UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934.

Or

☐ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Or

☒ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the transition period from June 1, 2014 to December 31, 2014 .

Or

☐ Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
Date of event requiring this shell company report _____.

Commission file number 001-32001

APTOSE BIOSCIENCES INC.

(Exact Name of Registrant as Specified in Its Charter)

Canada
(Jurisdiction of Incorporation or Organization)

2 Meridian Road
Toronto, Ontario
M9W 4Z7
Canada
(Address of Principal Executive Offices)

Gregory Chow
Chief Financial Officer
2 Meridian Road
Toronto, Ontario M9W 4Z7
Canada
Telephone: (416) 798-1200
Facsimile: (416) 798-2200
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Title of Each Class	Name of Each Exchange On Which Registered
Common Shares	The NASDAQ Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act:**None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Common Shares, without par value, at December 31, 2014: 11,699,873

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing.

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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GENERAL

On July 10, 2007 (the "**Arrangement Date**"), the Company completed a plan of arrangement and corporate reorganization with, among others, 4325231 Canada Inc. (now Global Summit Real Estate Inc.), formerly Lorus Therapeutics Inc. ("**Old Lorus**"), 6707157 Canada Inc. and Pinnacle International Lands, Inc. (the "**Arrangement**"). As a result of the plan of arrangement and reorganization, among other things, each common share of Old Lorus was exchanged for one common share ("**Common Share**") of the Company and the assets (excluding certain deferred tax assets) and liabilities of Old Lorus (including all of the shares of its subsidiaries) were transferred, directly or indirectly, to the Company and/or our subsidiaries. We continued the business of Old Lorus after the Arrangement Date with the same officers and employees and continued to be governed by the same directors as Old Lorus prior to the Arrangement Date.

On August 28, 2014 (the "**Name Change Date**"), we changed our name from Lorus Therapeutics Inc. to Aptose Biosciences Inc. In this Transition Report on Form 20-F, all references to "**Aptose**", the "**Corporation**", the "**Company**", "**we**", "**our**", "**us**" and similar expressions, unless otherwise stated, are references to Old Lorus prior to the Arrangement Date, Lorus Therapeutics Inc. after the Arrangement Date and Aptose Biosciences Inc. after the Name Change Date. References to this " **Form 20-F**" and this "**Transition Report**" mean references to this Transition Report on Form 20-F for the seven months ended December 31, 2014.

We use the Canadian dollar as our reporting currency. All references in this Transition Report to "dollars" or "$" are expressed in Canadian dollars, unless otherwise indicated. See also "Item 3. Key Information" for more detailed currency and conversion information. Our consolidated financial statements, which form part of this Transition Report, are presented in Canadian dollars and are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**"), which differ in certain respects from accounting principles generally accepted in the United States (**"U.S. GAAP**").

On October 1, 2014 we consolidated our outstanding Common Shares on the basis of one post-consolidation Common Share for each twelve pre-consolidation Common Shares. Historical trading prices and volumes disclosed are on a post-consolidated basis and reflect the one for twelve consolidation.

FORWARD-LOOKING STATEMENTS

This Transition Report contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements relating to:

- our business strategy;
- our ability to obtain the substantial capital we require to fund research and operations;
- our plans to secure strategic partnerships to assist in the further development of our product candidates;
- our plans to conduct clinical trials and pre-clinical programs;
- our expectations regarding the progress and the successful and timely completion of the various stages of our drug discovery, pre- clinical and clinical studies and the regulatory approval process;
- our plans, objectives, expectations and intentions; and
- other statements including words such as "anticipate", "contemplate", "continue", "believe", "plan", "estimate", "expect", "intend", "will", "should", "may", and other similar expressions.

The forward-looking statements reflect our current views with respect to future events, are subject to risks and uncertainties, and are based upon a number of estimates and assumptions that, while considered reasonable by us, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, among others:

- our ability to obtain the substantial capital we require to fund research and operations;
- our lack of product revenues and history of operating losses;
- our early stage of development, particularly the inherent risks and uncertainties associated with (i) developing new drug candidates generally, (ii) demonstrating the safety and efficacy of these drug candidates in clinical studies in humans, and (iii) obtaining regulatory approval to commercialize these drug candidates;
- our drug candidates require time-consuming and costly preclinical and clinical testing and regulatory approvals before commercialization;
- clinical studies and regulatory approvals of our drug candidates are subject to delays, and may not be completed or granted on expected timetables, if at all, and such delays may increase our costs and could delay our ability to generate revenue;
- the regulatory approval process;
- our ability to recruit patients for clinical trials;
- the progress of our clinical trials;
- our liability associated with the indemnification of our predecessor and its directors, officers and employees in respect of an arrangement completed in 2007;
- our ability to find and enter into agreements with potential partners;
- our ability to attract and retain key personnel;
- our ability to obtain and maintain patent protection;
- our ability to protect our intellectual property rights and not infringe on the intellectual property rights of others;
- our ability to comply with applicable governmental regulations and standards;
- development or commercialization of similar products by our competitors, many of which are more established and have or have access to greater financial resources than us;
- commercialization limitations imposed by intellectual property rights owned or controlled by third parties;
- our business is subject to potential product liability and other claims;
- our ability to maintain adequate insurance at acceptable costs;
- further equity financing may substantially dilute the interests of our shareholders;
- changing market conditions; and
- other risks detailed from time-to-time in our on-going quarterly filings, annual information forms, annual reports and annual filings with Canadian securities regulators and the United States Securities and Exchange Commission ("**SEC**"), and those which are discussed under the heading "Item 3. Key Information—D. Risk Factors" in this document.

Should one or more of these risks or uncertainties materialize, or should the assumptions set out in the section entitled "Item 3. Key Information—D. Risk Factors" underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this Transition Report or, in the case of documents incorporated by reference herein, as of the date of such documents, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law. Such statements may not prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. New factors emerge from time to time, and it is not possible for management of the Company to predict all of these factors or to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. ***Selected financial data.***

The following tables present our selected consolidated financial data. You should read these tables in conjunction with our audited consolidated financial statements and accompanying notes included in Item 18 of this Transition Report and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 5 of this Transition Report.

The selected consolidated financial information set forth below has been derived from the Company's audited consolidated financial statements that are prepared in accordance with IFRS, which differ in certain respects from the principles the Company would have followed had its consolidated financial statements been prepared in accordance with U.S. GAAP. The selected audited consolidated financial information should be read in conjunction with our audited consolidated financial statements and related notes thereto.

Effective July 17, 2014, we changed our fiscal year end from May 31 to December 31. As a result of that change, the current transition period is for the seven months ended December 31, 2014.

The following table presents a summary of our consolidated statements of operations derived from our audited consolidated financial statements for the seven months ended December 31, 2014 and fiscal years ended May 31, 2014, 2013, 2012 and 2011.

Consolidated statements of operations data

(In thousands, except per share data)

	December 31, 2014	May 31, 2014	May 31, 2013	May 31, 2012	May 31, 2011
In accordance with IFRS					
Revenue	$ —	$ —	$ —	$ —	$ —
Research and development	$ 2,404	$ 3,015	$ 3,317	$ 2,170	$ 2,518
General and administrative	$ 5,588	$ 7,355	$ 2,272	$ 2,430	$ 2,420
Operating expenses	$ 7,992	$ 10,370	$ 5,589	$ 4,600	$ 4,938
Finance expense	$ 58	$ 259	$ 6	$ 20	$ 71
Finance income	$ (279)	$ (76)	$ (30)	$ (6)	$ (14)
Net loss	$ (7,771)	$ (10,553)	$ (5,565)	$ (4,614)	$ (4,995)
Basic and diluted loss per Common Share (post-consolidation)	$ (0.67)	$ (2.02)	$ (1.58)	$ (2.76)	$ (4.56)
Weighted average number of Common Shares outstanding (post-consolidation)	11,605	5,216	3,521	1,688	1,096

The following table presents a summary of our consolidated balance sheets as at December 31, 2014 and May 31, 2014, 2013, 2012 and 2011. We report our consolidated financial statements in Canadian ("**CDN**") dollars. In this Transition Report, except where otherwise indicated, all amounts are stated in CDN dollars.

Consolidated balance sheet data

(In thousands, except per share data)	As at December 31	As at May 31,			
	2014	**2014**	**2013**	**2012**	**2011**
In accordance with IFRS					
Cash and cash equivalents	**$ 14,365**	$ 19,367	$ 653	$ 320	$ 911
Investments	**$ 16,180**	$ 11,019	$ —	$ —	$ —
Total assets	**$ 31,600**	$ 30,899	$ 1,035	$ 668	$ 1,398
Total liabilities	**$ 2,328**	$ 2,460	$ 1,816	$ 2,696	$ 1,159
Total shareholders' equity (deficit)	**$ 29,272**	$ 28,439	$ (781)	$ (2,028)	$ 239
Number of Common Shares outstanding (post- consolidation)	**11,700**	10,388	3,521	1,769	1,307
Dividends paid on Common Shares	**—**	—	—	—	—

The following table sets out the average exchange rates of CDN$1.00 for US$1.00 for the following periods as taken from the Bank of Canada's website.

Period	Average Close
Seven Months Ended December 31, 2014	1.1080
Fiscal Year Ended May 31, 2014	1.0662
Fiscal Year Ended May 31, 2013	1.0042
Fiscal Year Ended May 31, 2012	1.0005
Fiscal Year Ended May 31, 2011	1.0066

The following table sets forth the high and low exchange rates of CDN$1.00 for US$1.00 for each month during the previous six months.

Period	High	Low
December 2014	$ 1.1672	$ 1.1397
November 2014	$ 1.1452	$ 1.1268
October 2014	$ 1.1385	$ 1.1175
September 2014	$ 1.1219	$ 1.0884
August 2014	$ 1.0985	$ 1.0864
July 2014	$ 1.0930	$ 1.0660

On March 3, 2015, the noon buying rate of CDN$1.00 for US$1.00, as per the Bank of Canada was CDN$1.00 = US$0.8031.

B. ***Capitalization and indebtedness.***

Not applicable.

C. ***Reasons for the offer and use of proceeds.***

Not applicable.

D. ***Risk factors.***

Investing in our securities involves a high degree of risk. Before making an investment decision with respect to our Common Shares, you should carefully consider the following risk factors, in addition to the other information included or incorporated by reference in this Transition Report. Additional risks not currently known by us or that we consider immaterial at the present time may also impair our business, financial condition, prospects or results of operations. If any of the following risks occur, our business, financial condition, prospects or results of operations would likely be materially adversely affected. In that case, the trading price of our Common Shares could decline and you may lose all or part of the money you paid to buy our Common Shares. The risks set out below are not the only risks and uncertainties we currently face; other risks may arise in the future.

RISKS RELATED TO OUR BUSINESS

We are an early stage development company.

We are at an early stage of development. In the past five years, none of our potential products has obtained regulatory approval for commercial use and sale in any country and as such, no significant revenues have resulted from product sales. Significant additional investment will be necessary to complete the development of any of our product candidates. Preclinical and clinical trial work must be completed before our potential products could be ready for use within the markets that we have identified. We may fail to develop any products, obtain regulatory approvals, enter clinical trials or commercialize any products. We do not know whether any of our potential product development efforts will prove to be effective, meet applicable regulatory standards, obtain the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or be accepted in the marketplace. We also do not know whether sales, license fees or related royalties will allow us to recoup any investment we make in the commercialization of our products.

The product candidates we are currently developing are not expected to be commercially viable for at least the next several years and we may encounter unforeseen difficulties or delays in commercializing our product candidates. In addition, our potential products may not be effective or may cause undesirable side effects.

Our product candidates require significant funding to reach regulatory approval assuming positive clinical results. For example, our lead product candidate APTO-253, has begun enrolment in a Phase I clinical trial in patients with relapsed or refractory hematologic malignancies. Additional funding or a partnership may be necessary to complete, if required, a Phase II or Phase III clinical trial. Such funding may be very difficult, or impossible to raise in the public or private markets or through partnerships. If funding or partnerships are not attainable, the development of these product candidates may be significantly delayed or stopped altogether. The announcement of a delay or discontinuation of development would likely have a negative impact on our share price.

We need to raise additional capital.

We have an ongoing need to raise additional capital. To obtain the necessary capital, we must rely on some or all of the following: additional share issues, debt issuances (including promissory notes), collaboration agreements or corporate partnerships and grants and tax credits to provide full or partial funding for our activities. Additional funding may not be available on terms that are acceptable to us or in amounts that will enable us to carry out our business plan.

Our need for capital may require us to:

- engage in equity financings that could result in significant dilution to existing investors;
- delay or reduce the scope of or eliminate one or more of our development programs;
- obtain funds through arrangements with collaborators or others that may require us to relinquish rights to technologies, product candidates or products that we would otherwise seek to develop or commercialize ourselves; or
- license rights to technologies, product candidates or products on terms that are less favourable to us than might otherwise be available;
- considerably reduce operations; or
- cease our operations.

We have a history of operating losses. We expect to incur net losses and we may never achieve or maintain profitability.

We have not been profitable since our inception in 1986. We reported net losses of $7.8 million in the 7 months ended December 31, 2014 and $10.6 million and $5.6 million for the fiscal years ended May 31, 2014 and 2013, respectively, and as of December 31, 2014, we had an accumulated deficit of $218 million.

We have not generated any significant revenue to date and it is possible that we will never have sufficient product sales revenue to achieve profitability. We expect to continue to incur losses for at least the next several years as we or our collaborators and licensees pursue clinical trials and research and development efforts. To become profitable, we, either alone or with our collaborators and licensees, must successfully develop, manufacture and market our current product candidate APTO-253 as well as continue to identify, develop, manufacture and market new product candidates. It is possible that we will never have significant product sales revenue or receive royalties on our licensed product candidates. If funding is insufficient at any time in the future, we may not be able to develop or commercialize our products, take advantage of business opportunities or respond to competitive pressures.

Clinical trials are long, expensive and uncertain processes and Health Canada or the United States Food and Drug Administration ("FDA") may ultimately not approve any of our product candidates. We may never develop any commercial drugs or other products that generate revenues.

In the past five years, none of our product candidates has received regulatory approval for commercial use and sale in North America. We cannot market a pharmaceutical product in any jurisdiction until it has completed thorough preclinical testing and clinical trials in addition to that jurisdiction's extensive regulatory approval process. Approval in one country does not assure approval in another country. In general, significant research and development and clinical studies are required to demonstrate the safety and effectiveness of our product candidates before we can submit any regulatory applications.

Clinical trials are long, expensive and uncertain processes. Clinical trials may not be commenced or completed on schedule and Health Canada or the FDA or any other regulatory body may not ultimately approve our product candidates for commercial sale. The clinical trials of any of our drug candidates could be unsuccessful, which would prevent us from advancing, commercializing or partnering the drug.

Even if the results of our preclinical studies or clinical trials are initially positive, it is possible that we will obtain different results in the later stages of drug development or that results seen in clinical trials will not continue with longer term treatment. Positive results in Phase I clinical trials may not be repeated in larger Phase II or Phase III clinical trials.

Our preclinical studies and clinical trials may not generate positive results that will allow us to move towards the commercial use and sale of our product candidates. Furthermore, negative preclinical or clinical trial results may cause our business, financial condition, or results of operations to be materially adversely affected. For example, our lead product candidate APTO-253 has entered a Phase Ib testing in patients with relapsed or refractory hematologic malignancies for which there is a long development path ahead that will take many years to complete and is prone to the risks of failure inherent in drug development.

Preparing, submitting and advancing applications for regulatory approval is complex, expensive and time intensive and entails significant uncertainty. A commitment of substantial resources to conduct time-consuming research, preclinical studies and clinical trials is required if we are to complete development of our products.

Later stage clinical trials of our products require that we identify and enroll a large number of patients with the illness under investigation. We may not be able to enroll a sufficient number of appropriate patients to complete our clinical trials in a timely manner, particularly in smaller indications and indications where this is significant competition for patients. If we experience difficulty in enrolling a sufficient number of patients to conduct our clinical trials, we may need to delay or terminate ongoing clinical trials and will not accomplish objectives material to our success. Delays in planned patient enrolment or lower than anticipated event rates in our current clinical trials or future clinical trials also may result in increased costs, program delays, or both.

In addition, unacceptable toxicities or adverse side effects may occur at any time in the course of preclinical studies or human clinical trials or, if any product candidates are successfully developed and approved for marketing, during commercial use of any approved products. The appearance of any unacceptable toxicities or adverse side effects could interrupt, limit, delay or abort the development of any of our product candidates or, if previously approved, necessitate their withdrawal from the market. Furthermore, disease resistance or other unforeseen factors may limit the effectiveness of our potential products.

Our failure to develop safe, commercially viable drugs would substantially impair our ability to generate revenues and sustain our operations and would materially harm our business and adversely affect our share price.

We may not achieve our projected development goals in the time frames we announce and expect.

We set goals for, and make public statements regarding, the expected timing of the accomplishment of objectives material to our success, such as the commencement and completion of clinical trials, the partnership of our product candidates and our ability to secure the financing necessary to continue the development of our product candidates. The actual timing of these events can vary dramatically due to factors within and beyond our control, such as delays or failures in our clinical trials, the uncertainties inherent in the regulatory approval process, market conditions and interest by partners in our product candidates among other things. Our clinical trials may not be completed, and we may not make regulatory submissions or receive regulatory approvals as planned, or that we will secure partnerships for any of our product candidates. Any failure to achieve one or more of these milestones as planned would have a material adverse effect on our business, financial condition and results of operations.

As a result of intense competition and technological change in the biotechnical and pharmaceutical industries, the marketplace may not accept our products or product candidates, and we may not be able to compete successfully against other companies in our industry and achieve profitability.

Many of our competitors have:

- drug products that have already been approved or are in development, and operate large, well-funded research and development programs in the biotechnical and pharmaceutical fields;
- substantially greater financial, technical and management resources, stronger intellectual property positions and greater manufacturing, marketing and sales capabilities, areas in which we have limited or no experience; and
- significantly greater experience than we do in undertaking preclinical testing and clinical trials of new or improved pharmaceutical products and obtaining required regulatory approvals.

Consequently, our competitors may obtain Health Canada, FDA and other regulatory approvals for product candidates sooner and may be more successful in manufacturing and marketing their products than we or our collaborators are.

Our competitor's existing and future products, therapies and technological approaches will compete directly with the products we seek to develop. Current and prospective competing products may be more effective than our existing and future products insofar as they may provide greater therapeutic benefits for a specific problem or may offer easier delivery or comparable performance at a lower cost.

Any product candidate that we develop and that obtains regulatory approval must then compete for market acceptance and market share. Our products may not gain market acceptance among physicians, patients, healthcare payers, insurers, the medical community and other stakeholders. Further, any products we develop may become obsolete before we recover any expenses we incurred in connection with the development of these products. As a result, we may never achieve profitability.

If we fail to attract and retain key employees, the development and commercialization of our products may be adversely affected.

We depend on the principal members of our scientific and management staff. If we lose any of these persons, our ability to develop products and become profitable could suffer. The risk of being unable to retain key personnel may be increased by the fact that we have not executed long-term employment contracts with our employees, except for our senior executives. Our future success will also depend in large part on our ability to attract and retain other highly qualified scientific and management personnel. We face competition for personnel from other companies, academic institutions, government entities and other organizations.

We may be unable to obtain patents to protect our technologies from other companies with competitive products, and patents of other companies could prevent us from manufacturing, developing or marketing our products.

Patent protection

The patent positions of pharmaceutical and biotechnology companies are uncertain and involve complex legal and factual questions. The United States Patent and Trademark Office and many other patent offices in the world have not established a consistent policy regarding the breadth of claims that they will allow in biotechnology patents.

Allowable patentable subject matter and the scope of patent protection obtainable may differ between jurisdictions. If a patent office allows broad claims, the number and cost of patent interference proceedings in the United States, or analogous proceedings in other jurisdictions and the risk of infringement litigation may increase. If it allows narrow claims, the risk of infringement may decrease, but the value of our rights under our patents, licenses and patent applications may also decrease.

The scope of the claims in a patent application can be significantly modified during prosecution before the patent is issued. Consequently, we cannot know whether our pending applications will result in the issuance of patents or, if any patents are issued, whether they will provide us with significant proprietary protection or will be circumvented, invalidated or found to be unenforceable.

Publication of discoveries in scientific or patent literature often lags behind actual discoveries. Patent applications filed in the United States generally will be published 18 months after the filing date unless the applicant certifies that the invention will not be the subject of a foreign patent application. In many other jurisdictions, such as Canada, patent applications are published 18 months from the priority date. We may not be aware of such literature. Accordingly, we cannot be certain that the named inventors of our products and processes were the first to invent that product or process or that we were the first to pursue patent coverage for our inventions.

In addition, U.S. patent laws may change which could prevent or limit us from filing patent applications or patent claims in the United States to protect our products and technologies or limit the exclusivity periods that are available to patent holders for U.S. patents. For example, the Leahy-Smith America Invents Act, (the "Leahy-Smith Act") was signed into law in 2011 and includes a number of significant changes to U.S. patent law. These include changes to transition from a "first-to-invent" system to a "first-to-file" system and to the way issued patents are challenged. These changes may favour larger and more established companies that have more resources to devote to patent application filing and prosecution. It is not clear what, if any, impact the Leahy-Smith Act will ultimately have on the cost of prosecuting our patent applications in the United States, our ability to obtain patents in the United States based on our discoveries and our ability to enforce or defend our U.S. issued patents.

