		**811,342**	809,159
Accumulated other comprehensive income		**(88,109)**	(55,908)
Deficit		**(6,031,738)**	(5,710,513)
Total equity		**1,691,595**	2,042,838
Total liabilities and equity		**$ 3,354,440**	$ 3,491,888

Commitments and contingencies (Note 8)
Subsequent events (Note 11)

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss
(expressed in Canadian dollars)
(unaudited)

	Note	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Revenue from contracts with customers		**$ 543,389**	$ 257,195	**$ 903,352**	$ 596,216
Cost of goods sold	**4**	**453,537**	266,885	**749,896**	613,018
Gross Profit		**89,852**	(9,690)	**153,456**	(16,802)
Expenses:					
Selling, general and administrative	7	**239,739**	163,981	**436,705**	335,655
Research and development		**7,090**	9,044	**14,696**	40,008
		246,829	173,025	**451,401**	375,663
Loss before the undernoted		**(156,977)**	(182,715)	**(297,945)**	(392,465)
Finance income:					
Finance expense (income), net		**267**	(318)	**(189)**	(6,159)
Foreign exchange loss (gain)		**(9,889)**	19,669	**23,469**	(1,708)
		(9,622)	19,351	**23,280**	(7,867)
Net loss		**$ (147,355)**	$ (202,066)	**$ (321,225)**	$ (384,598)
Translation adjustment		**(40,678)**	(89,040)	**(32,201)**	9,862
Comprehensive loss		**$ (188,033)**	$ (291,106)	**$ (353,426)**	$ (374,736)
Loss per share attributable to shareholders:					
Basic and Diluted	**6(e)**	**$ -**	$ -	**$ (0.01)**	$ (0.01)
Weighted average shares outstanding:					
Basic and Diluted	**6(e)**	**54,000,000**	54,000,000	**54,000,000**	54,000,000

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity
(expressed in Canadian dollars)
(unaudited)

	Note	Share Capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2019		$ 7,000,100	$ 825,560	$ 24,417	$ (5,004,750)	$ 2,845,327
Net loss for the six months ended June 30, 2020		-	-	-	(384,598)	(384,598)
Other comprehensive loss for the six months ended June 30, 2020		-	-	9,862	-	9,862
Stock-based compensation	6(c)	-	8,718	-	-	8,718
Balance, June 30, 2020		$ 7,000,100	$ 834,278	$ 34,279	$ (5,389,348)	$ 2,479,309
Balance, December 31, 2020		**$ 7,000,100**	**$ 809,159**	**$ (55,908)**	**$ (5,710,513)**	**$ 2,042,838**
Net loss for the six months ended June 30, 2021		**-**	**-**	**-**	**(321,225)**	**(321,225)**
Other comprehensive income for the six months ended June 30, 2021		**-**	**-**	**(32,201)**	**-**	**(32,201)**
Stock-based compensation	**6(c)**	**-**	**2,183**	**-**	**-**	**2,183**
Balance, June 30, 2021		**$ 7,000,100**	**$ 811,342**	**$ (88,109)**	**$ (6,031,738)**	**$ 1,691,595**

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows
(expressed in Canadian dollars)
(unaudited)

For the six months ended June 30	Note	2021	2020
Cash (used in) provided by:			
Operating activities:			
Net loss for the period		**$ (321,225)**	$ (384,598)
Stock-based compensation	**6(c)**	**2,183**	8,718
Amortization of intangible assets	**5**	**5,759**	2,107
Changes in working capital accounts:			
Accounts receivable		**(149,434)**	490,039
Inventory		**(166,567)**	(128,489)
Prepaid expenses and other current assets		**(51,373)**	(334,425)
Accounts payable and accrued liabilities		**229,006**	(168,224)
Cash flows used in operating activities		**(451,651)**	(514,872)
Financing activities:			
Payments on license fees payable		**-**	(360,840)
Proceeds from long-term loan	**7**	**-**	40,000
Cash flows used in financing activities		**-**	(320,840)
Decrease in cash		**$ (451,651)**	$ (835,712)
Effect of exchange rate differences on cash		**637**	(82,458)
Cash, beginning of period		**710,492**	1,477,417
Cash, end of period		**$ 259,478**	$ 559,247

See accompanying notes to the condensed consolidated interim financial statements.