Enforcement of intellectual property rights

Protection of the rights revealed in published patent applications can be complex, costly and uncertain. Our commercial success depends in part on our ability to maintain and enforce our proprietary rights. If third parties engage in activities that infringe our proprietary rights, our management's focus will be diverted and we may incur significant costs in asserting our rights. We may not be successful in asserting our proprietary rights, which could result in our patents being held invalid or a court holding that the third party is not infringing, either of which would harm our competitive position.

Others may design around our patented technology. We may have to participate in interference proceedings declared by the United States Patent and Trademark Office, European opposition proceedings, or other analogous proceedings in other parts of the world to determine priority of invention and the validity of patent rights granted or applied for, which could result in substantial cost and delay, even if the eventual outcome is favourable to us. Our pending patent applications, even if issued, may not be held valid or enforceable.

Trade secrets

We also rely on trade secrets, know-how and confidentiality provisions in our agreements with our collaborators, employees and consultants to protect our intellectual property. However, these and other parties may not comply with the terms of their agreements with us, and we might be unable to adequately enforce our rights or obtain adequate compensation for the damages caused by unauthorized disclosure or use of our trade secrets or know how. Our trade secrets or those of our collaborators also may be independently discovered by others.

Our products and product candidates may infringe the intellectual property rights of others, or others may infringe on our intellectual property rights which could increase our costs.

Our success also depends on avoiding infringement of the proprietary technologies of others. In particular, there may be certain issued patents and patent applications claiming subject matter which we or our collaborators may be required to license in order to research, develop or commercialize APTO-253, our lead product candidate. In addition, third parties may assert infringement or other intellectual property claims against us. An adverse outcome in these proceedings could subject us to significant liabilities to third-parties, require disputed rights to be licensed from third-parties or require us to cease or modify our use of the technology. If we are required to license third-party technology, a license under such patents and patent applications may not be available on acceptable terms or at all. Further, we may incur substantial costs defending ourselves in lawsuits against charges of patent infringement or other unlawful use of another's proprietary technology. We may also need to bring claims against others who we believe are infringing our rights in order to become or remain competitive and successful. Any such claims can be time consuming and expensive to pursue.

If product liability, clinical trial liability or environmental liability claims are brought against us or we are unable to obtain or maintain product liability, clinical trial or environmental liability insurance, we may incur substantial liabilities that could reduce our financial resources.

The clinical testing and commercial use of pharmaceutical products involves significant exposure to product liability, clinical trial liability, environmental liability and other risks that are inherent in the testing, manufacturing and marketing of our products. These liabilities, if realized, could have a material adverse effect on the Company's business, results of operations and financial condition.

We have obtained limited product liability insurance coverage for our clinical trials on humans; however, our insurance coverage may be insufficient to protect us against all product liability damages. Regardless of merit or eventual outcome, liability claims may result in decreased demand for a future product, injury to reputation, withdrawal of clinical trial volunteers, loss of revenue, costs of litigation, distraction of management and substantial monetary awards to plaintiffs. Additionally, if we are required to pay a product liability claim, we may not have sufficient financial resources to complete development or commercialization of any of our product candidates and our business and results of operations will be adversely affected. In general, insurance will not protect us against some of our own actions, such as negligence.

As the Company's development activities progress towards the commercialization of product candidates, our liability coverage may not be adequate, and the Company may not be able to obtain adequate product liability insurance coverage at a reasonable cost, if at all. Even if the Company obtains product liability insurance, its financial position may be materially adversely affected by a product liability claim. A product liability claim could also significantly harm the Company's reputation and delay market acceptance of its product candidates. Additionally, product recalls may be issued at the direction of the FDA, other government agencies or other companies having regulatory control for pharmaceutical sales. If a product recall occurs in the future, such a recall could adversely affect our business, financial condition or reputation.

We may be unable to obtain partnerships for our product candidates, which could curtail future development and negatively affect our share price. In addition, our partners might not satisfy their contractual responsibilities or devote sufficient resources to our partnership.

Our strategy for the research, development and commercialization of our products requires entering into various arrangements with corporate collaborators, licensors, licensees and others, and our commercial success is dependent upon these outside parties performing their respective contractual responsibilities. The amount and timing of resources that such third parties will devote to these activities may not be within our control. These third parties may not perform their obligations as expected and our collaborators may not devote adequate resources to our programs. In addition, we could become involved in disputes with our collaborators, which could result in a delay or termination of the related development programs or result in litigation. We intend to seek additional collaborative arrangements to develop and commercialize some of our products. We may not be able to negotiate collaborative arrangements on favourable terms, or at all, in the future, and our current or future collaborative arrangements may not be successful.

If we cannot negotiate collaboration, licence or partnering agreements, we may never achieve profitability and we may not be able to continue to develop our product candidates. Phase II and Phase III clinical trials for APTO-253 would require significant amounts of funding and such funding may not be available to us.

Exchange rate risk

We may be exposed to fluctuations of the Canadian dollar against certain other currencies because we publish our consolidated financial statements and hold our investments in Canadian dollars, while we incur many of our expenses in foreign currencies, primarily the United States dollar. Fluctuations in the value of currencies could cause us to incur currency exchange losses. We do not currently employ a hedging strategy against exchange rate risk. We cannot assert with any assurance that we will not suffer losses as a result of unfavorable fluctuations in the exchange rates between the Canadian dollar, the United States dollar and other currencies.

We have agreed to indemnify our predecessor corporation Old Lorus and its directors, officers and employees.

In connection with the reorganization that we undertook in July 2007, we have agreed to indemnify our predecessor, Old Lorus, and its directors, officers and employees from and against all damages, losses, expenses (including fines and penalties), other third party costs and legal expenses, to which any of them may be subject arising out of any matter occurring:

- prior to, at or after the effective time of the arrangement transaction, and directly or indirectly relating to any of the assets of Old Lorus transferred to us pursuant to the arrangement transaction (including losses for income, sales, excise and other taxes arising in connection with the transfer of any such asset) or conduct of the business prior to the effective time of the arrangement;

- prior to, at or after the effective time as a result of any and all interests, rights, liabilities and other matters relating to the assets transferred by Old Lorus to us under the arrangement; and

- prior to or at the effective time and directly or indirectly relating to, with certain exceptions, any of the activities of Old Lorus or the arrangement.

This indemnification obligation could result in significant liability to us. To date no amount has been claimed on this indemnification obligation. Should a claim arise under this indemnification obligation it could result in significant liability to the Company which could have a negative impact on our liquidity, financial position, and ability to obtain future funding among other things.

We have no manufacturing capabilities and face supply risks. We depend on third-parties, including a number of sole suppliers, for manufacturing and storage of our product candidates used in our clinical trials. Product introductions may be delayed or suspended if the manufacture of our products is interrupted or discontinued.

Other than limited quantities for research purposes, we do not have manufacturing facilities to produce supplies of APTO-253 or any of our other product candidates to support clinical trials or commercial launch of these products, if they are approved. We are dependent on third parties for manufacturing and storage of our product candidates. If the supply of necessary components is interrupted, components from alternative suppliers may not be available in sufficient volumes or at acceptable quality levels within required timeframes, if at all, to meet the needs of the Company. An inability to contract for a sufficient supply of our product candidates on acceptable terms, or delays or difficulties in the manufacturing process or our relationships with our manufacturers, may lead to us not having sufficient product to conduct or complete our clinical trials or support preparations for the commercial launch of our product candidates, if approved. This may lead to substantial lost revenue opportunity and contract liability to third parties.

Extensive Government Regulation

Government regulation is a significant factor in the development, production and marketing of the Company's products. Research and development, testing, manufacture, marketing and sales of pharmaceutical products or related products are subject to extensive regulatory oversight, often in multiple jurisdictions, which may cause significant additional costs and/or delays in bringing products to market, and in turn, may cause significant losses to investors. The regulations applicable to the Company's product candidates may change. Even if granted, regulatory approvals may include significant limitations on the uses for which products can be marketed or may be conditioned on the conduct of post-marketing surveillance studies. Failure to comply with applicable regulatory requirements can, among other things, result in warning letters, the imposition of civil penalties or other monetary payments, delay in approving or refusal to approve a product candidate, suspension or withdrawal of regulatory approval, product recall or seizure, operating restrictions, interruptions of clinical trials or manufacturing, injunctions or criminal prosecution. In addition, regulatory agencies many not approve the labeling claims that are necessary or desirable for the successful commercialization of the Company's product candidates.

Requirements for regulatory approval vary widely from country to country. Whether or not approved in Canada or the United States, regulatory authorities in other countries must approve a product prior to the commencement of marketing the product in those countries. The time required to obtain any such approval may be longer or shorter than in Canada or the United States. Approved drugs, as well as their manufacturers, are subject to continuing and ongoing review, and discovery of problems with these products or the failure to adhere to manufacturing or quality control requirements may result in regulatory restrictions being imposed.

Risks Related to Our Common Shares

Our share price has been and is likely to continue to be volatile and an investment in our Common Shares could suffer a decline in value.

You should consider an investment in our Common Shares as risky and invest only if you can withstand a significant loss and wide fluctuations in the market value of your investment. We receive only limited attention by securities analysts and frequently experience an imbalance between supply and demand for our Common Shares. The market price of our Common Shares has been highly volatile and is likely to continue to be volatile. This leads to a heightened risk of securities litigation pertaining to such volatility. Factors affecting our Common Share price include but are not limited to:

- our ability to raise additional capital;
- the progress of our clinical trials:
- our ability to obtain partners and collaborators to assist with the future development of our products;
- general market conditions;
- announcements of technological innovations or new product candidates by us, our collaborators or our competitors;
- published reports by securities analysts;
- developments in patent or other intellectual property rights;

- the cash and short term investments held by us and our ability to secure future financing;
- public concern as to the safety and efficacy of drugs that we and our competitors develop; and
- shareholder interest in our Common Shares.

Future sales of our Common Shares by us or by our existing shareholders could cause our share price to fall.

The issuance of Common Shares by us could result in significant dilution in the equity interest of existing shareholders and adversely affect the market price of our Common Shares. Sales by existing shareholders of a large number of our Common Shares in the public market and the issuance of shares issued in connection with strategic alliances, or the perception that such additional sales could occur, could cause the market price of our Common Shares to decline and have an undesirable impact on our ability to raise capital.

We are susceptible to stress in the global economy and therefore, our business may be affected by the current and future global financial condition.

If the increased level of volatility and market turmoil that have marked recent years continue, our operations, business, financial condition and the trading price of our Common Shares could be materially adversely affected. Furthermore, general economic conditions may have a great impact on us, including our ability to raise capital, our commercialization opportunities and our ability to establish and maintain arrangements with others for research, manufacturing, product development and sales.

An active trading market in our Common Shares may not be sustained.

Our Common Shares are listed for trading on the Toronto Stock Exchange ("**TSX**") and the NASDAQ Capital Market ("**NASDAQ**"). However, an active trading market in our Common Shares on the stock exchanges may not be sustained and we may not be able to maintain our listings.

It may be difficult for non-Canadian investors to obtain and enforce judgments against us because of our Canadian incorporation and presence.

We are a corporation existing under the laws of Canada. Many of our directors and officers, and all of the experts named in this Transition Report and the documents incorporated by reference into this Transition Report, are residents of Canada, and all or a substantial portion of their assets, and a substantial portion of our assets, are located outside the United States. Consequently, although we have appointed an agent for service of process in the United States, it may be difficult for holders of our shares who reside in the United States to effect service within the United States upon our directors and officers and experts who are not residents of the United States. It may also be difficult for holders of our shares who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon our civil liability and the civil liability of our directors, officers and experts under the United States federal securities laws. Investors should not assume that Canadian courts (i) would enforce judgments of United States courts obtained in actions against us or our directors, officers or experts predicated upon the civil liability provisions of the United States federal securities laws or the securities or "blue sky" laws of any state within the United States or (ii) would enforce, in original actions, liabilities against us or our directors, officers or experts predicated upon the United States federal securities laws or any such state securities or "blue sky" laws. In addition, we have been advised by our Canadian counsel that in normal circumstances, only civil judgments and not other rights arising from United States securities legislation are enforceable in Canada and that the protections afforded by Canadian securities laws may not be available to investors in the United States.

We are likely a "passive foreign investment company" which may have adverse U.S. federal income tax consequences for U.S. shareholders.

U.S. investors in our Common Shares should be aware that the Company believes it was classified as a passive foreign investment company ("**PFIC**") during the tax year ended December 31, 2014, and based on current business plans and financial expectations, the Company believes that it will be a PFIC for the current tax year and may be a PFIC in subsequent tax years. If the Company is a PFIC for any year during a U.S. shareholder's holding period, then such U.S. shareholder generally will be required to treat any gain realized upon a disposition of Common Shares, or any so-called "excess distribution" received on its Common Shares, as ordinary income, and to pay an interest charge on a portion of such gain or distributions, unless the shareholder makes a timely and effective "qualified electing fund" election ("**QEF election**") or a "mark-to-market" election with respect to the Common Shares. A U.S. shareholder who makes a QEF election generally must report on a current basis its share of the Company's net capital gain and ordinary earnings for any year in which the Company is a PFIC, whether or not the Company distributes any amounts to its shareholders. However, U.S. shareholders should be aware that we do not intend to satisfy record keeping requirements that apply to a qualified electing fund, and we do not intend to supply U.S. shareholders with information that such U.S. shareholders require to report under the QEF election rules, in the event that we are a PFIC and a U.S. shareholder wishes to make a QEF election. Thus, U.S. shareholders should assume that they will not be able to make a QEF election with respect to their Common Shares. A U.S. shareholder who makes the mark-to-market election generally must include as ordinary income each year the excess of the fair market value of the Common Shares over the taxpayer's basis therein. This paragraph is qualified in its entirety by the discussion below under the heading "Certain United States Federal Income Tax Considerations." Each U.S. shareholder should consult its own tax advisor regarding the U.S. federal, U.S. local, and foreign tax consequences of the PFIC rules and the acquisition, ownership, and disposition of our Common Shares.

Item 4. Information on the Company

A. *History and development of the Company.*

Old Lorus was incorporated under the *Business Corporations Act* (Ontario) on September 5, 1986 under the name RML Medical Laboratories Inc. On October 28, 1991, RML Medical Laboratories Inc. amalgamated with Mint Gold Resources Ltd., resulting in Old Lorus becoming a reporting issuer (as defined under applicable securities law) in Ontario, on such date. On August 25, 1992, Old Lorus changed its name to IMUTEC Corporation. On November 27, 1996, Old Lorus changed its name to Imutec Pharma Inc., and on November 19, 1998, Old Lorus changed its name to Lorus Therapeutics Inc. On October 1, 2005, Old Lorus continued under the *Canada Business Corporations Act*.

On the Arrangement Date, Old Lorus completed a plan of arrangement and corporate reorganization with, among others, 6650309 Canada Inc. ("**New Lorus**"), 6707157 Canada Inc. and Pinnacle International Lands, Inc. As a result of the plan of arrangement and reorganization, each Common Share of Old Lorus was exchanged for one Common Share of New Lorus. New Lorus continued the business of Old Lorus after the Arrangement Date with the same officers and employees and continued to be governed by the same board of directors as Old Lorus prior to the Arrangement Date.

On August 28, 2014, New Lorus changed its name from Lorus Therapeutics Inc. to Aptose Biosciences Inc. and on October 1, 2014 we consolidated our outstanding Common Shares on the basis of one post-consolidation Common Share for each twelve pre-consolidation Common Shares.

The address of the Company's head and registered office is 2 Meridian Road, Toronto, Ontario, Canada, M9W 4Z7 and our phone number is (416) 798-1200. Our corporate website is www.aptose.com. The contents of the website and items accessible through the website are specifically not incorporated in this Transition Report by reference.

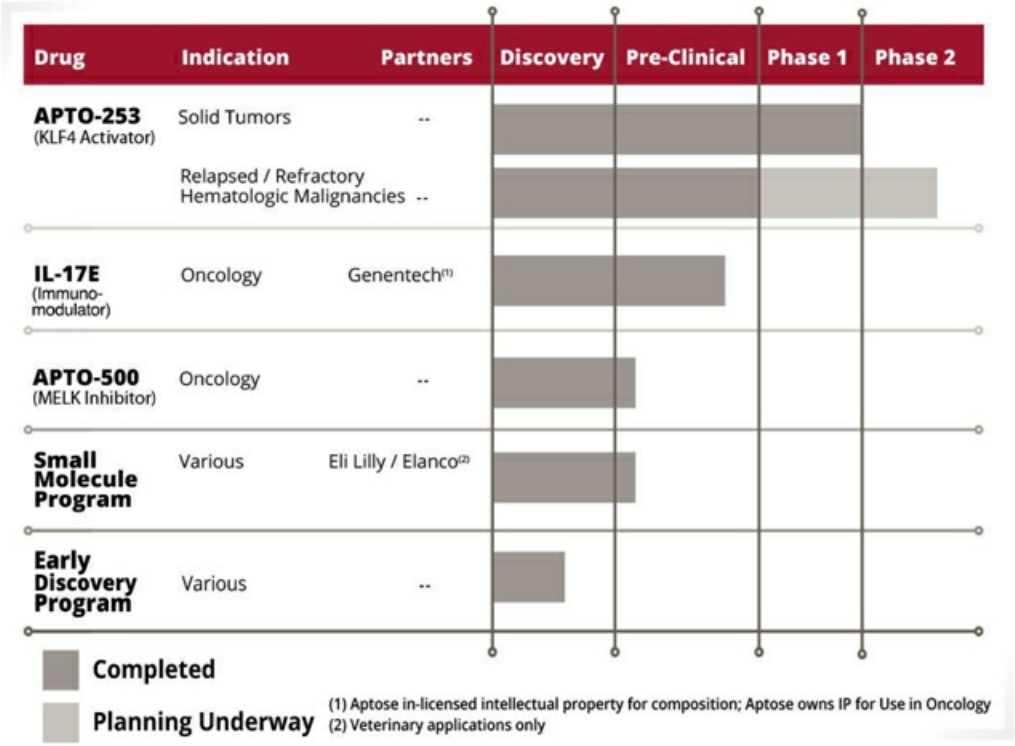
Aptose has two subsidiaries: NuChem Pharmaceuticals Inc. ("**NuChem**"), a company incorporated under the laws of Ontario, Canada, and Aptose Biosciences U.S. Inc. ("**Aptose USA**"), a company incorporated under the laws of Delaware, USA. Aptose owns 80% of the issued and outstanding voting share capital of NuChem and 100% of the issued and outstanding voting share capital of Aptose USA. NuChem has limited activity and the non-controlling interest is not material to the consolidated financial statements of the Company. Aptose USA was incorporated in April 2014 and did not have any activity during the seven months ended December 31, 2014.

Our Common Shares are listed on the TSX under the symbol "APS" and on NASDAQ under the symbol "APTO."

Aptose is a clinical stage biotechnology company with a commitment to the development of targeted therapies addressing unmet medical needs in oncology. We develop therapeutics focused on novel cellular targets at the leading edge of cancer research, coupled with companion diagnostics to identify the optimal patient population for our products. Our product pipeline includes cancer drug candidates that exert potent activity as stand-alone agents and that enhance the activities of other anticancer agents without causing overlapping toxicities. Indeed, we believe our targeted products can emerge as first-in-class or best-in-class agents that deliver single agent benefit and can serve as the backbone of combination therapies for specific populations of cancer patients.

We believe the future of cancer treatment and management lies in the prospective selection and treatment of patients having malignancies that are genetically predisposed to response based on a drug's unique mechanism of action. We are of the view that many drugs currently approved for the treatment and management of cancer are not selective for the specific genetic alterations (targets) that cause the patient's tumor and hence lead to significant toxicities due to off-target effects. Aptose's strategy is to develop agents that address a common underlying disease-promoting pathway within a patient population, and we intend to apply this strategy across several therapeutic indications in oncology, including hematologic malignancies and solid tumor indications. Our lead program, APTO-253, is a first-in-class inducer of the Krüppel-like factor 4 gene (the "**Klf4 Gene**") for patients with advanced hematologic malignancies, including acute myeloid leukemia ("**AML**") and myelodysplastic syndromes ("**MDS**").

The following table sets forth various product conditions in our pipeline and their respective stages of development.



Capital Expenditures and Divestitures

Not applicable.

B. ***Business overview.***

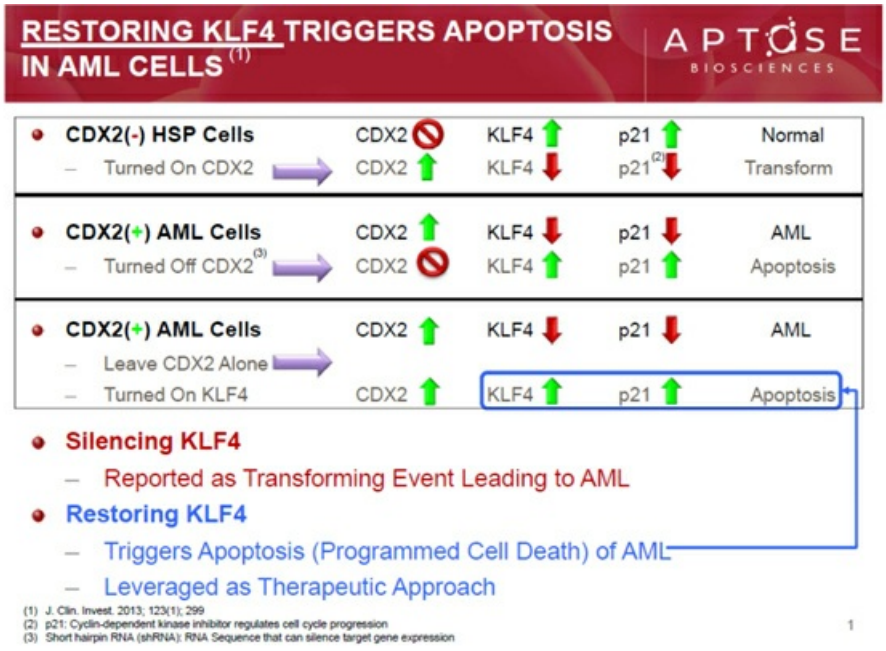
As noted above, Aptose is committed to the development of anticancer drugs that target specific processes that underlie a particular life-threatening malignancy. This targeted approach is intended to impact the disease-causing events in cancer cells without affecting normal processes within cells. Such an approach requires that we first identify the underlying oncogenic mechanism in particular cancer cells and then create a therapeutic that selectively impacts that oncogenic mechanism. As described below, an underlying oncogenic process has been identified as operative in the majority of patients with AML (acute myeloid leukemia), an aggressive cancer of the blood and bone marrow for which there is a tremendous need for safe and effective anticancer drugs. Aptose has created a small molecule targeted drug (APTO-253) that selectively impacts that underlying oncogenic process, and the drug is under development as a novel therapy for AML and the related MDS.

Krüppel-Like Factor 4 & CDX2

Krüppel-like factors constitute a diverse family of genes (the "**Klf Genes**") that act by modifying the expression levels of other genes that control essential cellular processes such as proliferation, migration, differentiation, cell death and metastasis. Approximately 17 Klf Genes are known, with an array of roles that include serving as innate tumor suppressors. The Klf Genes give rise to the production of proteins (the "**KLF Proteins**"). Structurally, KLF Proteins include DNA binding domains that allow for the identification and regulation of other genes. Of particular importance, the Krüppel-like factor 4 protein (the "**KLF4 Protein**") is characterized as a master transcription factor that regulates cell identity and cell fate.

Production of the KLF4 Protein is influenced by the expression of another gene, an embryonic gene known as Cdx2 (the "**Cdx2 Gene**").The Cdx2 Gene, while not expressed in the bone marrow and blood cells of normal adults, was observed to be active in the malignant cells in a majority of patients with AML. It was subsequently noted that the protein product of the Cdx2 Gene ("**CDX2 Protein**") interacted directly with the Klf4 Gene. It was demonstrated that the CDX2 Protein causes reductions in KLF4 Protein levels by binding and epigenetically silencing the Klf4 Gene (Faber et. al., J Clin Invest. 2013;123(1):299–314). In subsequent studies from Faber et. al., it was demonstrated that activation of the Cdx2 Gene in normal cells lacking the CDX2 Protein caused decreased KLF4 Protein levels and promoted excessive cellular proliferation (Figure 1, First Bullet) It also was demonstrated that genetic manipulation to silence the CDX2 Gene in human AML cells resulted in increased levels of the KLF4 Protein (Figure 1, Second Bullet) and subsequent induction of cellular apoptosis (programmed cell death) in AML cells. Further, in human AML cells possessing an active Cdx2 Gene, Faber et. al. inserted an active Klf4 Gene to overcome innate KLF4 Protein suppression, and revealed that increased KLF4 Protein alone could promote apoptosis (Figure 1, Third Bullet). Thus, KLF4 silencing is a key oncogenic event in AML and merely raising the levels of KLF4 Protein in AML cells can lead to programmed cell death.

Figure 1: Studies Assessing the Role of KLF4 in AML Cells



It has been reported by Faber et. al. that a multitude of genetic abnormalities in bone marrow stem and progenitor cells can culminate in the aberrant expression of the Cdx2 Gene and lead to decreased Klf4 Gene transcription to yield diminished KLF4 Protein levels. Therefore, this abnormal CDX2-KLF4 signature was speculated by Faber et. al. to be a potential leukemogenic trigger for approximately 90% of AML patients. Separately, it was observed by Scholl et. al. in 2007 (J. Clin. Invest. 117:1037–1048 (2007)) that approximately 40% of patients with higher risk MDS possessed increased CDX2 Protein levels, and may represent the portion of the MDS population progressing to AML. Other opportunities in oncology in which the Klf4 Gene has been implicated to play a role include colorectal, gastric, cervical, prostate and lung cancers, among others.

APTO-253: Lead Clinical Program

Our lead program is APTO-253, a small molecule that induces transcription of the Klf4 Gene in *in vitro* studies and in *in vivo* pharmacodynamic studies of human xenograft tumors in mice. APTO-253 was discovered and identified by Aptose scientists based upon the magnitude of its antiproliferative activity across a multitude of cell lines. *In vitro* studies conducted at Aptose demonstrated significant potency with nanomolar IC50 concentrations of APTO-253 in AML cell lines, and ten to 1000 times greater potency against AML cell lines than against many solid tumor cell lines. *In vitro* analyses with relevant AML cell lines, including THP1, HL-60 and Kasumi-1, demonstrated that APTO-253 significantly elevated KLF4 mRNA and KLF4 Protein levels, with the anticipated downstream increase in cyclin-dependent kinase inhibitor I (p21, a protein that halts the cell cycle and prevents cells from proliferating), caspase-3 (an enzyme activated during programmed cell death to chop up other proteins), and Annexin-V (used as a marker for the initiation of programmed cell death), leading to G1 cell cycle arrest and apoptosis (programmed cell death). APTO-253 is administered as an intravenous infusion in patients. We previously reported initial results from a dose-escalating Phase I clinical study of APTO-253 in patients with various solid tumors, and in that study we observed evidence of anti-tumor activity as a single agent at doses that were safe and well tolerated. Our future plans are to advance APTO-253 to a Phase Ib clinical study in relapsed / refractory hematologic malignancies, including patients with AML, MDS, multiple myeloma and various lymphomas, based upon the common underlying, leukemia-causing profile of Klf4 Gene suppression. The development of APTO-253 currently represents the primary focus of Aptose.

On July 28, 2014 we announced that the U.S. FDA had completed its review and cleared the Investigational New Drug ("**IND**") application of APTO-253 for the treatment of hematologic malignancies, including AML, high-risk MDS, lymphomas and multiple myeloma. Clearance of the IND allowed us to initiate a Phase Ib, multi-center, open-label, clinical study of APTO-253 in patients with relapsed or refractory hematologic malignancies. The Phase Ib trial will evaluate safety, tolerability, pharmacokinetics, pharmacodynamic responses and efficacy of APTO-253 as a single agent. The trial is expected to enroll 45-60 patients as part of a dose-escalation program and two separate disease-specific single-agent expansion cohorts.

The dose escalation study will include two separate arms: one group of up to 15 patients dedicated to AML and high-risk MDS only and another group of up to 15 patients for lymphomas and multiple myelomas. The two separate arms will allow for a focused look at AML and high-risk MDS and exploration of the effect of APTO-253 on lymphomas and myelomas. They will also provide patient data on two times the number of patients during 2015 than would have been possible with only a single arm study.

The primary objectives of the Phase Ib trial are: (i) to further assess safety on a new and optimized dosing schedule, and (ii) to identify the recommended dose for APTO-253 for the upcoming Phase Ib single-agent expansion trials which will include one expansion in AML for up to 15 patients and one expansion in MDS for up to 15 patients, in hematologic malignancies as well as in subsequent Phase 2 combination trials.

We plan to monitor patient Krüppel-like factor 4 ("**KLF4**") and the product of the embryonic Cdx2 Gene, the CDX2 Protein levels upon entry into the study, throughout the study, and during a post-treatment period. We will not exclude patients based on KLF4 or CDX2 status from participating in this first study as we believe this approach may be useful in further validating our companion diagnostic and observing potential responses among the broader population.

Subsequent to the seven months ended December 31, 2014, we announced on January 13, 2015 that we had dosed the first patient in the Phase Ib dose-escalation study. We anticipate providing a potential update on the dose-escalation study during the summer of 2015, completing enrollment of the Phase Ib dose-escalation study by late-2015 or the first half of 2016, starting the single agent expansion cohort studies for this study in 2016 and starting Phase 2 combination studies in 2016.

Aptose is currently developing and validating a companion diagnostic for APTO-253. The diagnostics will be designed to assess the extent of genetic expression of Cdx2 and Klf4 in patients as a potential predictor of response to therapy with APTO-253, as well as assess post-treatment expression levels as biomarkers of efficacy.

Acute Myeloid Leukemia

AML is a rapidly progressing cancer of the blood and bone marrow characterized by the uncontrolled proliferation of dysfunctional myeloblasts that do not mature into healthy blood cells. It is the most common form of acute leukemia in adults. The American Cancer Society estimates there were approximately 14,590 new cases of AML and approximately 10,370 deaths from AML in the U.S. in 2013 and that there will be approximately 18,860 new cases of AML and approximately 10,460 deaths from AML in the U.S. in 2014**.** Standard induction therapy with chemotherapy is successful in many AML patients, but the majority of these patients will relapse with treatment refractory disease. Typical relapse rates in patients less than, and greater than, 60 years of age are approximately 48% and 71% respectively, as reported by Datamonitor Healthcare.

Myelodysplastic Syndromes

MDS are a group of blood and bone marrow disorders. In MDS, stem cells do not mature normally, and the number of blasts (immature cells) and dysplastic (abnormally developed) cells increases. Also, the number of healthy mature cells decreases, meaning there are fewer normal red blood cells, white blood cells, and platelets. The numbers of blood cells are often called blood cell counts. Because of the decrease in healthy cells, people with MDS often have anemia (a lowered blood cell count), and may have neutropenia (a low white blood cell count) and thrombocytopenia (a low platelet count). Also, the chromosomes (long strands of genes) in the bone marrow cells may be abnormal. According to the American Cancer Society, there are approximately 13,000 new cases of MDS annually in the US. Additionally, Datamonitor Healthcare reports median survival in higher risk MDS patients may range between five months and two years. There are several subtypes of MDS, and some subtypes of MDS may eventually turn into AML.

Solid Tumors

Phase I data with APTO-253 in patients with solid tumors and preclinical data in solid tumor cells, including non-small cell lung cancer ("**NSCLC**"), identified an opportunity for APTO-253 in patients possessing cancers with reduced Klf4 Gene expression. Our prior Phase I study with APTO-253 also revealed a favorable safety profile for APTO-253. Various solid tumors have exhibited suppressed levels of Klf4 Gene in scientific publications, including colorectal, gastric, pancreatic, prostate and cervical cancers, as well as NSCLC. NSCLC is an indication that we consider to have a large market potential and important unmet need worldwide, in which the Klf4 Gene is a tumor suppressor that is present in case-matched normal cells but depressed in NSCLC tumor cells. Aptose may in the future evaluate the clinical utility of APTO-253 in additional studies in a subset of NSCLC patients that may be predisposed to a response with a therapeutically activating the Klf4 Gene.

In January 2011, Aptose announced the first patient enrolment in a Phase I dose-escalation study for APTO-253 in patients with advanced or metastatic solid tumors who are unresponsive to conventional therapy or for which no effective therapy is available. The study was initially being conducted at Memorial Sloan-Kettering Cancer Center in New York and later added MD Anderson Cancer Center in Houston as a second site. Objectives of the study included determination or characterization of the safety profile, maximum tolerated dose, and antitumor activity of APTO-253, as well as pharmacokinetics and a recommended Phase II dose for subsequent clinical trials.

In June 2012, Aptose announced the addition of MD Anderson Cancer Center as a second site in the then ongoing APTO-253 Phase I clinical trial, under the direction of Dr. Jennifer Wheler as the principal investigator. In addition, Aptose announced that the study had successfully completed the accelerated drug dose escalation stage (Stage 1), with further escalation under way in the non-accelerated dose escalation stage (Stage 2) for the purpose of determining the maximal tolerated dose level and recommended Phase II dose. The addition of a second site expanded patient availability for enrollment.

In January 2013, Aptose announced that Phase I clinical study of APTO-253 has successfully escalated to the target dose level based on predicted and observed clinical effects without limitation by toxicity. The success of this study allowed Aptose to initiate a biomarker clinical investigation to further explore the effects of the drug at relevant doses determined in the clinical trial.

In April 2013, Aptose announced the presentation of preclinical data at the 2013 Annual Meeting of the American Association for Cancer Research ("**AACR**"), held in Washington, DC from April 6, 2013 through April 10, 2013. The poster presentation titled "Utilization of KLF4 as a pharmacodynamic biomarker for in vivo anticancer activity of a novel small molecule drug APTO-253" covered data from preclinical studies on anticancer activity and tumor biomarker analysis for APTO-253 in animal models of human NSCLC. The studies demonstrate that APTO-253 has antitumor activity with a dose-response effect in NSCLC that is associated with a dose dependent increase of the KLF4 gene.

In July 2013, Aptose announced the results of the Phase I clinical trial of APTO-253. In this first-in-man, dose-escalation clinical study, APTO-253 demonstrated a favorable safety profile, as well as encouraging signs of antitumor activity. The design of this trial consisted of APTO-253 as a single agent in patients with advanced solid tumors resistant to multiple standard therapies. The study enrolled 27 patients, all of which had failed a median of four prior chemotherapies. Although this was primarily a dose-escalation safety study, efficacy and pharmacokinetics were also explored.

The clinical trial enrolled patients at seven dose levels ranging from 20 to 229 mg/m2. Of the 27 patients enrolled, 17 were evaluable for efficacy. Of these 17 patients, seven (41%) achieved stable disease by Response Evaluation Criteria In Solid Tumors ("**RECIST**"). This included patients with colorectal, lung, appendiceal, liver and uterine cancers. Dose related activity was demonstrated at the higher dose levels (176 and 229 mg/m2). At these two highest dose levels, four of five evaluable patients (80%) achieved sustained stable disease by RECIST ranging from 5.6 months to 8 months, representative of disease control. Of these, a patient with non-small cell lung cancer at the highest dose level additionally demonstrated non-index tumor shrinkage.

The safety assessment indicated that APTO-253 was well tolerated at all dose levels tested in this trial. The dose escalation was not limited by toxicity. The most common adverse event was Grade 1 or 2 fatigue seen in three patients. There was one Grade 3 toxicity, asymptomatic low blood phosphate level that was reversible by supplementation with phosphates. The pharmacokinetic profile was consistent with the predictive profile seen preclinically, and the elimination profile and half-life in patients were suggestive of a very rapid distribution phase and prolonged retention.

Small Molecular Program

In April 2013, Aptose entered into a research and license option agreement with Elanco, the animal health division of Eli Lilly and Company ("**Elanco**"), to investigate a new proprietary series of Aptose compounds for veterinary medicine. Pursuant to the agreement, Elanco will fund the research program and was granted an exclusive option to license the worldwide rights to selected compounds for veterinary use; the terms of which will be negotiated if the option is exercised by Elanco. Aptose retains the rights to develop and commercialize these compounds for human use. Lead optimization is underway and the next goal is to identify a clinical drug candidate.

APTO-500

This program aims to discover and develop potent, first-in-class small molecule inhibitors of maternal embryonic leucine zipper kinase ("**MELK**"). MELK plays an important role in cancer cell cycle, signaling pathways, and cancer stem cells. MELK is highly expressed in several cancer types and its expression correlates with poor prognosis in glioma and breast cancer. These findings provide strong support that selective targeting of MELK may be an effective cancer treatment strategy. Several compounds targeting MELK have been identified. Cancer associated kinases as drug targets are a very active area for research and development globally and kinase inhibitors are some of the best selling drugs in oncology, which include Imatinib, Sunitinib, Sorafenib and Erlotinib, whose annual global sales amount to billions. Much of the current focus is on the development of selective kinase inhibitors that hit specific targets in cancer cells and cause less toxicity associated with off-target effect. Aptose believes that the APTO-500 program can produce one of the first selective MELK inhibitor in development for cancer treatment and the market potential for this novel drug could exceed $1 billion annually. The APTO-500 program is in the discovery phase of development at the present time.

Large Molecule Program

The Company's large molecule program includes a molecule to target specific cell-surface receptors expressed in certain cancers expressing the Interleukin-17E receptor (IL-17ER). The molecule under development is IL-17E, which binds to IL-17ER to lead to targeted cell killing. IL-17E is also known to have activity in stimulating the anti-cancer properties of the immune system. IL-17E is a protein-based therapeutic in the pre-clinical stage of development. The Company is not currently developing IL-17E and is seeking to out-license the program.

In May 2012, Aptose entered into a global license with Genentech, a member of the Roche Group, in respect of certain patents owned by Genentech for IL-17E. Through this license, Genentech granted to Aptose the rights to develop IL-17E as a treatment for a large number of cancers on a global basis.

In June 2012, the Canadian Intellectual Property Office issued Aptose's patent for IL-17E which protects the use of IL-17E to treat cancer, including many different solid tumors such as colon, breast, ovarian, pancreatic, and lung cancers as well as melanoma, until 2026.

In August 2012, the National Research Council of Canada Industrial Research Assistance Program ("**NRC-IRAP**") awarded funding to Aptose to support development of IL-17E for cancer therapy. The $50,000 non-repayable contribution from NRC-IRAP was used for a pilot development project to manufacture IL-17E, which was carried out by researchers at the National Research Council who have extensive experience in the development, recovery and purification of recombinant proteins and peptides produced by different expression systems.

In December 2012, Aptose presented new data at the 2012 American Association for Cancer Research ("**AACR**") Tumor Immunology: Multidisciplinary Science Driving Basic and Clinical Advances Conference. The presentation provided an overview of recent preclinical studies conducted by Aptose to assess the anticancer activity and safety of IL-17E. The studies show that IL-17E significantly inhibits the growth of colon and melanoma cancers in animal models, with no apparent signs of toxicity. The animal models used provide both a more complete assessment of the safety of IL-17E, and confirmation of the efficacy of IL-17E in animal models at safe doses. This is essential information for Aptose's strategy to bring IL-17E into clinical studies to treat human cancers.

In January 2013, the United States Patent and Trademark Office issued Aptose the U.S. patent protecting methods of treating cancer with IL-17E, both alone and in combination with anticancer therapy drugs including gemcitabine, paclitaxel, docetaxel, erlotinib, cisplatin, and bevacizumab. The patent covers the treatment of a wide range of cancers, including breast, lung, colon, pancreatic, gastric and ovarian tumors, as well as melanoma. Patents with similar protection for IL-17E are pending in Canada and Europe.

IL-17E is not currently being developed by Aptose as we are primarily focusing on APTO-253 at the present time.

BUSINESS OF THE COMPANY

Strategic Review Process

On September 12, 2013, the Company formed a special committee composed of independent directors to review strategic alternatives available to the Company and secure the long-term financial and operational sustainability of the Company with a view to enhance shareholder value (the "**Special Committee**"). On October 28, 2013, the Special Committee, after having considered and reviewed a number of options, concluded its review. The Special Committee recommended that the board of directors of Aptose (the "**Board**") approve the appointments of William G. Rice, Ph.D. as Chief Executive Officer and Chairman of the Board and of Daniel D. Von Hoff, M.D., to serve as a special advisor to fulfill the functions of the Company's Senior Vice President of Medical Affairs. Additionally, on October 29, 2013, Brian Druker, M.D. was appointed as the Chair of the Company's newly formed Scientific Advisory Board.

Changes in Management

On October 28, 2013, William G. Rice, Ph.D., was appointed as Chief Executive Officer and Chairman of the Board while Dr. Aiping Young continued as President and Chief Operating Officer of the Company until she departed the Company on March 18, 2014. Aptose also appointed Daniel D. Von Hoff, M.D., to serve as a special advisor to fulfill the functions of the Company's Senior Vice President of Medical Affairs. Dr. Von Hoff is an independent contractor and advisor but is not an employee of Aptose. The Board, after receiving the recommendation of the Special Committee, unanimously approved the appointments. In doing so, the Board determined that such appointments were in the best interest of Aptose, as they were considered to enhance the management team and advisory team with the addition of two seasoned and experienced biotechnology executives bringing extensive clinical development and capital raising experience and improving the awareness and presence of the Company in the United States. On April 10, 2014, Dr. Rice was additionally appointed as President of the Company.

On October 29, 2013, Brian Druker, M.D., was appointed as the Chair of the Company's Scientific Advisory Board. Like Dr. Von Hoff, Dr. Druker is an independent contractor and advisor but not an employee of Aptose.

On December 2, 2013, Avanish Vellanki was appointed as Chief Business Officer of the Company, to manage global business development, licensing and corporate strategy, and Gregory K. Chow was appointed as Chief Financial Officer, with responsibility for corporate finance and accounting functions for the Company. On April 10, 2014, Messrs. Vellanki and Chow were additionally appointed as Senior Vice Presidents of the Company.

On September 8, 2014, Stephen B. Howell was appointed Chief Medical Officer of the Company.

Name and year end change

On September 2, 2014, we announced that we had changed our name to Aptose Biosciences Inc. from the previous name of Lorus Therapeutics Inc. The new name reflects our new focus and clinical-stage pipeline strategy, as an oncology research and development organization advancing new therapeutics and molecular diagnostics based on insights into the genetic profiles of certain cancers and patient populations. Our lead product, APTO-253 (formerly LOR-253) exerts its antitumor effects by activating a key apoptotic pathway in tumor cells. The term "apoptosis" represents the innate self-killing capacity of cells triggered upon the onset of cellular damage, and cancer cells employ various mechanisms to avoid apoptosis. For these reasons, "apoptosis" is the intuitive root of the name of "Aptose Biosciences." In addition, our stated goal with respect to the name change is to align the product portfolio and product development with the strategic course set by its new management team.