1. Reporting entity:

Waverley Pharma Inc. ("**Waverley**" or the "**Company**") was incorporated as Buffalo Capital Inc. ("**Buffalo**") pursuant to the provisions of the Canada Business Corporations Act ("**CBCA**") on December 14, 2016 and was classified as a Capital Pool Corporation ("**CPC**") as defined by Policy 2.4 of the TSX Venture Exchange (the "**Exchange**"). On October 24, 2017, the Company completed a qualifying transaction (the "**QT**") with Waverley Pharma Inc. and resumed as Waverley Pharma Inc. in accordance with the CBCA.

The Company is domiciled and incorporated in Canada and its Common Shares are listed on Tier 2 of the Exchange under the symbol "WAVE". The address of the Company's registered office and head office is 4-1250 Waverley Street, Winnipeg, Manitoba, Canada, R3T 6C6.

The Company is a biopharmaceutical company engaged in the research, development and commercialization of human therapeutics focused on oncology. Through its wholly-owned Barbadian subsidiary, Waverley Pharma International Inc. ("**WPII**"), the Company has entered into a license, manufacture, supply, marketing and distribution agreement with Reliance Life Sciences Private Limited. ("**RLS**" or the "**Licensor**") by which the Licensor granted the Company an exclusive territorial license to market and sell capecitabine in the United Kingdom (the "**UK**") and Germany as well as a non-exclusive territorial license to market and sell temozolomide and erlotinib in the UK. Additionally, the Company has acquired exclusive territorial licenses from RLS to two oncologic drugs currently under development, pemetrexed (formerly known as WAV-101) and WAV-102 in the United States and its territories (the "**USA**"), Canada, and the European Union (the "**EU**"). In addition, the Company has obtained a non-exclusive territorial license to sell both pemetrexed and WAV-102 in the UK. These products are marketed through the Company's wholly-owned Irish subsidiary, Waverley Pharma Europe Limited ("**WPEL**").

2. Basis of preparation:

(a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and Interpretations issued by the International Financial Reporting Interpretations Committee ("**IFRIC**").

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* and have been prepared using the same accounting policies and methods of application as those used in the Company's audited consolidated financial statements for the year ended December 31, 2020. These condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors (the "**Board**") on August 25, 2021.

(b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss ("**FVTPL**") which are measured at fair value.

(c) Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due.

The Company is a research and development stage company and as such is primarily dependent on financing provided from external sources to continue as a going concern. Management intends to raise capital in order to fund its operations, however, the outcome of these matters cannot be predicted at this time. In addition, there is uncertainty surrounding the potential impacts of COVID-19 on the Company and its subsidiaries. The COVID-19 pandemic has resulted in uncertainties surrounding the shipment of products, fluctuations of foreign exchange, and delays in collections on

2. Basis of preparation (continued):

***(c) Going concern* (continued):**

accounts. Due to the preventive measures taken by the UK and EU with respect to preventing the spread of the virus, the Company is unable, at this time, to assess the future impact of COVID-19 on the Company and its subsidiaries' operations. In addition, during the six-month period ended June 30, 2021, the Company incurred a net loss of $321,225 (2020 - $384,598), with cash used in operating activities of $451,651 (2020 - $514,872) and, as at June 30, 2021, has a deficit of $6,031,738 (2020 - $5,389,348).

The above noted events and conditions indicate that material uncertainties exist that may cast significant doubt upon the Company's ability to continue as a going concern. In the future, the Company's ability to continue as a going concern will be dependent upon its ability to attain profitable operations and generate funds there from, and to continue to obtain funds from equity financings or borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing liabilities. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations

(d) Functional and presentation currency

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar except where indicated otherwise.

(e) Use of estimates and judgments

The preparation of condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses during the period.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas in which management has made critical judgments in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include the determination of the Company's and its subsidiaries' functional currencies.