Effective July 17, 2014, we changed our fiscal year end from May 31 to December 31. As a result of that change the current period is for the seven months ended December 31, 2014 while the prior year comparative period is for the twelve months ended May 31, 2014 and therefore not directly comparable to the current seven month period.

Reverse Stock Split

On October 1, 2014, Aptose filed articles of amendment to give effect to the reverse stock split (consolidation) of its Common Shares on the basis of one post-consolidation Common Share for each 12 pre-consolidation Common Shares (the "**Reverse Stock Split**"). The number of Common Shares outstanding as of the time of the announcement was 139,324,451. The number of Common Shares outstanding immediately following the Reverse Stock Split was 11,610,402.

NASDAQ listing

On October 21, 2014, Aptose announced that its Common Shares were approved for listing on NASDAQ under the symbol "APTO" and began trading on NASDAQ on October 23, 2014. Aptose has retained its listing on the TSX under the symbol "APS".

Financial Strategy

To meet our future financing requirements, we intend to finance our operations through some or all of the following methods: public or private equity financings, collaborative and licensing agreements. We intend to pursue financing opportunities as they arise. See "Item 3. Key Information—D. Risk Factors" above.

April 2014 Public Offering

In April 2014, we completed a public offering in Canada and a simultaneous private placement in the United States of Common Shares. Aptose issued 4,708,334 (56,500,000 pre-consolidation) Common Shares at a purchase price of $6.00 ($0.50 pre-consolidation) per Common Share including 541,667 (6,500,000 pre-consolidation) Common Shares pursuant to the partial exercise of an over-allotment option, for aggregate gross proceeds of $28,250,000. The total costs associated with the transaction were approximately $2,665,914 which includes a cash commission of $1,977,500 based on 7% of the gross proceeds received as part of the offering.

Mr. Sheldon Inwentash and his joint actors ("**Mr. Inwentash**"), a former related party of Aptose by virtue of exercising control or direction over more than 10% of the Common Shares of Aptose, participated in this offering and acquired an aggregate of 108,333 (1,300,000 pre-consolidation) Common Shares.

December 2013 Public Offering

On December 10, 2013, we completed a public offering of Common Shares. Aptose issued a total of 1,060,833 (12,730,000 pre-consolidation) Common Shares at a price of $6.60 ($0.55 pre-consolidation) per Common Share, for aggregate gross proceeds of $7,001,500 from this offering.

The total costs associated with the transaction were approximately $999,440 which includes a cash commission of $420,090 based on 6% of the gross proceeds received as part of the offering, and the issuance of 73,198 (878,370 pre-consolidation) broker warrants with an estimated fair value of $349,592 using the Black-Scholes model. Each broker warrant is exercisable into one Common Share of the Company at a price of $6.60 ($0.55 pre-consolidation) for a period of twenty four months following closing of the offering.

Mr. Inwentash, a former related party of the Company by virtue of exercising control or direction over more than 10% of the Common Shares of the Company participated in this offering and acquired an aggregate of 151,667 (1,820,000 pre-consolidation) Common Shares.

On January 8, 2014, the underwriters conducting the offering exercised in full their over-allotment option to purchase an additional 159,125 (1,909,500 pre-consolidation) Common Shares of the Company at a price of $6.60 ($0.55 pre-consolidation) per Common Share for additional gross proceeds of $1,050,225. The total costs associated with the exercise of the over-allotment option were approximately $125,612 based on 6% of the gross proceeds received as part of the exercise of the over-allotment option, and the issuance of 9,548 (114,570 pre-consolidation) broker warrants with an estimated fair value of $45,599 using the Black-Scholes model. Each broker warrant is exercisable into one Common Share of the Company at a price of $6.60 ($0.55 pre-consolidation) for a period of twenty four months following the closing of the over-allotment option exercise.

Fiscal 2014 Warrant Exercises

During the seven months ended December 31, 2014, 1,231,000 Common Share purchase warrants were exercised for proceeds of $6,648,000.

Warrants exercised during the seven months ended December 31, 2014:

(in thousands)	Number	Proceeds
August 2011 warrants (i)	8	$ 48
June 2013 private placement warrants (ii)	1,223	$ 6,600
Total	1,231	$ 6,648

Summary of outstanding warrants:

(in thousands)	Number
August 2011 warrants (i)	89
June 2013 private placement warrants (ii)	47
December 2013 broker warrants (iii)	73
Number of warrants outstanding, end of period	209

(i) August 2011 warrants are exercisable into Common Share of Aptose at a price per share of $5.40 ($0.45 pre-consolidation) and expire in August 2016. During the seven months ended December 31, 2014, 8,749 warrants were exercised. In August 2013, 16,126 broker warrants associated with this transaction expired unexercised.

(ii) June 2013 private placement warrants are exercisable into Common Shares of Aptose at a price per share of $3.00 ($0.25 pre-consolidation) and expire in June 2015.

(iii) December 2013 broker warrants are exercisable into Common Shares of Aptose at a price per share of $6.60 ($0.55 pre-consolidation) and expire in December 2015.

June 2013 Promissory Notes and Warrants

In June 2013, we completed a private placement of units at a price of $1,000 per unit, for aggregate gross proceeds of $918,000. Each unit consisted of (i) a $1,000 principal amount of unsecured promissory note and (ii) 1,000 Common Share purchase warrants. The promissory notes bore interest at a rate of 10% per annum, payable monthly and were due June 19, 2014. Each warrant entitled the holder to purchase one Common Share of Aptose at a price per Common Share equal to $3.00 ($0.25 pre-consolidation) at any time until June 19, 2015.

Certain related parties participated in the transaction. Directors and officers (including Dr. Aiping Young, Dr. Jim Wright and Dr. Mark Vincent) acquired an aggregate of $68,000 of the promissory notes. Mr. Inwentash acquired $100,000 of the promissory notes. These notes and any interest accrued thereon were repaid in full in April 2014.

September 2013 Convertible Promissory Notes

In September 2013, we completed a private placement of convertible promissory notes for aggregate gross proceeds of $600,000. Each convertible promissory note consists of a $1,000 principal amount of unsecured promissory note convertible into Common Shares of the Company at a price per share of $3.60 ($0.30 pre-consolidation). The promissory notes bear interest at a rate of 10% per annum, payable quarterly and are due September 26, 2015. Mr. Inwentash acquired $150,000 of the promissory notes.

At December 31, 2014, $162,500 of the convertible promissory notes had been converted into Common Shares of the Company.

September 2013 Loans payable

In September 2013, we entered into loan agreements for proceeds of $150,000. The loan agreements were unsecured, bore interest at a rate of 10% per annum payable quarterly and were due September 30, 2015. We repaid the loans and all accrued and unpaid interest thereon on April 25, 2014.

June 2012 Private Placement

In June 2012, we completed a private placement of 1,718,750 (20,625,000 pre-consolidation) units at a subscription price of $3.84 ($0.32 pre-consolidation) per unit and each unit consisted of one Common Share and one Common Share purchase warrant for gross proceeds to Aptose of $6,600,000. Each warrant was exercisable for a period of 24 months from the date of issuance at an exercise price of $5.40 ($0.45 pre-consolidation). We paid a cash finder's fee of $396,000 based on 6% of the gross proceeds of the private placement and issued 103,125 (1,237,500 pre-consolidation) finder's warrants at an exercise price of $3.84 ($0.32 pre-consolidation) each. Each finder's warrant was exercisable into units consisting of 103,125 (1,237,500 pre-consolidation) Common Shares and 103,125 (1,237,500 pre-consolidation) warrants.

August 2011 Unit Offering

In August 2011, we closed a public offering for gross proceeds of $2,193,600 whereby we issued 457,000 (5,484,000 pre-consolidation) Common Shares and 473,126 (5,677,515 pre-consolidation) warrants including broker warrants. Each warrant entitles the holder to purchase one Common Share for five years after the closing of the offering at an exercise price of $5.40 ($0.45 pre-consolidation). If on any date the 10-day volume weighted average trading price of the Common Shares on the TSX equals or exceeds 200% of the $5.40 ($0.45 pre-consolidation) exercise price, then upon sending the holders of warrants written notice of and issuing a news release announcing such accelerated exercise date, the warrants shall only be exercisable for a period of 30 days following the date of notice.

Agreements

Manufacturing Agreements

We currently rely upon Contract Manufacturing Organizations (CMO's) for the manufacture of our drug candidates. The CMO's manufacture clinical material according to current Good Manufacturing Practices, (GMPs,). Prior to manufacturing, the CMO's are approved by our quality assurance department staff, after having conducted audits to ensure such manufacturers meet the requirements of the relevant regulatory authorities.

Manufactured product for clinical purposes is tested for conformance with product specifications prior to release. GMP batches of our drug candidates are subjected to prospectively designed stability test protocols.

License Agreements

Genentech Inc.

The Company holds a non-exclusive license from Genentech Inc. ("**Genentech**") to certain patent rights to develop and sub-license a specified polypeptide. In consideration of the license, the Company paid an upfront amount and could be required to pay to Genentech additional milestones and royalties on sales. The initial amount paid upfront was a one-time non-creditable, non-refundable fee which was immaterial to the Company. The aggregate milestone amounts payable under the agreement total $2,325,000. Additionally, the Company is obligated to make royalty payments after the first commercial sale of the polypeptide within a range of 1% to 5% on a country by country basis on an aggregate worldwide scale of net sales. No milestone or royalty payments under this agreement have become due and the Company does not expect to make any milestone or royalty payments under this agreement during the fiscal year ending December 31, 2015. The Company cannot reasonably predict when such royalties will become payable, if at all. The agreement will terminate upon the expiration of the last patent, which is expected to be in 2020. The agreement may be terminated (i) by the Company for any reason upon 60 days prior written notice to Genentech or (ii) by Genentech for any material breach of the agreement by the Company, provided that the Company has the option to cure such breach within 30 days following written notice by Genentech.

Collaboration Agreements

Elanco

In April 2013, Aptose entered into a research and license option agreement with Elanco, the animal health division of Eli Lilly and Company, to investigate a new proprietary series of Aptose's compounds for veterinary medicine. Pursuant to the agreement, Elanco agreed to fund the research program and was granted an exclusive option to license from Aptose our worldwide rights for selected compounds for veterinary use; the terms of which will be negotiated if the option is exercised by Elanco. Aptose retains the rights to develop and commercialize these compounds for human use and intends to use the animal data from the collaboration as a basis for a partnership with a third party to develop the technology for the treatment of patients with cancer. Lead optimization is underway and the next goal is to identify a clinical drug candidate that can be developed for both human and animal use.

Other

From time to time, we enter into other research and technology agreements with third parties under which research is conducted and monies expended. These agreements outline the responsibilities of each participant and the appropriate arrangements in the event the research produces a product candidate.

Deferred Share Unit Plan

As at December 31, 2014, no deferred share units under the deferred share unit plan of the Company (the **DSU Plan**") were outstanding (May 31, 2014 – nil).

Intellectual Property and Protection of Confidential Information and Technology

We believe that our issued patents and pending applications are important in establishing and maintaining a competitive position with respect to our products and technology.

Small Molecule

We have been issued 21 patents and have 10 pending patents worldwide for our in-house small molecules. These patents cover APTO-253 composition of matter and methods of treating different cancers with APTO-253, including solid tumors and leukemia. Composition of matter patents expire in 2028 in the United States and 2026 in other countries. Our patents also include several compounds that are similar to APTO-253, which provide protection from competitors seeking to develop anticancer products that are related in chemical structure to APTO-253.

Large Molecule

We have three issued patents for our IL-17E immunotherapy program. The patents, which expire in 2026, cover methods of treating cancer with IL-17E. Specific cancers listed in the patents include colon, breast, ovarian, cervical, lung gastric and prostate tumors. Aptose has entered into a license agreement with Genentech, which provides Aptose the right to use Genentech's IL-17E composition of matter patent for anticancer uses, as described above under License Agreements.

Risks Relating to Intellectual Property

Our pending patent applications may not result in issued patents and our issued patents may not be held valid and enforceable if challenged. Competitors may be able to circumvent any such issued patents by adoption of a competitive, though non-infringing product or process. Interpretation and evaluation of pharmaceutical or biotechnology patent claims present complex and often novel legal and factual questions. Our business could be adversely affected by increased competition in the event that any patent granted to it is held to be invalid or unenforceable or is inadequate in scope to protect our operations.

While we believe that our products and technology do not infringe proprietary rights of others, third parties may assert infringement claims in the future and such claims could be successful. Even if challenges are unsuccessful, we could incur substantial costs in defending ourselves against patent infringement claims brought by others or in prosecuting suits against others. In addition, others may obtain patents that we would need to license, which may not be available to us on reasonable terms. Whether we are able to obtain a necessary license would depend on the terms offered, the degree of risk of infringement and the need for the patent.

Until such time, if ever, that further patents are issued to us, we will rely upon the law of trade secrets to the extent possible given the publication requirements under international patent treaty laws and/or requirements under foreign patent laws to protect our technology and our products incorporating the technology. In this regard, we have adopted certain confidentiality procedures. These include: limiting access to confidential information to certain key personnel; requiring all directors, officers, employees and consultants and others who may have access to our intellectual property to enter into confidentiality agreements which prohibit the use of or disclosure of confidential information to third parties; and implementing physical security measures designed to restrict access to such confidential information and products. Our ability to maintain the confidentiality of our technology is crucial to our ultimate possible commercial success. The procedures adopted by us to protect the confidentiality of our technology may not be effective, third parties may gain access to our trade secrets or disclose our confidential technology. Further, by seeking patent protection in various countries, it is inevitable that a substantial portion of our technology will become available to our competitors, through publication of such patent applications.

Regulatory Strategy

Our overall regulatory strategy is to work with the appropriate government departments which regulate the use and sale of therapeutic drug products. This includes Health Canada in Canada, the Food and Drug Administration in the United States, the European Medicines Agency in Europe, and other local regulatory agencies with oversight of preclinical studies, clinical trials and marketing of therapeutic products. Where possible, we intend to take advantage of opportunities for accelerated development of drugs designed to treat rare and serious or life-threatening diseases. We also intend to pursue priority evaluation of any application for marketing approval filed in Canada, the United States or the European Union and to file additional drug applications in other markets where commercial opportunities exist. We may not be able to pursue these opportunities successfully.

Revenues

The Company has not earned substantial revenues from its drug candidates and is therefore considered to be in the development stage.

Employees

As at December 31, 2014, we employed 18 full-time persons and 3 part-time persons in research and drug development and administration activities. Among our employees, 2 hold Ph.D.'s, 1 holds a DVM degree and numerous others hold degrees and designations such as MSc, BSc, CPA (CA), CPA (California) and MBA. To encourage a focus on achieving long-term performance, employees and members of the Board have the ability to acquire an ownership interest in the Company through Aptose's share option and alternate compensation plans. See Item 6.B – Compensation.

None of our employees are unionized, and we consider our relations with our employees to be good.

Office Facilities

Our head office, which occupies 20,500 square feet, is located at 2 Meridian Road, Toronto, Ontario. The leased premises include approximately 8,000 square feet of laboratory and research space. Our current lease expires on March 31, 2015 and we entered into a lease for new office facilities in Toronto as described below.

We entered into a lease agreement for office space, located at 12770 High Bluffs Drive, San Diego, California which occupies approximately 2,204 square feet. This leased premise is used for administrative purposes only. This lease expires in January 2020.

In January 2015, the Company entered into a two year lease for laboratory facility space in San Diego and in February 2015 the Company entered into a five year lease facility in Toronto for office space and a one year agreement for laboratory space. The combined annual cost for these new locations is expected to be $300 thousand per year.

Competition

The biotechnology and pharmaceutical industries are characterized by rapidly evolving technology and intense competition. There are numerous companies in these industries that are focusing their efforts on activities similar to ours. Some of these are companies with established positions in the pharmaceutical industry and may have substantially more financial and technical resources, more extensive research and development capabilities, and greater marketing, distribution, production and human resources than Aptose. In addition, we face competition from other companies for opportunities to enter into partnerships with biotechnology and pharmaceutical companies and academic institutions.

Competition with our potential products may include chemotherapeutic agents, monoclonal antibodies, antisense therapies, small molecules, immunotherapies, vaccines and other biologics with novel mechanisms of action. These drugs may kill cancer cells indiscriminately, or through a targeted approach, and some have the potential to be used in non-cancer indications. We also expect that we will experience competition from established and emerging pharmaceutical and biotechnology companies that have other forms of treatment for the cancers that we target, including drugs currently in development for the treatment of cancer that employ a number of novel approaches for attacking these cancer targets. Cancer is a complex disease with more than 100 indications requiring drugs for treatment. The drugs in competition with our potential drugs have specific targets for attacking the disease, targets which are not necessarily the same as ours. These competitive drugs, however, could potentially also be used together in combination therapies with our drugs to manage the disease. Other factors that could render our potential products less competitive may include the stage of development, where competitors' products may achieve earlier commercialization, as well as superior patent protection, better safety profiles, or a preferred cost-benefit profile.

Government Regulation

Overview

Regulation by government authorities in Canada, the United States, and the European Union is a significant factor in our current research and drug development activities. To clinically test, manufacture and market drug products for therapeutic use, we must satisfy the rigorous mandatory procedures and standards established by the regulatory agencies in the countries in which we currently operate or intend to operate.

The laws of most of these countries require the licensing of manufacturing facilities, carefully controlled research and the extensive testing of products. Biotechnology companies must establish the safety and efficacy of their new products in clinical trials; they must establish current GMP(s) and control over marketing activities before being allowed to market a product. The safety and efficacy of a new drug must be shown through human clinical trials of the drug carried out in accordance with the mandatory procedures and standards established by regulatory agencies.

The process of completing clinical trials and obtaining regulatory approval for a new drug takes a number of years and requires the expenditure of substantial resources. Once a new drug or product license application is submitted, regulatory agencies may not review the application in a timely manner and may not approve the product. Even after initial approval has been obtained, further studies, including post-marketing studies, may be required to provide additional data on efficacy and safety necessary to confirm the approved indication or to gain approval for the use of the new drug as a treatment for clinical indications other than those for which the new drug was initially tested. Also, regulatory agencies require post-marketing surveillance programs to monitor a new drug's side effects and safety. Results of post-marketing programs may limit or expand the further marketing of new drugs. A serious safety or effectiveness problem involving an approved new drug may result in a regulatory agency requiring withdrawal of the new drug from the market and possible civil action. It is possible that we could encounter such difficulties or excessive costs in our efforts to secure necessary approvals, which could delay or prevent us from manufacturing or marketing our products.

In addition to the regulatory product approval framework, biotechnology companies, including Aptose, are subject to regulation under local, provincial, state and federal law, including requirements regarding occupational safety, laboratory practices, environmental protection and hazardous substance control, and may be subject to other present and future local, provincial, state, federal and foreign regulation, including possible future regulation of the biotechnology industry.

Regulation in Canada

In Canada, the manufacture and sale of new drugs are controlled by Health Canada. New drugs must pass through a number of testing stages, including pre-clinical testing and human clinical trials. Pre-clinical testing involves testing the new drug's chemistry, pharmacology and toxicology *in vitro* and *in vivo*. Successful results (that is, potentially valuable pharmacological activity combined with an acceptable low level of toxicity) enable the developer of the new drug to file a clinical trial application to begin clinical trials involving humans.

To study a drug in Canadian patients, a clinical trial application submission must be filed with Health Canada. The clinical trial application submission must contain specified information, including the results of the pre-clinical tests completed at the time of the submission and any available information regarding use of the drug in humans. In addition, since the method of manufacture may affect the efficacy and safety of a new drug, information on manufacturing methods and standards and the stability of the drug substance and dosage form must be presented. Production methods and quality control procedures must be in place to ensure an acceptably pure product, essentially free of contamination, and to ensure uniformity with respect to all quality aspects.

In addition, all federally regulated trials must be approved and monitored by an independent committee of doctors, scientists, advocates and others to ensure safety and ethical standards. These committees are called Institutional Review Boards ("**IRBs**") or Ethics Review Boards ("**ERBs**"). The review boards study and approve all study-related documents before a clinical trial begins and also carefully monitor data to detect benefit or harm, and validity of results.

Provided Health Canada does not reject a clinical trial application submission and IRB or ERB approval has been obtained, clinical trials can begin. Clinical trials for product candidates in Canada, as in the U.S. generally are carried out in three phases. Phase I involves studies to evaluate toxicity and ideal dose levels in healthy humans. The new drug is administered to human patients who have met the clinical trial entry criteria to determine pharmacokinetics, human tolerance and prevalence of any adverse side effects. Phases II and III involve therapeutic studies. In Phase II, efficacy, dosage, side effects and safety are established in a small number of patients who have the disease or disorder that the new drug is intended to treat. In Phase III, there are controlled clinical trials in which the new drug is administered to a large number of patients who are likely to receive benefit from the new drug. In Phase III, the effectiveness of the new drug in patients is compared to that of standard accepted methods of treatment in order to provide sufficient data for the statistical proof of safety and efficacy for the new drug.

If clinical studies establish that a new drug has value, the manufacturer submits a new drug submission application to Health Canada for marketing approval. The new drug submission contains all information known about the new drug, including the results of pre-clinical testing and clinical trials. Information about a substance contained in new drug submission includes its proper name, its chemical name, and details on its method of manufacturing and purification, and its biological, pharmacological and toxicological properties. The new drug submission also provides information about the dosage form of the new drug, including a quantitative listing of all ingredients used in its formulation, its method of manufacture, manufacturing facility information, packaging and labelling, the results of stability tests, and its diagnostic or therapeutic claims and side effects, as well as details of the clinical trials to support the safety and efficacy of the new drug. Furthermore, for biological products, an on-site evaluation is completed to assess the production process and manufacturing facility. It is required prior to the issuance of a notice of compliance. All aspects of the new drug submission are critically reviewed by Health Canada. If a new drug submission is found satisfactory, a notice of compliance is issued permitting the new drug to be sold for the approved use. In Canada, an establishment license must be obtained prior to marketing the product.

Health Canada has a policy of priority evaluation of new drug submissions for all drugs intended for serious or life-threatening diseases for which no drug product has received regulatory approval in Canada and for which there is reasonable scientific evidence to indicate that the proposed new drug is safe and may provide effective treatment.

The monitoring of a new drug does not cease once it is on the market. For example, a manufacturer of a new drug must report any new information received concerning serious side effects, as well as the failure of the new drug to produce desired effects. If Health Canada determines it to be in the interest of public health, a notice of compliance for a new drug may be suspended and the new drug may be removed from the market.

A post surveillance program involves clinical trials conducted after a drug is marketed (referred to as Phase IV studies in the United States) and is an important source of information on as yet undetected adverse outcomes, especially in populations that may not have been involved in the premarketing trials (e.g., children, the elderly, pregnant women) and the drug's long-term morbidity and mortality profile. Regulatory authorities may require companies to conduct Phase IV studies as a condition of market approval. Companies often conduct post-marketing studies in the absence of a regulatory mandate.

An exception to the foregoing requirements relating to the manufacture and sale of a new drug is the limited authorization that may be available in respect of the sale of new drugs for emergency treatment. Under the special access program, Health Canada may authorize the sale of a quantity of a new drug for human use to a specific practitioner for the emergency treatment of a patient under the practitioner's care. Prior to authorization, the practitioner must supply Health Canada with information concerning the medical emergency for which the new drug is required, such data as is in the possession of the practitioner with respect to the use, safety and efficacy of the new drug, the names of the institutions at which the new drug is to be used and such other information as may be requested by Health Canada. In addition, the practitioner must agree to report to both the drug manufacturer and Health Canada the results of the new drug's use in the medical emergency, including information concerning adverse reactions, and must account to Health Canada for all quantities of the new drug made available.

The Canadian regulatory approval requirements for new drugs outlined above are similar to those of other major pharmaceutical markets. While the testing carried out in Canada is often acceptable for the purposes of regulatory submissions in other countries, individual regulatory authorities may request supplementary testing during their assessment of any submission. Therefore, the clinical testing conducted under Health Canada authorization or the approval of regulatory authorities of other countries may not be accepted by regulatory authorities outside Canada or other countries.

Regulation in the United States

In the United States, the FDA controls the manufacture and sale of new drugs. New drugs require FDA approval of a New Drug Application prior to commercial sale. In the case of certain biological products, a Biological License Application must be obtained prior to marketing and batch releasing. As in Canada, to obtain marketing approval, data from adequate and well-controlled human clinical trials, demonstrating to the FDA's satisfaction a new drug's safety and effectiveness for its intended use, are required. Data are generated in studies conducted pursuant to an IND submission, similar to that required for a clinical trial application in Canada. As in Canada, clinical studies are characterized as Phase I, Phase II and Phase III trials or a combination thereof. In a marketing application, the manufacturer must also demonstrate the identity, potency, quality and purity of the active ingredients of the new drug involved, and the stability of those ingredients. Further, the manufacturing facilities, equipment, processes and quality controls for the new drug must comply with the FDA's current Good Manufacturing Practice regulations for drugs or biological products both in a pre-licensing inspection before product licensing and in subsequent periodic inspections after licensing. An establishment license grants the sponsor permission to fabricate, package, label, distribute, import, wholesale or test of the newly approved drug.

The above describes briefly what is necessary for a new drug to be approved for marketing in North America. The European Medicines Agency and Japanese Pharmaceuticals and Medical Devices Agency are also important regulatory authorities in drug development. Together with the FDA, they are the three International Conference on Harmonization parties which oversee the three largest markets for drug sales.

C. ***Organizational structure.***

Old Lorus was incorporated under the *Business Corporations Act* (Ontario) on September 5, 1986 under the name RML Medical Laboratories Inc. On October 28, 1991, RML Medical Laboratories Inc. amalgamated with Mint Gold Resources Ltd., resulting in Old Lorus becoming a reporting issuer (as defined under applicable securities law) in Ontario, on such date. On August 25, 1992 Old Lorus changed its name to IMUTEC Corporation. On November 27, 1996, Old Lorus changed its name to Imutec Pharma Inc., and on November 19, 1998, Old Lorus changed its name to Lorus Therapeutics Inc. On October 1, 2005, Old Lorus continued under the *Canada Business Corporations Act*.

On the Arrangement Date, Old Lorus completed a plan of arrangement and corporate reorganization with, among others, New Lorus, 6707157 Canada Inc. and Pinnacle International Lands, Inc. As a result of the plan of arrangement and reorganization, each Common Share of Old Lorus was exchanged for one Common Share of New Lorus. New Lorus continued the business of Old Lorus after the Arrangement Date with the same officers and employees and continued to be governed by the same board of directors as Old Lorus prior to the Arrangement Date.

On August 28, 2014 New Lorus changed its name from Lorus Therapeutics Inc. to Aptose Biosciences Inc. and on October 1, 2014 we consolidated our outstanding Common Shares on the basis of one post-consolidation Common Share for each twelve pre-consolidation Common Shares.

The address of the Company's head and registered office is 2 Meridian Road, Toronto, Ontario, Canada, M9W 4Z7 and our phone number is (416) 798-1200. Our corporate website is www.aptose.com. The contents of the website and items accessible through the website are specifically not incorporated in this Transition Report by reference.

Aptose has two subsidiaries: NuChem, a company incorporated under the laws of Ontario, Canada, and Aptose USA, a company incorporated under the laws of Delaware, USA. Aptose owns 80% of the issued and outstanding voting share capital of NuChem and 100% of the issued and outstanding voting share capital of Aptose USA. NuChem has limited activity and the non-controlling interest is not material to the consolidated financial statements of the Company. Aptose USA was incorporated in April 2014 and did not have any activity during the seven months ended December 31, 2014.

Our Common Shares are listed on the TSX under the symbol "APS" and on NASDAQ under the symbol "APTO."

D. ***Property, plant and equipment.***

Our head office, which occupies 20,500 square feet, is located at 2 Meridian Road, Toronto, Ontario. The leased premises include approximately 8,000 square feet of laboratory and research space. Our current lease expires on March 31, 2015 and we have entered into a new lease for office facilities in Toronto as described below..

The lease of the current Toronto location contains certain restoration commitments which the Company will need to comply with upon the end of the March 31, 2015 lease. The Company has recorded a provision of $300 thousand as its current estimate of these costs.

We entered into a lease agreement for office space, located at 12770 High Bluffs Drive, San Diego, California which occupies approximately 2,204 square feet. This leased premise is used for administrative purposes only. This lease expires in January 2020.

In January 2015, the Company entered into a two year lease for laboratory facility space in San Diego and in February 2015 the Company entered into a five year lease facility in Toronto for office space and a one year agreement for laboratory space. The combined annual cost for these new locations is expected to be $300 thousand per year.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

A. ***Operating results.***

Please see our Management's Discussion and Analysis for the seven months ended December 31, 2014 in Exhibit 15.1, which is incorporated herein by reference.

B. ***Liquidity and capital resources.***

Please see our Management's Discussion and Analysis for the seven months ended December 31, 2014 in Exhibit 15.1, which is incorporated herein by reference.

C. ***Research and development, patents and licenses, etc.***

Certain information concerning research and development and intellectual property is set forth in Item 4, "Information on the Company".

D. ***Trend information.***

We have a history of operating losses and have not been profitable since our inception in 1986. We expect to continue to incur losses for at least the next several years as we and our collaborators and licensees pursue clinical trials and research and development efforts. See "Item 3. Key Information—D. Risk Factors" above.

E. ***Off-balance sheet arrangements.***

As at December 31, 2014, we had not entered into any off-balance sheet arrangements.

F. ***Tabular disclosure of contractual obligations.***

As December 31, 2014

(In thousands)	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Operating lease obligations	$ 622	$ 150	$ 224	$ 248	$ nil

The Company's current facility lease expires in March 2015.

In January 2015, the Company entered into a two year lease for laboratory facility space in San Diego and in February 2015 the Company entered into a five year lease facility in Toronto for office space and a one year agreement for laboratory space. The combined annual cost for these new locations is expected to be $300 thousand per year.

The lease of the current Toronto location contains certain restoration commitments with which the Company will need to comply before the end of the lease on March 31, 201. The Company has recorded a provision of $300 thousand as its current estimate of these costs.

We hold a non-exclusive license from Genentech Inc. to certain patent rights to develop and sub-license a certain polypeptide. We do not expect to make any milestone or royalty payments under this agreement in the fiscal year ending December 31, 2015, and cannot reasonably predict when such milestones and royalties will become payable, if at all.

On July 10, 2007, we completed a plan of arrangement and corporate reorganization with Old Lorus. As part of the arrangement, we agreed to indemnify Old Lorus and its directors, officers and employees from and against all damages, losses, expenses (including fines and penalties), other third party costs and legal expenses, to which any of them may be subject arising out of the arrangement. We recorded a liability of $50,000, which we believe to be a reasonable estimate of the fair value of the obligation for the indemnifications provided as at December 31, 2014. There have been no claims on this indemnification to date.

G. Safe Harbor

Please see "Forward Looking Statements" beginning on page 1 above.

Item 6. Directors, Senior Management and Employees

A. *Directors and senior management.*

The following table and notes thereto provide the name, province or state and country of residence, positions with the Company and term of office of each person who serves as a director or executive officer of Aptose as at the date hereof.

Each director has been elected or appointed to serve until the next annual meeting or until a successor is elected or appointed. We have an Audit Committee, a Corporate Governance and Nominating Committee and a Compensation Committee, the members of each such committee are shown below.

As at December 31, 2014, our directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control over, approximately 8,499 Common Shares or approximately 0.1% of our outstanding Common Shares.

Name and Province/State and Country of Residence	Position	Director or Officer Since
Directors:		
Dr. Denis Burger[1][2] Oregon, United States	Director	September 2007
Dr. Brad Thompson[1][2][3] Alberta, Canada	Director	June 2013
Dr. Mark Vincent[3] Ontario, Canada	Director	September 2007
Warren Whitehead[1] Ontario, Canada	Director	April 2011
Dr. William Rice California, USA	Chairman	October 2013
Dr. Erich Platzer[2] Switzerland	Director	December 2014
Officers:		
Dr. William Rice California, USA	President and Chief Executive Officer	October 2013
Gregory Chow California, USA	Senior Vice President and Chief Financial Officer	November 2013
Avanish Vellanki California, USA	Senior Vice President and Chief Business Officer	November 2013

(1) Member of Audit Committee.

(2) Member of the Compensation Committee.
(3) Member of the Corporate Governance and Nominating Committee.

The principal occupation and employment of each of the foregoing persons for the past five years is set forth below:

Dr. Denis Burger: Dr. Burger currently is the Chairman of AMES Devices, a medical device company. Dr. Burger co-founded Trinity Biotech plc, based in Dublin, Ireland, in June 1992 and acted as Chairman from 1992 to 1995 and now serves on the board of directors of the company. Dr. Burger was the past Chairman, Chief Executive Officer and a director of AVI Biopharma Inc., an Oregon based biotechnology company, from 1992 to March 2007. Dr. Burger is also a partner in Sovereign Ventures, a healthcare consulting and funding firm based in Portland, Oregon. Dr. Burger received his MSc and Ph.D. in Microbiology and Immunology from the University of Arizona. Dr. Burger also serves on the board of Biocurex Inc.

Dr. Erich Platzer: Dr. Platzer is a board certified physician in internal medicine, hematology and medical oncology. Previously, Dr. Platzer served as the business director of oncology, as well as the global strategic marketing and therapeutic area head of oncology at Roche, Basel. He was also the medical director in oncology and global development project leader and was responsible for various strategic corporate partnerships. Dr. Platzer is a director of Swiss Business Angel Groups, StartAngels and BioBAC, and has served as a pharmaceutical industry expert on the board of directors of multiple biotech companies in both the U.S. and Europe such as Probiodrug, AOT, Léman Micro Devices, Credentis, and Viroblock. Dr. Platzer co-founded and currently serves as an investment advisor to HBM Healthcare Investments (formerly HBM BioVentures), a global leader in healthcare investing. He has over 12 years of experience in academic medicine and research and was a key member of the team at MSKCC that purified human G-CSF in 1983 (recombinant form: Neupogen®). He earned his M.D. from the Medical School and the Institute of Clinical Immunology and Rheumatology of the University of Erlangen, where he also received his “Dr. med. habil.” (M.D., Ph.D.).

Dr. William Rice: Dr. Rice joined Aptose as Chairman and Chief Executive Officer in October 2013. Prior to joining Aptose, Dr. Rice served as the President, Chief Executive Officer and Chairman of the board of Cylene Pharmaceuticals, Inc., a private biotechnology company (“Cylene”). Prior to Cylene, Dr. Rice was the founder, President, Chief Executive Officer and Director of Achillion Pharmaceuticals, Inc. He also served as Senior Scientist and Head of the Drug Mechanism Laboratory at the National Cancer Institute-Frederick Cancer Research and Development Center, and served as a faculty member in the division of Pediatric Hematology and Oncology at Emory University School of Medicine. Dr. Rice received his Ph.D. from Emory University Department of Biochemistry. He continues to serve as the Chairman of the board of Cylene.

Dr. Brad Thompson: Dr. Thompson is an experienced biotechnology professional who has held the positions of Chairman of the Board and President and Chief Executive Officer of Oncolytics Biotech Inc. since April 1999. Prior to his role with Oncolytics Dr. Thompson was the Chief Executive Officer of Synsorb Biotech from 1994 to 1999. Dr. Thompson also currently is a board member of Immunovaccine Inc. He received his Ph.D. from the University of Western Ontario in the Department of Microbiology and Immunology.

Dr. Mark Vincent: Dr. Mark Vincent is a Professor of Oncology at the University of Western Ontario and a staff medical oncologist at the London Regional Cancer Program, where he has been since 1990. Dr. Vincent is also the co-founder and Chief Executive Officer of Sarissa, Inc. since 2000.

Mr. Warren Whitehead: Mr. Whitehead is a CPA (CMA) who has held senior financial management positions in several biotechnology and pharmaceutical companies. Currently he is the Chief Financial Officer of Amorfix Life Sciences Ltd. Prior to this, he served as Chief Financial Officer of ARIUS Research Inc., providing financial guidance and leadership during the acquisition of ARIUS by Roche in 2008. Prior to ARIUS, Mr. Whitehead was Chief Financial Officer at Labopharm Inc., where he completed a series of public equity financings and a listing on NASDAQ. He is currently the Chairman of the Board of Directors of PlantForm Corporation, a life sciences company that develops biosimilar antibody drugs for treatment of cancer and other critical illnesses.

Gregory Chow: Mr. Chow joined Aptose as Chief Financial Officer in December 2013. Previously, Mr. Chow served as Managing Director, Director of Private Placements at Wedbush Securities, where he led the private placement capital activities within the Life Sciences Investment Banking Group. Prior to joining Wedbush, he was a Director in the Private Placements / Equity Capital Markets Group at RBC Capital Markets, where he led life science private capital activities. Previously, he led the Private Capital Group at Wells Fargo Securities and was a Senior Auditor at BDO Seidman, LLP in their Century City, CA office. Mr. Chow is a Certified Public Accountant (inactive) in the State of California. Mr. Chow received his MBA in Finance from The Wharton School at the University of Pennsylvania, and his BA in Business Economics with an emphasis in Accounting from the University of California, Santa Barbara.

Avanish Vellanki: Mr. Vellanki became Aptose's Chief Business Officer in December 2013 , having most recently served as Senior Vice President, Investment Banking at Wedbush Securities focusing on the biotechnology sector. Prior to Wedbush Securities, Mr. Vellanki held the position of Senior Director of Corporate Development at Proteolix, Inc. (acquired by Onyx Pharmaceuticals), a biotechnology company focused on the development of oncology therapeutics. Previously, Mr. Vellanki served as Vice President in the Global Healthcare Investment Banking team at Citigroup's Global Healthcare Investment Banking, where he focused on large cap global biopharma strategic and financial advisory. Mr. Vellanki began his career at Bear Stearns as an equity research analyst covering the small/mid-cap biotechnology sector, and held the title of Vice President as a publishing analyst. Mr. Vellanki holds a BA from Carleton College, an MBS in Biochemistry from the University of Minnesota and MBA from the Carlson School of Management at the University of Minnesota.

There are no family relationships among the persons named above and there are no arrangements or understanding with major shareholders, customers, suppliers or others pursuant to which any person was selected as a director or member of senior management.

B. ***Compensation*.**

Summary of Executive Compensation

The following table details the compensation information for the seven month transition period ended December 31, 2014 of the Company, for the Chairman, President and Chief Executive Officer, Senior Vice President and Chief Financial Officer and the Senior Vice President and Chief Business Officer (" **Named Executive Officers**"). The figures are in Canadian dollars.

Name and Principal Position	7 month transition period ended December 31	Salary ($)	Share-based awards ($)	Option-based awards[2] ($)	Non-equity incentive plan compensation		Pension value ($)	All other compensation[9] ($)	Total compensation ($)
					Annual incentive plans[8] ($)	Long-term incentive plans ($)			
Dr. William G. Rice Chairman, President and Chief Executive Officer	2014	321,493[1]	N/A	1,868,145	141,217[1][3]	Nil	N/A	Nil	2,330,855
Mr. Gregory K. Chow Senior Vice President and Chief Financial Officer	2014	201,573[1]	N/A	381,345	81,525[1][3]	Nil	N/A	Nil	664,443
Mr. Avanish Vellanki Senior Vice President and Chief Business Officer	2014	201,573[1]	N/A	381,345	81,525[1][3]	Nil	N/A	Nil	664,443

(1) Dr. Rice, Mr. Chow and Mr. Vellanki are paid in US dollars. Amounts are shown in Canadian dollars translated from US dollars based on the exchange rates prevailing on the date of the transaction. The average exchange rate was $1USD = $1.09CDN.

(2) In determining the fair value of these option-based awards, the Black-Scholes valuation methodology was used with the following assumptions: (i) expected life of five years; (ii) volatility 120%; (iii) risk free interest rate of 1.5%; and (iv) no dividend yield**.** The Company has decided to use the Black-Scholes valuation methodology because it is equivalent to the option value reported in the Company's consolidated financial statements.

(3) Annual incentive amounts represent the expected portion of payment that will be made in fiscal 2015 allocated to the transition period. Set objectives will not be evaluated until May 31, 2015.

The following table details the compensation information for the last three fiscal years of the Company, for the Chairman, President and Chief Executive Officer, the Former President and Chief Operating Officer, the Senior Vice President and Chief Financial Officer and the Senior Vice President and Chief Business Officer. The figures are in Canadian dollars.

Name and Principal Position	Year ended May 31	Salary ($)	Share-based awards ($)	Option-based awards[2] ($)	Non-equity incentive plan compensation		Pension value ($)	All other compensation[9] ($)	Total compensation ($)
					Annual incentive plans[8] ($)	Long-term incentive plans ($)			
Dr. William G. Rice[3] Chairman, President and Chief Executive Officer	2014	266,806[10]	N/A	1,246,742	454,750[10]	Nil	N/A	26,839(10)	1,995,137
	2013	-	-	-	-	-	-	-	-
	2012	-	-	-	-	-	-	-	-
Dr. Aiping Young[4][5] Former President and Chief Operating Officer	2014	289,971	N/A[1]	Nil	Nil	Nil	N/A	1,087,929	1,377,900
	2013	352,937	N/A	443,100	128,416	Nil	N/A	Nil	924,453
	2012	349,334	304,200[1]	49,500	Nil	Nil	N/A	Nil	703,034
Mr. Gregory K. Chow[6] Senior Vice President and Chief Financial Officer	2014	125,925[10]	N/A	690,625	370,381[10]	Nil	N/A	19,234[10]	1,206,165
	2013	-	-	-	-	-	-	-	-
	2012	-	-	-	-	-	-	-	-
Mr. Avanish Vellanki[7] Senior Vice President and Chief Business Officer	2014	125,925[10]	N/A	690,625	370,381[10]	Nil	N/A	19,234[10]	1,206,165
	2013	-	-	-	-	-	-	-	-
	2012	-	-	-	-	-	-	-	-

(1) During the year ended May 31, 2012, 65,000 (780,000 pre-consolidation) deferred share units were issued to Dr. Young. The fair value of these deferred share units is marked to market and during the fiscal year ended May 31, 2014 the fair value had increased from $171,600 at May 31, 2013 to $444,600 as at April 30, 2014 resulting in an increase in value of $273,000 during the fiscal year ended May 31, 2014. The 780,000 deferred share units were redeemed by Dr. Young in consideration for 65,000 (780,000 pre-consolidation) Common Shares on April 30, 2014.