Information about key assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes to the consolidated financial statements for the year ended December 31, 2020:

- Note 3(e): Estimates of variable consideration receivable from revenue from contracts with customers
- Note 3(g): Estimates of the measurement and valuation of inventory
- Note 3(h): Estimates of the measurement, valuation and period of use of intangible assets
- Note 3(I): Estimates and assessment of the recoverability of unused tax losses and deductible temporary differences
- Note 3(n): Estimates regarding assumptions used to estimate the value of share-based payment transactions and warrants

(expressed in Canadian dollars)

3. Accounts receivable

		June 30, 2021		December 31, 2020
Trade accounts receivable	**$**	**598,300**	$	445,803
Other accounts receivable		**7,070**		10,133
	$	**605,370**	$	455,936

As at June 30, 2021, there was one customer with amounts owing greater than 10% of the Company's trade accounts receivable which totaled 100% in aggregate (December 31, 2020 – one customer totaling 100%).

4. Inventory

Inventory consists of finished product available for sale to customers. Inventory expensed as part of cost of goods sold during the three and six months ended June 30, 2021, totaled $453,537 and $749,896, respectively (2020 – $266,885 and $613,018).

5. Intangible assets

Cost		Licenses
Balance, December 31, 2019	$	1,854,509
License amortization		(8,172)
Effects of movements in exchange rates		(36,265)
Balance, December 31, 2020	**$**	**1,810,072**
License amortization		**(5,759)**
Effects of movements in exchange rates		**(48,049)**
Balance, June 30, 2021	**$**	**1,756,264**

On August 30, 2017, the Company acquired exclusive territorial licenses from RLS to sell and market two generic cancer drugs in the USA, Canada and the EU. In addition, the Company acquired a non-exclusive territorial license to market both products in the UK. As at June 30, 2021, the products these licenses relate to were still underdevelopment and were not commercialized. Therefore, the Company did not realize any amortization expense relating to these intangible licenses for the period ended June 30, 2021, or 2020. The value of these licenses on the Company's balance sheet as at June 30, 2021, is US $1,400,000.

On December 17, 2019, the Company acquired the rights to market erlotinib in the United Kingdom. The Company began selling the product during May 2020, and subsequently began amortizing the license on a straight -line basis over three years. The amortization expense is included in research and development expense on the condensed consolidated interim statements of net loss and comprehensive loss. The total amount of amortization recorded in relation to erlotinib during the six-month period ending June 30, 2021, was $5,759 (2020 – $2,107).

The Company has considered indicators of impairment as at June 30, 2021 and 2020 and did not record an impairment charge in either the three months or six months ended June 30, 2021 or 2020.

6. Capital stock

(a) Authorized

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

(expressed in Canadian dollars)

6. Capital stock (continued)

(b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Number of Common Shares		Amount
Balance, December 31, 2019	54,000,000	$	7,000,100
Balance, December 31, 2020	54,000,000	$	7,000,100
Balance, June 30, 2021	**54,000,000**	**$**	**7,000,100**

(c) Stock option plan

The Company has an incentive stock option plan (the "**Plan**") whereby the Company may grant directors, officers, employees and contractors incentive stock options to purchase voting common shares of the Company. The terms and conditions of each option granted under the Plan are determined by the Board. The number of common shares reserved for issuance upon the exercise of options is limited to a maximum of 10% of the issued and outstanding common shares of the Company at any time.

The fair value of the stock options issued during the period ended June 30, 2020 was estimated using the following Black-Scholes Model assumptions:

Expected life	5 years
Expected volatility	55.00%
Risk free rate	1.29%
Dividend yield	-
Underlying share price	$0.10
Strike price	$0.10

Expected volatility was estimated by reference to comparable listed entities. Stock-based compensation expense (recovery) for the three and six months ended June 30, 2021 amounted to $863 and $2,183, respectively, (2020 – $(12,653) and $8,718) and was recorded in selling, general and administrative expenses during the period. The compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model. The expected life of stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

(expressed in Canadian dollars)

6. Capital stock (continued)

(c) Stock option plan (continued)

Changes in the number of options outstanding during the six months ended June 30, 2021 and 2020 are as follows:

For the six months ended June 30	**2021**		2020	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of period	**1,260,000**	**$ 0.35**	1,750,000	$ 0.39
Granted	**-**	**$ -**	275,000	$ 0.10
Expired/Forfeited	**(110,000)**	**$ 0.48**	(390,000)	$ 0.26
Balance, end of period	**1,150,000**	**$ 0.34**	1,635,000	$ 0.37
Options exercisable, end of period	**1,033,333**	**$ 0.36**	1,068,332	$ 0.38

The following is a summary of the 1,150,000 outstanding options issued under the Plan:

Exercise price	Number outstanding	Weighted average remaining contractual life	Number exercisable	Weighted average remaining vesting period
$0.100	275,000	3.6 years	175,000	0.2 years
$0.200	225,000	6.3 years	225,000	-
$0.285	50,000	2.4 years	33,333	0.1 years
$0.500	600,000	7.4 years	600,000	-
	1,150,000		1,033,333	

(d) Per share amounts

The weighted average number of common voting shares outstanding for the three and six months ended June 30, 2021, was 54,000,000 and 54,000,000, respectively (2020 – 54,000,000 and 54,000,000). Effects of dilution from 1,150,000 options were excluded from the calculation of weighted average shares outstanding for diluted loss per share for the three and six months ended June 30, 2021, as they are anti-dilutive. Effects of dilution from 1,635,000 options were excluded from the calculation of weighted average shares outstanding for diluted loss per share for the three and six months ended June 30, 2020, as they are anti-dilutive.

7. Government assistance

During the three and six months ended June 30, 2021, the Company recorded $nil and $nil, respectively, (2020 – $27,078 and $27,078) in government assistance resulting from the Canada Emergency Wage Subsidy. The funding has been recorded as a reduction of the related salary expenditures within selling, general and administrative expenses.

During the three and six months ended June 30, 2021, the Company recorded $nil and $2,665, respectively (2020 - $18,000 and $36,000) in government assistance resulting from a non-repayable grant received from the National Research Council of Canada Industrial Research Assistance Program ("**NRC IRAP**"). The grant was provided as financial assistance for salary expenditures in connection with the development of pemetrexed and WAV-102. The grant has been recorded as a reduction of salary expenditures within selling, general, and administrative expenses.

In addition, on June 29, 2020, the Company received $40,000 as an interest-free loan from the government of Canada as part of the Canada Emergency Business Account ("**CEBA**") program. The term loan is interest free until December 31, 2022, with an option for an extension until December 31, 2025, at an interest rate of 5% per annum. If the term loan is repaid prior to December 31, 2022, 25% of the loan will become forgivable. The amount has been recorded at its fair value which is approximately the amount noted within the CEBA loan agreement.

8. Commitments and contingencies

(a) Commitments

As at June 30, 2021, and in the normal course of business, the Company has obligations to make future payments representing contracts and other commitments that are known and committed. The Company, through a subsidiary, WPEL has committed to purchase inventory totaling £67,536 (CAD $115,662) and an office space lease at a rate of €908 (CAD $1,335) per month for a term ending October 31, 2021. All commitments are current and expected to be settled within one year of June 30, 2021.

(b) Contingencies

June 7, 2018 agreement

On June 7, 2018, the Company through WPII entered into a license, manufacture, supply, marketing and distribution agreement with RLS by which the Licensor granted the Company an exclusive territorial license to market and sell capecitabine in the UK and Germany and non-exclusive territorial license to market and sell temozolomide in the UK. Additionally, the Company has assumed the obligations associated with binding contracts held by the Licensor for the supply of these products to the UK National Health Service. All inventory purchased for resale will be purchased from RLS, in accordance with the June 7, 2018 agreement.

In addition, as part of the June 7, 2018 agreement, the Company was provided an option to obtain the market authorization rights to erlotinib in the UK. On December 17, 2019, the Company elected to exercise this option and obtained the rights to market erlotinib in the UK, and as of May 1, 2020, the Company began commercialization of erlotinib in the UK. Similar to both capecitabine and temozolomide, all inventory purchased for resale will be purchased from RLS, in accordance with the June 7, 2018 agreement.