(2) In determining the fair value of these option-based awards, the Black-Scholes valuation methodology was used with the following assumptions: (i) expected life of five years; (ii) volatility of between 125 and 135%; (iii) risk free interest rate of between 1 and 3%; and (iv) no dividend yield**.** The Company has decided to use the Black-Scholes valuation methodology because it is equivalent to the option value reported in the Company's consolidated financial statements.

(3) Dr. Rice was named Chairman of the Board and Chief Executive Officer of the Company on October 28, 2013 and President of the Company on April 10, 2014.

(4) Dr. Young was named Chief Operating Officer on October 28, 2013. On this date, she was replaced as Chief Executive Officer by Dr. Rice. Dr. Young left the Company on March 18, 2014.

(5) Pursuant to the provisions of Dr. Young's termination agreement, 43,750 (525,000 pre-consolidation) unvested options vested as of April 22, 2014, and the total 110,417 (1,325,000 pre-consolidation) vested options held by Dr. Young as of April 22, 2014 will expire on March 18, 2015.

(6) Mr. Chow was named Chief Financial Officer on December 2, 2013 and Senior Vice President on April 10, 2014.

(7) Mr. Vellanki was named Chief Business Officer on December 2, 2013 and Senior Vice President on April 10, 2014.

(8) During the year one-time bonuses were paid to Named Executive Officers upon the completion of key financing milestones. These amounts were approved by the Board and have been included in the Annual Incentive Plan column.

(9) Other compensation for Dr. Rice, Mr. Chow and Mr. Vellanki relates to consulting fees paid to Named Executive Officers for services provided prior to employment. Other compensation paid to Dr. Young was pursuant to the provisions of Dr. Young's termination agreement.

(10) Dr. Rice, Mr. Chow and Mr. Vellanki are paid in US dollars. Amounts are shown in Canadian dollars translated from US dollars based on the exchange rates prevailing on the date of the transaction. The average exchange rate was $1USD = $1.07CDN.

Name and Principal Position	7 month transition period ended December 31	Salary ($)	Cash Bonus ($)	Other Annual Compensation ($)	Securities Under Options/SARs Granted (#)	All Other Compensation ($)
Dr. William G. Rice Chairman, President and Chief Executive Officer	2014	321,493(1)	141,217(1)(2)	Nil	396,129	Nil
Mr. Gregory K. Chow Senior Vice President and Chief Financial Officer	2014	201,573(1)	81,525(1)(2)	Nil	86,250	Nil
Mr. Avanish Vellanki Senior Vice President and Chief Business Officer	2014	201,573(1)	81,525(1)(2)	Nil	86,250	Nil

(1) Dr. Rice, Mr. Chow and Mr. Vellanki are paid in US dollars. Amounts are shown in Canadian dollars translated from US dollars based on the exchange rates prevailing on the date of the transaction. The average exchange rate was $1USD = $1.09CDN.

(2) Annual incentive amounts represent the expected portion of payment that will be made in fiscal 2015 allocated to the transition period. Set objectives will not be evaluated until May 31, 2015.

Name and Principal Position	Year Ended May 31,	Salary ($)	Cash Bonus(1)(6) ($)	Other Annual Compensation ($)	Securities Under Options/SARs Granted (#)	All Other Compensation(7) ($)
Dr. William G. Rice(2) Chairman, President and Chief Executive Officer	2014	266,806(8)	454,750(8)	Nil	245,833	26,839(8)
	2013	-	-	Nil	-	-
	2012	-	-	Nil	-	-
Dr. Aiping Young (3)(5)(6) Former President and Chief Operating Officer	2014	289,971	Nil	Nil	Nil	1,377,900
	2013	352,937	128,416	Nil	83,333	Nil
	2012	349,334	Nil	Nil	27,500	304,200
Mr. Gregory K. Chow(4) Senior Vice President and Chief Financial Officer	2014	125,925(8)	370,381(8)	Nil	106,250	19,234(8)
	2013	-	-	Nil	-	-
	2012	-	-	Nil	-	-
Mr. Avanish Vellanki(5) Senior Vice President and Chief Business Officer	2014	125,925(8)	370,381(8)	Nil	106,250	19,234(8)
	2013	-	-	Nil	-	-
	2012	-	-	Nil	-	-

(1) Cash bonuses are assessed by the Compensation Committee and approved by the Board based on corporate objectives. Bonuses for the year ended May 31, 2014 were paid in seven months ended December 31, 2014.

(2) Dr. Rice was named Chairman of the Board and Chief Executive Officer of the Company on October 28, 2013 and President of the Company on April 10, 2014.

(3) Dr. Aiping Young was named Chief Operating Officer on October 28, 2013. On this date, she was replaced as Chief Executive Officer by Dr.. Rice. Dr. Young left the Company on March 18, 2014.

(4) Mr. Chow was named Chief Financial Officer on December 2, 2013 and Senior Vice President on April 10, 2014.

(5) Mr. Vellanki was named Chief Business Officer on December 2, 2013 and Senior Vice President on April 10, 2014.

(6) During the year one-time bonuses were paid to Named Executive Officers upon the completion of key financing milestones. These amounts were approved by the Board and have been included in the Cash Bonus column.

(7) Other compensation for Dr. Rice, Mr. Chow and Mr. Vellanki relates to consulting fees paid to Named Executive Officers for services provided prior to employment. Other compensation paid to Dr. Young was pursuant to the provisions of Dr. Young's termination agreement.

(8) Dr. Rice, Mr. Chow and Mr. Vellanki are paid in US dollars. Amounts are shown in Canadian dollars translated from US dollars based on the exchange rates prevailing on the date of the transaction. The average exchange rate was $1USD = $1.07CDN.

Directors' Compensation

The following table details the compensation received by each director for the transition period ended December 31, 2014:

Name	Fees earned ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other Compensation ($)	Total ($)
Dr. Denis Burger	28,288	nil	nil	nil	nil	nil	28,288
Dr. Bradley Thompson	24,000	nil	nil	nil	nil	nil	24,000
Dr. Brian Underdown[3]	17,750	nil	nil	nil	nil	nil	17,750
Dr. Mark Vincent	22,500	nil	nil	nil	nil	nil	22,500
Mr. Warren Whitehead	25,000	nil	nil	nil	nil	nil	25,000
Dr. Jim Wright[1]	nil	nil	107,860	nil	nil	nil	107,860
Dr. Erich Platzer[2]	nil	nil	nil	nil	nil	nil	nil

Dr. Rice did not receive any compensation for his role as a director of the Company.

(1) Dr. Wright did not stand for re-election at the Company Annual General Meeting on August 19, 2014. The option-based award expense related to Dr. Wright reflects the incremental value associated with a change in expiry date of his outstanding options.

(2) Dr. Platzer was appointed to the Board on December 15, 2014.

(3) Dr. Underdown resigned from the Board on December 15, 2014.

There were no options issued to the directors during the transition period ended December 31, 2014. Compensation for each director consisted of an annual fee of $15,000 and $1,500 per Board meeting attended. Members of the Audit Committee received an annual fee of $8,000 (the Chair of the Audit Committee received $10,000). Each member of the Compensation Committee and Corporate Governance and Nominating Committee received an annual fee of $5,000 per committee. Board members receive $500 for meetings held via conference call. Non-executive directors are reimbursed for any out-of pocket travel expenses incurred in order to attend meetings. Executive directors are not entitled to directors' compensation.

In January 2015, the Board approved certain changes related to the compensation of directors effective for the fiscal year 2015. As of January 1, 2015, directors will be entitled to an annual fee of $30,000 with no per meeting fees. The lead director will be entitled to an additional annual fee of $30,000. The chair of each committee will be entitled to an annual fee of $10,000 with each committee member receiving an annual fee of $6,000 per committee. Upon appointment to the Board a director will be entitled to an option grant of 10,000 options and each year thereafter an additional grant of 6,000 options.

Directors are entitled to participate in the DSU Plan. None of our directors participated in this plan in the seven months ended December 31, 2014 or the fiscal year ended May 31, 2014.

Management Contracts

The employment agreements of Dr. Rice, Mr. Chow and Mr. Vellanki provide that if their employment is terminated by the Company other than for cause, each of Dr. Rice, Mr. Chow and Mr. Vellanki shall be entitled to a payment equivalent to 12 months of their respective annual base salaries at the time of termination (Dr. Rice's current annual base salary represents US$480,000, Mr. Chow's current annual base salary represents US$315,000 and Mr. Vellanki's current annual base salary represents US$315,000), plus an amount equal to the average bonus remuneration received from the Company during the last three years of employment completed prior to the termination date, prorated based on the number of days the executive worked during the year of the termination. In addition, the employment agreements of Dr. Rice, Mr. Chow and Mr. Vellanki provide that certain payments related to health benefits will continue to be made for a period of 12 months following termination of their employment.

If the employment agreements are terminated by the Company other than for cause, then all unexercised options then held by each are governed by the terms of the share option plan of the Company ("**Share Option Plan**").

The employment agreements of Dr. Rice, Mr. Chow and Mr. Vellanki provide that, in the event their employment with the Company is terminated within three months immediately preceding or 12 months immediately following the consummation of a change of control, each of Dr. Rice, Mr. Chow and Mr. Vellanki would be eligible, subject to certain conditions, to receive a payment equivalent to 18 months of their annual base salaries at the time of termination, plus an amount equal to 150% of the average bonus remuneration received from the Company during the last three years of employment completed prior to the termination date, prorated based on the number of days the executive worked during the year of the termination, as well as continuation of the payments related to health benefits for a period of 12 months following the termination following a change of control.

The following table sets out the amount that would have been payable to each Named Executive Officer had there been a change of control of the Company on December 31, 2014 and the severance payment that would have been payable to each Named Executive Officer had the Company terminated employment of the Named Executive Officer without cause on December 31, 2014:

Name	Termination Without Cause	Change of Control
Dr. William G. Rice	US$785,000(1)	US$1,133,000 (2)
Mr. Gregory K. Chow	US$471,000(1)	US$691,000(2)
Mr. Avanish Vellanki	US$504,000(1)	US$725,000(2)

(1) This amount represents 12 months of annual base salary at the time of termination, plus an amount equal to the average bonus remuneration received from the Company during the last three years of employment completed prior to the termination date, prorated based on the number of days the executive worked during the year of the termination, as well as continuation of the payments related to health benefits for a period of 12 months following the termination.

(2) This amount represents 18 months of annual base salary at the time of termination, plus an amount equal to 150% of the average bonus remuneration received from the Company during the last three years of employment completed prior to the termination date, prorated based on the number of days the executive worked during the year of the termination, as well as continuation of the payments related to health benefits for a period of 12 months following the termination.

Equity Compensation Plans

The following table sets forth certain details as at the end of the transition period ended December 31, 2014 with respect to compensation plans pursuant to which equity securities of the Company are authorized for issuance.

	Number of Shares to be issued upon exercise of outstanding options, warrants and rights (a)		Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of Shares remaining available for future issuance under the equity compensation plans (Excluding Shares reflected in Column (a)) (c)		Total options, warrants and rights outstanding and available for grant (a) + (c)	
Plan Category	**Number**	**% of Shares outstanding**		**Number**	**% of Shares outstanding**	**Number**	**% of Shares outstanding**
Equity compensation plans approved by Shareholders	1,374,013	11.7%	$ $5.95	380,968	3.3%	1,754,981	15%

Share Option Plan

The Share Option Plan was established to advance the interests of Aptose by:

- providing Eligible Persons (as defined below) with additional incentives;
- encouraging stock ownership by Eligible Persons;
- increasing the interest of Eligible Persons in the success of Aptose;
- encouraging Eligible Persons to remain loyal to Aptose; and
- attracting new Eligible Persons to Aptose.

The Compensation Committee, as authorized by the Board, administers the Share Option Plan. The maximum total number of Common Shares available for issuance from treasury under the Share Option Plan, together with the DSU Plan, the ACP and any other security based compensation arrangement is 15% of the Company's issued and outstanding Common Shares at any given time. Any exercise of options pursuant to the Share Option Plan will make new option grants available under the Share Option Plan, provided that the maximum number of Common Shares reserved for issuance collectively under the Share Option Plan, the DSU Plan and the ACP may not exceed 15% of the Company's issued and outstanding Common Shares at any given time.

Under the Share Option Plan, options may be granted to any executive officer, employee, subsidiary of an executive officer or employee, or consultant or consultant entity ("**Eligible Persons**"). The exercise price of options granted under the Share Option Plan is established by the Board and will be equal to the closing market price of the Common Shares on the TSX on the last trading day preceding the date of grant. If there is no trading on that date, the exercise price will be the average of the bid and ask on the TSX on the last trading date preceding the date of grant. If not otherwise determined by the Board, an option granted under the Share Option Plan will vest as to 50% on the first anniversary of the date of grant of the option and an additional 25% on the second and third anniversaries after the date of grant. The Board fixes the term of each option when granted, but such term may not be greater than 10 years from the date of grant. If the date on which an option expires pursuant to an option agreement occurs during, or within 10 days after the last day of, a black out period or other restriction period imposed on the trading of Common Shares by the Company, the expiry date for the option will be the last day of the 10-day period. Options are personal to the participant and a participant may not transfer an option except in accordance with the Share Option Plan.

The Board may, its sole discretion, amend, suspend or terminate the Share Option Plan or any portion of it at any time in accordance with applicable legislation, without obtaining the approval of Shareholders. Any amendment to any provision of the Share Option Plan is subject to any required regulatory or Shareholder approval. The Company is, however, required to obtain the approval of the Shareholders for any amendment related to (i) the maximum number of Common Shares reserved for issuance under the Share Option Plan, and under any other security based compensation arrangements of the Company; (ii) a reduction in the exercise price for options held by insiders of the Company; and (iii) an extension to the term of options held by insiders of the Company.

If an option holder is terminated without cause, resigns or retires, each option that has vested will cease to be exercisable three months after the option holder's termination date. Any portion of an option that has not vested on or prior to the termination date will expire immediately. If an option holder is terminated for cause, each option that has vested will cease to be exercisable immediately upon the Company's notice of termination. Any portion of an option that has not vested on or prior to the termination date will expire immediately.

Alternate Compensation Plan

The Company has an alternate compensation plan ("**ACP**") which enables Aptose to meet its obligations to pay directors' fees, salary and performance bonuses to certain employees in the form of Common Shares. The ACP permits the Company to, in circumstances considered appropriate by the Board, encourage the ownership of equity of the Company by its directors and senior employees ("**ACP Participants**"), enhance the Company's ability to retain key personnel and reward significant performance achievements while preserving the cash resources of the Company.

Under the ACP, ACP Participants have the option of receiving director's fees, salary, bonuses or other remuneration, as applicable ("**Remuneration**") by the allotment and issuance from treasury of such number of Common Shares as will be equivalent to the cash value of the Remuneration determined by dividing the Remuneration by the weighted average closing Common Share price for the five (5) trading days prior to payment date (the "**5-day VWAP**"). The issue price of Common Shares issued under the ACP is the 5-day VWAP. Upon ceasing to be an ACP Participant, such ACP Participant will no longer be eligible to receive Common Shares under the ACP and any amounts owing to such ACP Participant shall be paid without reference to the ACP Participant.

The maximum number of Common Shares reserved for issuance under the ACP, when combined with the Share Option Plan and the DSU Plan, shall not exceed 15% of the Company's issued and outstanding Common Shares at any given time.

There have been nil Common Shares issued under the ACP during the seven months ended December 31, 2014. Since December 31, 2014, there have been nil Common Shares issued under the ACP.

The Board may, at any time and from time to time, amend, suspend or terminate the ACP without Shareholder approval, provided that no such amendment, suspension or termination may be made without obtaining any required approval of any regulatory authority or stock exchange. Notwithstanding the foregoing, the Board may not, without the approval of the shareholders, make amendments to the ACP to increase the maximum number of Common Shares issuable under the ACP, or to amend the provisions regarding Shareholder approval.

Deferred Share Units Plan

The Company adopted the DSU Plan which provides that participating directors and senior officers ("**DSU Participants**") may elect to receive either a portion or all of the remuneration to be received from the Company in deferred share units. Such remuneration includes all amounts payable in cash or Common Shares (subject to election otherwise under the DSU Plan) to a DSU Participant by the Company or a subsidiary of the Company in respect of the services provided to the Company or subsidiary by the DSU Participant in any calendar year, including (a): in the case of a director, without limitation, (i) annual Board or committee of the Board or advisory retainer fees, (ii) fees for attending meetings of the Board or a committee of the Board and (iii) fees for serving as chairman or chairwoman of any committee of the Board, but, for greater certainty, excluding amounts payable to a DSU Participant as a reimbursement for expenses incurred in attending meetings; and (b): in the case of a senior officer, without limitation, those services for which a salary or cash bonus would normally be paid, provided that the relevant performance criteria which serve as a basis for the granting of such bonuses have been met.

Under the DSU Plan, the deferred share units that DSU Participants elect to receive for remuneration earned are credited to each DSU Participant's account in an amount of units equal to the gross amount of remuneration to be deferred divided by the fair market value of the Common Shares, being the closing price of the Common Shares on the TSX on the day immediately preceding the recommendation by the Compensation Committee or such other amount as determined by the Board and permitted by the applicable regulatory authorities. Rights respecting deferred share units are not transferable or assignable other than by will or by the laws of descent and distribution.

A DSU Participant who has retired, resigned or has been terminated without cause from all positions with the Company and any subsidiary of the Company may redeem the deferred share units credited to the DSU Participant's account. Subject to the approval of the Compensation Committee, the DSU Participant may indicate what portion of the payment is to be paid in cash and what portion is to be paid in Common Shares. A DSU Participant who has been terminated with cause may not redeem the deferred share units held by that DSU Participant and those deferred share units so held will be deemed cancelled as of the date of termination of the DSU Participant.

The maximum number of Common Shares reserved for issuance under the DSU Plan, when combined with the Share Option Plan and the ACP, shall not exceed 15% of the Company's issued and outstanding Common Shares at any given time.

During the period from June 1, 2014 to December 31, 2014, nil deferred share units were outstanding under the DSU Plan. Since December 31, 2014, there have been nil deferred share units issued under the DSU Plan.

The Board may amend the DSU Plan as it deems necessary or appropriate without Shareholder approval, subject to applicable corporate, securities and tax law requirements, but no amendment will, without the consent of the DSU Participant or unless required by law, adversely affect the rights of a DSU Participant with respect to deferred share units that have been credited to the account of the DSU Participant at the time of such amendment to the DSU Plan. Notwithstanding the foregoing, the Board must obtain Shareholder approval to increase to the maximum number of securities reserved for issuance under the DSU Plan or any other security based compensation arrangement, or to amend the provisions regarding Shareholder approval.

Employee Share Purchase Plan

We have an Employee Share Purchase Plan ("**ESPP**"), the purpose of which is to assist the Company in retaining the services of its employees, securing and retaining the services of new employees and providing incentives for such persons to exert maximum efforts for the success of the Company. The ESPP provides a means by which employees of the Company and its affiliates may purchase Common Shares on the stock market at a 15% discount through accumulated payroll deductions. Eligible participants in the ESPP include all employees, including executive officers, who work at least 20 hours per week and are customarily employed by the Company or an affiliate of the Company for at least six months per calendar year. Generally, each offering is of three months' duration with purchases occurring every quarter. Participants may authorize payroll deductions of up to 15% of their base compensation for the purchase of Common Shares under the ESPP.

During the transition period ended December 31, 2014, under the ESPP, Named Executive Officers, as a group, and employees did not purchase any Common Shares pursuant to the ESPP. Since December 31, 2014, there have been no Common Shares purchased pursuant to the ESPP.

Option Grants During The Seven Months Ended December 31, 2014

The following tables set forth the options granted to and exercised by each of the Named Executive Officers during the seven months ended December 31, 2014:

Option/SAR Grants During the Most Recently Completed Financial Year

Name and Principal Position	Securities Under Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Financial Year (%)	Exercise or Base Price ($/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant ($/Security)	Expiration Date
Dr. William G. Rice Chairman, President and Chief Executive Officer	396,129	66%	$ 5.70	$ 5.70	June 16, 2024
Mr. Gregory K. Chow	22,083	4%	$ 5.70	$ 5.70	June 16, 2024
Senior Vice President and Chief Financial Officer	64,167	11%	$ 5.22	$ 5.22	July 18, 2024
Mr. Avanish Vellanki	22,083	4%	$ 5.70	$ 5.70	June 16, 2024
Senior Vice President and Chief Business Officer	64,167	11%	$ 5.22	$ 5.22	July 18, 2024

Incentive Compensation Plans

Outstanding Share-Based Awards and Option-Based Awards

The following table shows all awards outstanding to each Named Executive Officer as at December 31, 2014:

	Option-based Awards				Share-based Awards		
Name and Principal Position	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($) (1)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)	Market or payout value of vested share-based awards not paid out or distributed ($)
	35,417	3.48	Oct 27, 2023	120,064	Nil	Nil	Nil
	65,136	7.32	Dec 10, 2023	Nil			
Dr. William G. Rice	5,281	6.96	Jan 29, 2024	Nil			
Chairman, President and Chief	140,000	6.00	Apr 10, 2024	121,800			
Executive Officer	396,129	5.70	June 16, 2024	463,471			
	35,417	9.36	Nov 4, 2023	Nil	Nil	Nil	Nil
	35,417	7.32	Dec 10, 2023	Nil			
Mr. Gregory K. Chow	35,417	6.00	Apr 10, 2024	30,813			
Senior Vice President and	22,083	5.70	June 16, 2024	25,837			
Chief Financial Officer	64,167	5.22	July 18, 2024	105,876			
	35,417	9.36	Nov 4, 2023	Nil	Nil	Nil	Nil
	35,417	7.32	Dec 10, 2023	Nil			
Mr. Avanish Vellanki	35,417	6.00	Apr 10, 2024	30,813			
Senior Vice President and	22,083	5.70	June 16, 2024	25,837			
Chief Business Officer	64,167	5.22	July 18, 2024	105,876			

(1) These amounts are calculated based on the difference between the market value of the securities underlying the options on December 31, 2014 at the end of the fiscal year ($6.87), and the exercise price of the options.

Aggregated Option/SAR Exercises During the Seven Months Ended December 31, 2014 and Financial Year-End Option/SAR Values

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options/SARs at December 31, 2014 (#) Exercisable/Unexercisable	Value of Unexercised in-the-Money Options/SARs at December 31, 2014 ($) Exercisable/Unexercisable
Dr. William G. Rice Chairman, President and Chief Executive Officer	nil	nil	67,985/573,978	120,064/585,271
Mr. Gregory K. Chow Senior Vice President and Chief Financial Officer	nil	nil	69,329/123,172	6,847/155,678
Mr. Avanish Vellanki Senior Vice President and Chief Business Officer	nil	nil	69,329/123,172	6,847/155,678

C. ***Board practices.***

Aptose is authorized to have a board of at least one director and no more than ten. Aptose currently has six directors. Directors are elected for a term of approximately one year, from annual meeting to annual meeting, or until an earlier resignation, death or removal. For the dates our current directors assumed their directorships, see Item 6.A. – "Directors and Senior Management" above.

Each officer serves at the discretion of the Board or until an earlier resignation or death. There are no family relationships among any of our directors or officers.

Our non-management directors have no service contracts with us or our subsidiaries that provide for benefits upon termination of employment. See "—Management Contracts" above for a summary of key employment agreements.

Committees of the Board of Directors

The Company has an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee.

The members of these committees during the seven months ended December 31, 2014 were as follows:

Audit Committee	Denis Burger, Brian Underdown, Warren Whitehead
Nominating and Corporate Governance Committee:	Bradley Thompson, Mark Vincent
Compensation Committee:	Denis Burger, Brian Underdown

On December 15, 2014 Brian Underdown resigned from the Board and also from the Audit Committee and Compensation Committee. On January 16, 2015 Bradley Thompson was appointed to the Audit Committee and Erich Platzer was appointed to the Compensation Committee.

Compensation Committee

Composition of the Compensation Committee

The Board, upon the advice of the Compensation Committee, determines executive compensation. The Compensation Committee is currently comprised of independent Board members Dr. Burger and Dr. Underdown. Dr. Burger is chair of the Compensation Committee. The Compensation Committee met 3 times during the period from June 1, 2014 until December 31, 2014.

Members of the Compensation Committee each have direct experience relevant to compensation matters resulting from their respective current and past activities. The members of the Compensation Committee have experience dealing with compensation matters in comparable organizations, including public companies, as well as companies with a strong emphasis on governance in their current and former roles as principal executives.

Compensation Objectives and Philosophy

The Compensation Committee's mandate is to review and advise the Board on the recruitment, appointment, performance, compensation, benefits and termination of executive officers. The Compensation Committee also administers and reviews procedures and policies with respect to the Share Option Plan, the DSU Plan, the ACP, employee benefit programs, pay equity and employment equity and reviews executive compensation disclosure where it is publicly disclosed.

Aptose's executive compensation program is designed to:

- attract and retain qualified, motivated and achievement-oriented individuals by offering compensation that is competitive in the industry and marketplace;
- align executive interests with the interests of shareholders; and
- ensure that individuals continue to be compensated in accordance with their personal performance and responsibilities and their contribution to the overall objectives of the Company.

These objectives are achieved by offering executives and employees a compensation package that is competitive and rewards the achievement of both short-term and long-term objectives of the Company. As such, our compensation package consists of three key elements:

- base salary and initial share options;
- short-term compensation incentives to reward corporate and personal performance through potential annual cash bonuses; and
- long-term compensation incentives related to long-term increase in share value through participation in the Share Option Plan.

The Compensation Committee reviews each of these items on a stand-alone basis and also reviews compensation as a total package. Adjustments to compensation are made as appropriate following a review of the compensation package as a whole.

Base Salary — Initial Share Options

In establishing base salaries, the objective of the Compensation Committee is to establish levels that will enable Aptose to attract and retain executive officers that can effectively contribute to the long-term success of the Company. Base salary for each executive officer is determined by the individual's skills, abilities, experience, past performance and anticipated future contribution to the success of Aptose. The members of the Compensation Committee use their knowledge of the industry and of industry trends to assist with the determination of an appropriate compensation package for each executive officer. In certain cases, the Compensation Committee may recommend inclusion of automobile allowances, fitness allowances and the payment of certain professional dues as a component of an overall remuneration package for executives.

In certain cases, executive officers may be granted share options on the commencement of employment with Aptose in accordance with the responsibility delegated to each executive officer for achieving corporate objectives and enhancing shareholder value in accordance with those objectives.

Short-Term Compensation Incentives

The role of short-term compensation incentives at Aptose is to motivate our executive officers to achieve specified performance objectives for 2014 and to reward them for their achievement in the event that those objectives are met. Each year, the Compensation Committee approves the annual corporate objectives encompassing scientific, clinical, regulatory, business and corporate development and financial criteria. The annual cash bonus for the executive officers is based, at least in part, on the level of achievement of these annual objectives, assuming these objectives are still relevant at the time of evaluation.

All corporate and executive officer objectives are reviewed by the Compensation Committee and approved by the Board. The Compensation Committee recommends to the Board the awarding of bonuses, payable in cash, stock or share options, to reward extraordinary individual performance.

For each executive officer, during the seven months ended December 31, 2014, the annual cash bonuses ranged from 40% to 45% of base salary when all corporate and individual executive officer objectives were achieved.

Cash bonuses are determined as soon as practicable after the end of the fiscal year and, for the Named Executive Officers (as defined hereinafter), are included in the Summary Compensation Table in the year in respect of which they are earned.

Long-Term Incentive Plan

The role of long-term compensation incentives at Aptose is to reward an executive's contribution to the attainment of Aptose's long-term objectives, align an executive's performance with the long-term performance of Aptose and to provide an additional incentive for an executive to enhance shareholder value. Long-term incentive compensation for directors, officers, employees and consultants is reviewed annually and is accomplished through the grant of share options under our Share Option Plan.

The number of options granted for certain executives of Aptose for the seven months ended December 31, 2014 was based on achievement of both corporate and executive officer objectives. The Compensation Committee approves the allocation of options and options are priced using the closing market price of the Common Shares on the TSX on the last trading day prior to the date of grant. Options to purchase Common Shares expire ten years from the date of grant and vest over a term determined by the Compensation Committee. The Compensation Committee takes into account previous grants of options when considering new grant of options.

The granting of options to Named Executive Officers is included in the Summary Compensation Table in the year in which they are earned.

Performance Metrics

The performance of the Named Executive Officers for the seven months ended December 31, 2014 was measured with respect to the following objectives:

1) Initiate APTO-253 Phase Ib Clinical trial and manage patient enrollment ;

2) Company rebranding and NASDAQ listing;

3) Further strengthening of the management team;

4) Other corporate objectives.

Each of the above objectives is weighted at 30%, 20%, 20% and 30% respectively in relation to assessment of satisfaction of overall corporate objective s and determination of any general corporate bonuses. As this is a transition period, the measurement period of these corporate objectives carries into fiscal 2015 and were not measured as of December 31, 2014. Incentive compensation related to the attainment of these objectives will be paid in fiscal 2015.

Hedge or Offset Instruments

Named Executive Officers or directors are not permitted to purchase financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by Named Executive Officers or directors, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds.

Risk Assessment of Compensation

The implications of the risks associated with the Company's compensation practices were not considered by the Board or a committee of the Board.

Audit Committee

The charter of our Audit Committee is attached as Exhibit 11.2. The current members of the Audit Committee are Bradley Thompson, Denis Burger and Warren Whitehead. Bradley Thompson was appointed to the Audit Committee on January 16, 2015 following Brian Underdown's resignation from the Audit Committee on December 15, 2014. Mr. Warren Whitehead is the Chairman of the Audit Committee and has been considered to be the Financial Expert. Pursuant to Canadian securities laws, our board of directors has determined that Messrs. Thompson, Underdown, Burger and Whitehead are financially literate as all have experience in reviewing and analysing the financial reports and ascertaining the financial position of a corporation. Mr. Burger, in his previous position as Chairman and Chief Executive Officer of AVI Biopharma, is educated and experienced in reading and analyzing financial statements. Mr. Burger has also served on the audit committee of three other publicly listed biotechnology companies. Dr. Thompson has experience reading and interpreting financial statements through his role as Chairman and CEO of a publicly listed biotechnology company as well as through his extensive experience serving on various company boards. Mr. Underdown, in his position of Managing Director at Lumira Capital Investment Management, is educated and experienced in reading and analysing financial statements. Mr. Underdown also sits on the board of directors of several other publicly listed entities. Mr. Whitehead is a CPA (CMA) and has served as the Chief Financial Officer of Arius Research Inc. and Labopharm Inc. Additionally, we believe that Mr. Underdown, Mr. Thompson, Mr. Whitehead and Mr. Burger qualify as "independent" as that term is defined in the relevant securities laws relating to the composition of the audit committee.

Audit Committee Mandate

The Audit Committee's mandate is to assist the Board in fulfilling its oversight responsibilities. In particular, the Audit Committee:

(a) serves as an independent and objective party to monitor the integrity of our financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance, including the review of our consolidated financial statements, MD&A and annual and interim results;

(b) identifies and monitors the management of the principal risks that could impact our financial reporting;

(c) monitors the independence and performance of our independent auditors, including the pre-approval of all audit fees and all permitted non-audit services;

(d) provides an avenue of communication among the independent auditors, management, and our board of directors; and

(e) encourages continuous improvement of, and foster adherence to, our policies, procedures and practices at all levels.

The Audit Committee is also responsible for implementing and overseeing our whistle-blowing procedures.

D. ***Employees*.**

As at December 31, 2014, we employed 18 full-time persons and 3 part-time people in research and drug development and administration activities. Among our employees, 2 hold Ph.Ds, 1 holds a DVM degree and numerous others hold degrees and designations such as MSc, BSc, CPA (CA), CPA (California) and MBA. To encourage a focus on achieving long-term performance, employees and members of the board of directors have the ability to acquire an ownership interest in the Company through Aptose's share option and alternate compensation plans.

Our ability to develop commercial products and to establish and maintain our competitive position in light of technological developments will depend, in part, on our ability to attract and retain qualified personnel. There is a significant level of competition in the marketplace for such personnel. We believe that to date we have been successful in attracting and retaining the highly skilled personnel critical to our business. We have also chosen to outsource activities where skills are in short supply or where it is economically prudent to do so.

None of our employees are unionized, and we consider our relations with our employees to be good.

E. ***Share ownership*.**

The following table sets forth information regarding beneficial ownership of our Common Shares as of December 31, 2014, with respect to our Named Executive Officers and also with respect to our executive officers and directors individually and as a group.

				Options to Purchase Common Shares		
	Number of Common Shares	Total Number of Common Shares Beneficially Owned	Percentage of Common Shares Outstanding(+)	Number of Underlying Common Shares (#)	Exercise Price (Range) ($)	Expiry Date (Range-Year)
Dr. William Rice	-	-	-	641,963	$3.48-7.32	2023-2024
Mr. Gregory Chow	-	-	-	192,501	$5.22-9.36	2023-2024
Mr. Avanish Vellanki	-	-	-	192,501	$5.22-9.36	2023-2024
Dr. Denis Burger	8,499	-	0.1%	13,334	$2.16-6.00	2021-2024
Dr. Bradley Thompson	-	-	-	3,750	$6.00	2024
Dr. Erich Platzer	-	-	-	-	-	-
Dr. Mark Vincent	-	500	0.0%	7,083	$2.16-6.00	2021-2024
Mr. Warren Whitehead	-	-	-	5,500	$2.16-6.00	2021-2024
All directors and executive officers as a group	8,499	500	0.1%	1,056,632	$2.16-9.36	2021-2024

(+) calculated on a partially diluted basis excluding options.

See Item 6.B for a description of arrangements pursuant to which employees may become involved in the capital of Aptose.

Item 7. Major Shareholders and Related Party Transactions

A. ***Major shareholders.***

To the knowledge of our directors and officers, as of the date hereof, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, 5% or more of the outstanding Common Shares, other than those discussed below.

Approximately 63% of our ordinary Common Shares are held in Canada, and there are 294 record holders of our Common Shares in Canada and 83 record holders in the United States. All of our shareholders have equal voting rights.

The following table is based upon information supplied by officers, directors and principal Stockholders and Schedules 13D and 13G filed with the SEC.

Name of Beneficial Owner(s)	Amount and Nature of Beneficial Ownership	Percent of Class [1]
Franklin Resources Inc.	1,416,666(3)	12.0%
Cormorant Global Healthcare Master Fund LP	1,083,333(4)	9.2%
Pinetree Capital	874,300(2)	7.4%

(1) Based on 11,767,719 Common Shares outstanding as of March 3, 2015.

(2) This information is based solely on a Schedule 13G filed with the SEC on February 13, 2015.

(3) This information is based solely on a Schedule 13G filed with the SEC on February 6, 2015.

(4) This information is based solely on a Schedule 13G filed with the SEC on April 14, 2014 and has been adjusted to reflect the 12 to 1 Reverse Stock Split effective October 1, 2014.

B. ***Related party transactions.***

There were no related party transactions in the seven month transition period ended December 31, 2014.

Certain related parties participated in the June 2013 private placement described above. Directors and officers, including former president and chief operating officer Dr. Aiping Young, former director Dr. Jim Wright and current director Dr. Mark Vincent, acquired an aggregate of $68,000 of the promissory notes. A company related to Mr. Hebert Abramson, a former director of the Company, acquired $250,000 of the promissory notes and Mr. Inwentash a former related party of the Company by virtue of having exercised control or direction over more than 10% of the issued and outstanding Common Shares of the Company, acquired $100,000 of the promissory notes. These promissory notes were repaid by the Company in April 2014.

In the September 2013 convertible promissory note private placement described above, a company related to Mr. Abramson, a former director of Aptose, acquired $100,000 of the promissory notes; Mr. Inwentash acquired $150,000 of the promissory notes; and Sprott Asset Management, which then held more than 10% of the Common Shares of Aptose and the ability to acquire control of more than 20% of the Common Shares of Aptose, acquired $112,000 of the promissory notes.

Mr. Inwentash participated in the December 2013 Common Share public offering described above and acquired an aggregate of 1,820,000 Common Shares in that offering and an aggregate of 1,300,000 Common Shares in the April 2014 public offering described above.

Executive Contracts

On October 25, 2013, the Company entered into an executive employment agreement with William G. Rice, Ph.D., in connection with his appointment as Chief Executive Officer and Chairman of the Board of the Company. On August 19, 2014, the Company entered into an amended executive employment agreement with William G. Rice, Ph.D.

On November 29, 2013, the Company entered into an executive employment agreement with each of Gregory K. Chow and Avanish Vellanki in connection with their appointments as Chief Financial Officer and Chief Business Officer, respectively, of the Company.

The employment agreements for each of Dr. Rice, Mr. Chow and Mr. Vellanki provide that if they are terminated by the Company other than for cause, each of Dr. Rice, Mr. Chow and Mr. Vellanki would be entitled under their respective agreements to a payment equivalent to 12 months of their respective annual base salaries at the time of termination. Dr. Rice's current annual base salary represents U.S. $480,000, Mr. Chow's current annual base salary represents U.S. $315,000, and Mr. Vellanki's current annual base salary represents U.S. $315,000. They are each additionally entitled to an amount equal to the average bonus remuneration received from the Company during the last three years of employment completed prior to the termination date, prorated based on the number of days the executive worked during the year of the termination. In addition, the employment agreements for each of Dr. Rice, Mr. Chow and Mr. Vellanki provide that certain payments related to health benefits continue to be made for a period of 12 months following termination of their employment.

The employment agreements of each of Dr. Rice, Mr. Chow and Mr. Vellanki also provide for the grant of options to purchase Common Shares of the Company, at an exercise price equal to the fair market value of the shares on the dates of grant. In connection with the execution of his executive employment agreement, Dr. Rice received an initial grant of a fully vested option to purchase 35,417 (425,000 pre-consolidation) Common Shares at an exercise price equal to the fair market value of the Common Shares on the date of grant. Pursuant to the terms of his executive employment agreement, upon satisfaction of the conditions in his agreement, Dr. Rice received additional grants of options to purchase 5,281 (63,367 pre-consolidation), 65,136 (781,633 pre-consolidation) and 140,000 (1,680,000 pre-consolidation) Common Shares on December 10, 2013, January 29, 2014 and April 10, 2014, respectively, at exercise prices equal to the fair market value of the Common Shares on the dates of grant. The options vest in accordance with the Company's standard three year vesting term, at a rate of 50% of the shares subject to the option vest on the one-year anniversary of the date of grant and 25% vest on each one-year anniversary thereafter.

In addition to the option grants to Mr. Chow and Mr. Vellanki described below, Mr. Chow and Mr. Vellanki each received two additional grants of options to purchase 35,417 (425,000 pre-consolidation) Common Shares pursuant to the terms of their respective executive employment agreements, on December 10, 2013 and April 10, 2014. Of the 35,417 (425,000 pre-consolidation) options granted on December 10, 2013 to Mr. Chow and Mr. Vellanki, 16,667 (200,000 pre-consolidation) vested immediately and the remaining 18,750 (225,000 pre-consolidation) options vest 50% after one year, 25% after two years and 25% after three years from the date of grant. The options granted in April 10, 2014 vest in equal monthly installments over 36 months from the date of grant.

The employment agreements of Dr. Rice, Mr. Chow and Mr. Vellanki also provide that, in the event of a change of control (as defined in the agreements), each of Mr. Chow and Mr. Vellanki would be eligible to receive a payment equivalent to 18 months of their respective annual base salaries at the time of termination, plus an amount equal to 150% of the average bonus remuneration received from the Company during the last three years of employment completed prior to the termination date, prorated based on the number of days the executive worked during the year of the termination, as well as continuation of the payments related to health benefits for a period of 12 months following the termination following a change of control.

Prior to the Company entering into the executive employment agreements with Mr. Chow and Mr. Vellanki, Aptose entered into a consulting agreement with each of Mr. Chow and Mr. Vellanki, on November 4, 2013. Pursuant to the consulting agreements, Mr. Chow provided services to the Company as acting Chief Financial Officer prior to the date of his executive employment agreement and Mr. Vellanki provided services as acting Chief Business Officer prior to the date of his executive employment agreement. Mr. Chow and Mr. Vellanki each were compensated at the monthly rate of $20,833 for their services and each were granted a fully vested option to purchase 35,417 (425,000 pre-consolidation) Common Shares at an exercise price equal to the fair market value of the shares on the date of grant.

C. ***Interests of experts and counsel.***

Not applicable.

Item 8. Financial Information

A. ***Consolidated statements and other financial information.***

See Item 18 for our consolidated financial statements and other financial information.

Dividends on our Common Shares are declared at the discretion of our board of directors. To date, we have not paid any dividends and do not expect to do so in the foreseeable future.

B. ***Significant changes.***

On January 16, 2015, 108,000 options were granted to members of the Board of Directors and the Scientific Advisory Board of the Company at an exercise price of $6.77. The options vest over a three year term and have a contractual life of ten years.

On January 20, 2015, $50 thousand of the outstanding convertible promissory notes were converted into 13,888 Common Shares of the Company.

On February 12, 2015, 8,333 outstanding warrants were exercised into an equal number of Common Shares of the Company.

In addition, subsequent to the seven months ended December 31, 2014 up until the date hereof, 45,625 outstanding options were exercised into an equal number of Common Shares of the Company.

We announced on January 13, 2015 that we had dosed the first patient in the Phase Ib dose-escalation study. We anticipate providing a potential update on the dose-escalation study during the summer of 2015, completing enrollment of the Phase Ib dose-escalation study by late-2015 or the first half of 2016, starting the single agent expansion cohort studies for this study in 2016 and starting Phase II combination studies in 2016.

Item 9. The Offer and Listing

Not applicable, except for Item 9.A.4. and Item 9.C.

A. ***Offer and listing details.***

Price Range of Common Stock and Trading Markets

Our Common Shares, without par value, are currently listed on the TSX under the symbol “APS” and NASDAQ under the symbol “APTO.” The following table sets out the price ranges and trading volumes of our Common Shares on the TSX for the periods indicated below.