In connection with the signing of the June 7, 2018 agreement, the Company entered into a profit and/or loss sharing arrangement resulting in a portion of the net profits, after a margin deduction to the Company on the sales of capecitabine, temozolomide and erlotinib to be paid to RLS. During the three and six months ended June 30, 2021 and 2020 the Company elected to not record a recovery from the profit and/or loss arrangement due to unforeseen delays in collections caused by COVID-19.

(expressed in Canadian dollars)

8. Commitments and contingencies (continued):

(b) Contingencies (continued)

August 30, 2017 agreement

On August 30, 2017, the Company acquired exclusive licenses to sell and market two generic cancer drugs from RLS, in the USA, Canada and Europe (excluding the UK where a non-exclusive license was acquired). An up-front payment of US $20,000 was made upon signing of the term sheet on July 5, 2017 and a US $180,000 payment was made upon signing of the definitive documentation on August 30, 2017. Additional payments of US $1,200,000 are payable upon certain development and approval-based milestones being met and as at June 30, 2021, the Company has paid US $750,000 of the remaining US $1,200,000 with US $450,000 (CAD $557,530) recorded as license fee payable. The amount recorded as license fee payable represents the remaining portion of the milestones which have not been met, the remaining milestone payments are recorded as current liabilities as they are expected to be met within one year of June 30, 2021. Additionally, the Company will purchase inventory and pay a royalty of 7.5% of its net sales from these two products to the Licensor. The term of the August 30, 2017 agreement is a period of ten (10) years, which begins when regulatory approval is obtained in the USA.

Importation Value Added Tax Contingency

On October 7, 2020, the Company was made aware that the importation value added tax ("**VAT**") its wholesaler had paid on its behalf from October 2018 to September 2019 had been rejected by Her Majesty's Revenue and Customs ("**HMRC**"). The wholesaler had requested to claw back this amount from the Company, creating the possibility of a future liability. The Company is currently working with its consultants in the United Kingdom regarding the matter, however, as at June 30, 2021, there continues to be a provision of £65,165 (CAD $111,602) recorded in relation to the potential liability.

9. Related party transactions:

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, Chief Financial Officer and Chief Executive Officer of the Company are considered to be key management personnel.

The following table details the compensation paid to key management personnel:

	Three months ended June 30, 2021	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months Ended June 30, 2020
Salaries, fees and short-term benefits	**$ 38,750**	$ 38,975	**$ 77,500**	$ 62,725
Stock-based compensation	**522**	14,204	**1,404**	26,141
	$ 39,272	$ 53,179	**$ 78,904**	$ 88,866

Directors and key management personnel control 75% of the voting shares of the Company as at June 30, 2021 (December 31, 2020 - 75%).

(b) Transactions with related parties

During the three and six months ended June 30, 2021, the Company paid Genesys Venture Inc. ("**GVI**"), a company controlled by a director of the Company, a total of $nil and $nil, respectively, (2020 – $1,575 and $3,150) for rental of office space and $1,352 and $2,571, respectively (2020 – $2,490 and $3,212) for business administration expenses.

These transactions were in the normal course of business and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at June 30, 2021, included in accounts payable and accrued liabilities is $1,592 (December 31, 2020 - $2,112) payable to GVI, this amount is unsecured, payable on demand and non-interest bearing.

10. Segmented information:

The Company operates in one business segment, the biopharmaceutical industry. The Company's intangible assets are located in Barbados. All of the Company's revenue was generated from product sales within the UK, with one customer accounting for 100% of total revenue for the period ended June 30, 2021.

11. Subsequent events

(a) Issuance of Non-Transferable Warrants

Subsequent to period end, on August 5, 2021, the Company announced that it had obtained a $3,000,000 credit facility through its primary financial institution. The necessary collateral for the credit facility was provided by a related party to the Company. To compensate the related party for providing the necessary collateral for the credit facility, the Company elected to issue 10,000,000 stock warrants, each convertible into one common share. The exercise price of each stock warrant is $0.11, and each stock warrant has a contractual life of five years from the date of issuance.