	TSX (CDN$ and adjusted for post-consolidation)	
Five most recent full fiscal years:	**High**	**Low**
Seven Months ended December 31, 2014(1)	9.14	4.80
Year ended May 31, 2014	12.48	2.04
Year ended May 31, 2013	7.68	2.28
Year ended May 31, 2012	8.64	1.92
Year ended May 31, 2011	30.60	8.16
Year ended May 31, 2010	46.80	21.60
Seven months ended December 31, 2014	9.14	4.80
Three months ended December 31, 2014	9.14	5.20
Four months ended September 30, 2014	6.84	4.80
Year ended May 31, 2014	12.48	2.04
Quarter ended May 31, 2014	9.24	5.16
Quarter ended February 28, 2014	10.56	5.88
Quarter ended November 30, 2013	12.48	2.16
Quarter ended August 31, 2013	2.88	2.04
Year ended May 31, 2013	7.68	2.28
Quarter ended May 31, 2013	3.60	2.28
Quarter ended February 29, 2013	5.40	2.64
Quarter ended November 30, 2012	5.76	2.40
Quarter ended August 31, 2012	7.68	3.84
Most recent six months:		
February 2015	6.64	5.00
January 2015	7.20	5.77
December 2014	8.30	6.34
November 2014	8.50	6.81
October 2014	9.14	5.20
September 2014	6.84	5.28

The following table sets out the price ranges and trading volumes of our Common Shares on NASDAQ following the initial listing on October 23, 2014.

	NASDAQ (US$ and adjusted for post-consolidation)	
Period	**High**	**Low**
October 23, 2014 to December 31, 2014	7.75	5.63
December 2014	7.29	5.63
November 2014	7.40	6.51
October 2014	7.75	6.55

B. ***Plan of distribution.***

Not applicable.

C. ***Markets.***

See Item 9.A.

D. ***Selling shareholders.***

Not applicable.

E. ***Dilution.***

Not applicable.

F. ***Expense of the issue.***

Not applicable.

Item 10. Additional Information

A. ***Share capital.***

Not applicable.

B. ***Memorandum and articles of association.***

We are incorporated pursuant to the laws of Canada (Corporation Number: 6650309). Our articles of incorporation ("**Articles**") and by-laws provide no restrictions as to the nature of our business operations. Under Canadian law, a director must inform us, at a meeting of the Board, of any interest in a material contract or proposed material contract with us. Directors may not vote in respect of any such contracts made with us or in any such contract in which a director is interested, and such directors shall not be counted for purposes of determining a quorum. However, these provisions do not apply to (i) a contract relating primarily to their remuneration as a director, officer, employee or agent of the Corporation or affiliate, (ii) a contract for their indemnity or insurance as permitted under the *Canada Business Corporations Act*, or (iii) a contract with an affiliate.

We are authorized to issue an unlimited number of Common Shares. Our shareholders have no rights to share in our profits, are subject to no redemption or sinking fund provisions, have no liability for further capital calls and are not subject to any discrimination due to number of Common Shares owned. By not more than 50 days nor less than seven days in advance of a dividend, the Board may establish a record date for the determination of the persons entitled to such dividend.

The rights of holders of our Common Shares can be changed at any time in a shareholder meeting where the modifications are approved by 66 2/3% of the Common Shares represented by proxy or in person at a meeting at which a quorum exists.

All holders of our Common Shares are entitled to vote at annual or special meetings of shareholders, provided that they were shareholders as of the record date. The record date for shareholder meetings may precede the meeting date by no more than 50 days and not less than 21 days, provided that notice by way of advertisement is given to shareholders at least seven days before such record date. Notice of the time and place of meetings of shareholders may not be less than 21 nor greater than 50 days prior to the date of the meeting. There are no:

- limitations on share ownership;
- provisions of the Articles or by-laws that would have the effect of delaying, deferring or preventing a change of control of our company;
- by-law provisions that govern the ownership threshold above which shareholder ownership must be disclosed; and
- conditions imposed by the Articles or by-laws governing changes in capital, but Canadian corporate law requires any changes to the terms of share capital be approved by 66.66% of the Common Shares represented by proxy or in person at a shareholders' meeting convened for that purpose at which a quorum exists.

Common Shares

Each holder of record of Common Shares, without par value, is entitled to one vote for each share held on all matters properly submitted to the shareholders for their vote, except matters which are required to be voted on as a particular class or series of stock. Cumulative voting for directors is not permitted.

Holders of outstanding Common Shares are entitled to those dividends declared by the board of directors out of legally available funds. In the event of liquidation, dissolution or winding up our affairs, holders of Common Shares are entitled to receive, pro rata, our net assets available after provision has been made for the preferential rights of the holders of preferred stock, including any surplus available after such event of liquidation, dissolution or winding up of the affairs of the Company. Holders of outstanding Common Shares have no pre-emptive, conversion or redemption rights. All of the issued and outstanding Common Shares are, and all unissued Common Shares, when offered and sold will be, duly authorized, validly issued, fully paid and non-assessable. To the extent that additional Common Shares may be issued in the future, the relative interests of the then existing shareholders may be diluted. There were 11,699,873 Common Shares issued and outstanding at December 31, 2014.

Common Shares Eligible for Future Sale

Future sales of substantial amounts of our Common Shares in the public market or even the perception that such sales may occur, could adversely affect the market price for our Common Shares and could impair our future ability to raise capital through an offering of our equity securities.

As at March 3, 2015, the Company had 11,767,719 Common Shares issued and outstanding. In addition, as of March 3, 2015 there were 1,436,388 Common Shares issuable upon the exercise of outstanding options to purchase an equal number of Common Shares at a weighted average price per share of $5.68, 107,640 Common Shares issuable upon the conversion of outstanding promissory notes and 200,625 Common Shares issuable upon the exercise of Common Share purchase warrants. Of these warrants 88,438 are priced at $5.40 and expire in August 2016, 39,000 are priced at $3.00 and expire in June 2015 and 73,198 are priced at $6.60 and expire in December 2015.

Indemnification of Executive Officers and Directors

We have agreed to indemnify our executive officers and directors for all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by them in respect of any civil, criminal or administrative action or proceeding to which they are made a party by reason of being or having been a director or officer, if (a) they acted honestly and in good faith with a view to our best interests, and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, they had reasonable grounds for believing that their conduct was lawful.

C. ***Material contracts.***

Other than the agreements described below, we have not, in the two years preceding the date hereof, entered into any material agreements other than contracts in the ordinary course of business.

1. Lease of premises between the Company and 565991 Ontario Limited, dated July 27, 2001, as amended through March 31, 2015.
2. Executive Employment Agreement between the Company and Dr. William G. Rice, dated October 25, 2013 and the Amendment dated August 19, 2014.
3. Executive Employment Agreement between the Company and Gregory K. Chow, dated November 29, 2013.
4. Executive Employment Agreement between the Company and Avanish Vellanki, dated November 29, 2013.
5. Form of Warrant issued in connection with the June 2012 private placement.
6. Form of Promissory Note and Warrant Agreement issued June 19, 2013.
7. Form of Convertible Promissory Note issued September 26, 2013.
8. Underwriting Agreement dated November 22, 2013 in connection with the December 2013 public offering.
9. Underwriting Agreement dated March 27, 2014 in connection with the April 2014 public offering.

Please refer to “Financial Strategy” for further details on certain agreements referred to in numbers 5 through 9 above and to “Management Contracts” for further details on items 2 through 4 above.

D. ***Exchange controls.***

There is no law or governmental decree or regulation in Canada that restricts the export or import of capital, or affects the remittance of dividends, interest or other payments to non-resident holders of our voting Common Shares, other than withholding tax requirements.

There is no limitation imposed by Canadian law or by our Articles or our other charter documents on the right of a non-resident to hold or vote voting Common Shares, other than as provided by the *Investment Canada Act*, the *North American Free Trade Agreement Implementation Act* (Canada) and the *World Trade Organization Agreement Implementation Act*.

The *Investment Canada Act* requires notification and, in certain cases, advance review and approval by the government of Canada of the acquisition by a non-Canadian of control of a Canadian business, all as defined in the *Investment Canada Act.* Generally, the threshold for review will be higher in monetary terms for a member of the World Trade Organization or North American Free Trade Agreement.

E. ***Taxation*****.**

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is limited to certain material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Common Shares by U.S. Holders (as defined below). This discussion applies to U.S. Holders that hold Common Shares as capital assets. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of Common Shares. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the conclusions described in this summary.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation.

This discussion does not address all of the U.S. federal income tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as certain financial institutions, insurance companies, broker-dealers and traders in securities or other persons that generally mark their securities to market for U.S. federal income tax purposes, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, certain former citizens or residents of the United States, persons who hold Common Shares as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or integrated investment, persons that have a "functional currency" other than the U.S. dollar, persons that own (or are deemed to own) 10% or more (by voting power or value) of our Common Shares, corporations that accumulate earnings to avoid U.S. federal income tax, partnerships and other pass-through entities, and investors in such pass-through entities). This discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations. In addition, except as specifically set forth below, this summary does not discuss applicable tax reporting requirements.

As used in this discussion, the term "**U.S. Holder**" means a beneficial owner of the Common Shares that is, for U.S. federal income tax purposes, (1) an individual who is a citizen or resident of the United States, (2) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income tax regardless of its source or (4) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions or (y) that has elected under applicable U.S. Treasury regulations to be treated as a domestic trust for U.S. federal income tax purposes.

If an entity treated as a partnership for U.S. federal income tax purposes holds the Common Shares, the U.S. federal income tax considerations relating to an investment in the Common Shares will depend in part upon the status and activities of such entity and the particular partner. Any such entity should consult its own tax advisor regarding the U.S. federal income tax considerations applicable to it and its partners of the purchase, ownership and disposition of the Common Shares.

Persons holding Common Shares should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of Common Shares, including the applicability of U.S. federal, state and local tax laws and non-U.S. tax laws.

Distributions

Subject to the discussion below under "Passive Foreign Investment Company Considerations," a U.S. Holder that receives a distribution with respect to the Common Shares generally will be required to include the gross amount of such distribution (before reduction for any Canadian withholding taxes) in gross income as a dividend when actually or constructively received to the extent of the U.S. Holder's pro rata share of our current and/or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent a distribution received by a U.S. Holder is not a dividend because it exceeds the U.S. Holder's pro rata share of our current and accumulated earnings and profits, it will be treated first as a tax-free return of capital and reduce (but not below zero) the adjusted tax basis of the U.S. Holder's Common Shares. To the extent the distribution exceeds the adjusted tax basis of the U.S. Holder's Common Shares, the remainder will be taxed as capital gain. Because we may not calculate our earnings and profits under U.S. federal income tax principles, U.S. Holders should expect all distributions to be reported to them as dividends.

The U.S. dollar value of any distribution on the Common Shares made in Canadian dollars generally should be calculated by reference to the exchange rate between the U.S. dollar and the Canadian dollar in effect on the date of receipt (or deemed receipt) of such distribution by the U.S. Holder regardless of whether the Canadian dollars so received are in fact converted into U.S. dollars at that time. If the Canadian dollars received are converted into U.S. dollars on the date of receipt (or deemed receipt), a U.S. Holder generally should not recognize currency gain or loss on such conversion. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt (or deemed receipt), a U.S. Holder generally will have a basis in such Canadian dollars equal to the U.S. dollar value of such Canadian dollars on the date of receipt (or deemed receipt). Any gain or loss on a subsequent conversion or other disposition of such Canadian dollars by such U.S. Holder generally will be treated as ordinary income or loss and generally will be income or loss from sources within the United States for U.S. foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method with respect to foreign currency received upon the sale, exchange or other taxable disposition of the Common Shares. Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Distributions on the Common Shares that are treated as dividends generally will constitute income from sources outside the United States for foreign tax credit purposes and generally will constitute passive category income. Such dividends will not be eligible for the "dividends received" deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations. Dividends paid by a "qualified foreign corporation" are eligible for taxation at a reduced capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that a holding period requirement (more than 60 days of ownership, without protection from the risk of loss, during the 121-day period beginning 60 days before the ex-dividend date) and certain other requirements are met. However, if we are a PFIC for the taxable year in which the dividend is paid or the preceding taxable year (see discussion below under "—Passive Foreign Investment Company Considerations"), we will not be treated as a qualified foreign corporation, and therefore the reduced capital gains tax rate described above will not apply. Each U.S. Holder is advised to consult its tax advisors regarding the availability of the reduced tax rate on dividends.

If a U.S. Holder is subject to Canadian withholding tax on dividends paid on the holder's Common Shares, the U.S. Holder may be eligible, subject to a number of complex limitations, to claim a credit against its U.S. federal income tax for the Canadian withholding tax imposed on the dividends. A U.S. Holder may claim a deduction for the Canadian withholding tax in lieu of a credit, but only for a year in which the U.S. Holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. Each U.S. Holder is advised to consult its tax advisor regarding the availability of the foreign tax credit under its particular circumstances.

Sale, Exchange or Other Disposition of Common Shares

Subject to the discussion below under "Passive Foreign Investment Company Considerations," a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes upon the sale, exchange or other disposition of Common Shares. The amount of gain recognized will equal the excess of the amount realized (i.e., the amount of cash plus the fair market value of any property received) over the U.S. Holder's adjusted tax basis in the Common Shares sold or exchanged. The amount of loss recognized will equal the excess of the U.S. Holder's adjusted tax basis in the Common Shares sold or exchanged over the amount realized. Such capital gain or loss generally will be long-term capital gain or loss if, on the date of sale, exchange or other disposition, the Common Shares were held by the U.S. Holder for more than one year. Net long-term capital gain derived by a non-corporate U.S. Holder currently is subject to tax at reduced rates. The deductibility of a capital loss is subject to limitations. Any gain or loss recognized from the sale, exchange or other disposition of Common Shares will generally be gain or loss from sources within the United States for U.S. foreign tax credit purposes.

Passive Foreign Investment Company Considerations

In general, a corporation organized outside the United States will be treated as a PFIC in any taxable year in which either (1) at least 75% of its gross income is "passive income" or (2) at least 50% of the average quarterly value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents, and gains from commodities transactions and from the sale or exchange of property that gives rise to passive income. In determining whether a foreign corporation is a PFIC, a proportionate share of the items of gross income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) are taken into account.

We believe we were a PFIC for our taxable year ended December 31, 2014. Based on the nature of our business, the projected composition of our gross income and the projected composition and estimated fair market values of our assets, we expect to be a PFIC for our taxable year ending December 31, 2015 and may be a PFIC in subsequent tax years. However, the determination of our PFIC status is made annually after the close of each taxable year and it is difficult to predict before such determination whether we will be a PFIC for any given taxable year. Even if we determine that we are not a PFIC after the close of a taxable year, there can be no assurance that the Internal Revenue Service (the "**IRS**") will agree with our conclusion. No assurance can be provided regarded our PFIC status, and neither we nor our United States counsel expresses any opinion with respect to our PFIC status for the taxable year ended December 31, 2014 or for any other taxable year.

If we are a PFIC at any time when a U.S. Holder owns Common Shares, such U.S. Holder will generally be subject to federal tax under the excess distribution regime on (1) distributions paid during a taxable year that are greater than 125% of the average annual distributions paid in the three preceding taxable years, or, if shorter, the U.S. Holder's holding period for the Common Shares, and (2) any gain recognized on a sale, exchange or other disposition (which would include a pledge) of Common Shares. Under the excess distribution regime, the U.S. Holder's tax liability will be determined by allocating such distribution or gain ratably to each day in the U.S. Holder's holding period for the Common Shares. The amount allocated to the current taxable year (i.e., the year in which the distribution occurs or the gain is recognized) and any year prior to the first taxable year in which we were a PFIC in the holding period will be taxed as ordinary income earned in the current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rate in effect (for individuals or corporations as applicable) for ordinary income in each such taxable year, and an interest charge, generally that applicable to the underpayment of tax, will be added to the tax. Once we are a PFIC with respect to a particular U.S. Holder, we generally will remain a PFIC with respect to the U.S. Holder, unless we cease to meet the gross income and asset tests described above and the U.S. Holder makes a "deemed sale" election with respect to all of the U.S. Holder's Common Shares. If such election is made, the U.S. Holder will be deemed to have sold the Common Shares held at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain from such deemed sale would be taxed under the excess distribution regime described above. After the deemed sale election, the U.S. Holder's Common Shares would not be treated as Common Shares of a PFIC unless we subsequently became a PFIC.

If we are a PFIC for any taxable year during which a U.S. Holder holds the Common Shares and one of our non-United States subsidiaries is also a PFIC (i.e., a lower-tier PFIC), the U.S. Holder will be treated as owning a proportionate amount (by value) of the Common Shares of the lower-tier PFIC and will be subject to the rules described above on certain distributions by the lower-tier PFIC and a disposition (or deemed disposition) of Common Shares of the lower-tier PFIC, even though the U.S. Holder would not receive the distributions or the proceeds from the disposition of the Common Shares of the lower-tier PFIC. Each U.S. Holder is advised to consult its tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

The tax considerations that would apply if we were a PFIC would be different from those described above if a U.S. Holder were able to make a valid "qualified electing fund," or "QEF election." We do not intend to provide U.S. Holders with the information required to permit them to make a QEF election and, accordingly, prospective investors should assume that a QEF election will not be available.

A U.S. Holder may avoid taxation under the excess distribution regime if the holder makes a valid "mark-to-market" election. An electing U.S. Holder generally would take into account as ordinary income each year, the excess of the fair market value of the Common Shares held at the end of the taxable year over the adjusted tax basis of such Common Shares. The U.S. Holder would also take into account, as an ordinary loss each year, the excess of the adjusted tax basis of such Common Shares over their fair market value at the end of the taxable year, but only to the extent of the excess of amounts previously included in income over ordinary losses deducted as a result of the mark-to-market election. The U.S. Holder's tax basis in the Common Shares would be adjusted to reflect any income or loss recognized as a result of the mark-to-market election. Any gain from a sale, exchange or other disposition of the Common Shares in any taxable year in which we are a PFIC, (i.e., when we meet the gross income test or asset test described above) would be treated as ordinary income and any loss from a sale, exchange or other disposition would be treated first as an ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as a capital loss. If we cease to be a PFIC, any gain or loss recognized by a U.S. Holder on the sale or exchange of the Common Shares would be classified as a capital gain or loss.

A mark-to-market election is available to a U.S. Holder only for "marketable stock." Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable U.S. Treasury regulations. A class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. The Common Shares should be marketable stock as long as they are listed on the TSX and are regularly traded. A mark-to-market election will not apply to the Common Shares for any taxable year during which we are not a PFIC, but will remain in effect with respect to any subsequent taxable year in which we again become a PFIC. Such election will not apply to any subsidiary that we own. Accordingly, a U.S. Holder may continue to be subject to the PFIC rules with respect to any lower-tier PFICs notwithstanding the U.S. Holder's mark-to-market election.

Each U.S. person who is a shareholder of a PFIC generally must file an annual report with the IRS containing certain information, and the failure to file such report could result in the imposition of penalties on such U.S. person and in the extension of the statute of limitations with respect to federal income tax returns filed by such U.S. person.

The U.S. federal income tax rules relating to PFICs are very complex. U.S. Holders are urged to consult their own tax advisers with respect to the purchase, ownership and disposition of Common Shares, the consequences to them of an investment in a PFIC, any elections available with respect to the Common Shares and the IRS information reporting obligations with respect to the purchase, ownership and disposition of Common Shares in the event we are considered a PFIC.

Medicare Tax

Certain U.S. Holders that are individuals, estates or trusts (other than trusts that are exempt from tax) will be subject to a 3.8% tax on all or a portion of their "net investment income," which includes dividends on the Common Shares, and net gains from the disposition of the Common Shares. Further, excess distributions treated as dividends, gains treated as excess distributions, and mark-to-market inclusions and deductions are all included in the calculation of net investment income.

Treasury regulations provide, subject to the election described in the following paragraph, that solely for purposes of this additional tax, that distributions of previously taxed income will be treated as dividends and included in net investment income subject to the additional 3.8% tax. Additionally, to determine the amount of any capital gain from the sale or other taxable disposition of Common Shares that will be subject to the additional tax on net investment income, a U.S. Holder who has made a QEF election will be required to recalculate its basis in the Common Shares excluding QEF election basis adjustments.

Alternatively, a U.S. Holder may make an election which will be effective with respect to all interests in controlled foreign corporations and QEF election held in that year or acquired in future years. Under this election, a U.S. Holder pays the additional 3.8% tax on QEF election income inclusions and on gains calculated after giving effect to related tax basis adjustments. U.S. Holders that are individuals, estates or trusts should consult their own tax advisors regarding the applicability of this tax to any of their income or gains in respect of the Common Shares.

Information Reporting with Respect to Foreign Financial Assets

U.S. individuals that own "specified foreign financial assets" with an aggregate fair market value exceeding either US$50,000 on the last day of the taxable year or US$75,000 at any time during the taxable year generally are required to file an information report on IRS Form 8938 with respect to such assets with their tax returns. Significant penalties may apply to persons who fail to comply with these rules. Specified foreign financial assets include not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person. Upon the issuance of future U.S. Treasury regulations, these information reporting requirements may apply to certain U.S. entities that own specified foreign financial assets. The failure to report information required under the current regulations could result in substantial penalties and in the extension of the statute of limitations with respect to federal income tax returns filed by a U.S. Holder. U.S. Holders should consult their own tax advisors regarding the possible implications of these U.S. Treasury regulations for an investment in our Common Shares.

Special Reporting Requirements for Transfers to Foreign Corporations

A U.S. Holder that acquires Common Shares generally will be required to file Form 926 with the IRS if (1) immediately after the acquisition such U.S. Holder, directly or indirectly, owns at least 10% of the Common Shares, or (2) the amount of cash transferred in exchange for Common Shares during the 12-month period ending on the date of the acquisition exceeds US$100,000. Significant penalties may apply for failing to satisfy these filing requirements. U.S. Holders are urged to contact their tax advisors regarding these filing requirements.

Information Reporting and Backup Withholding

Dividends on and proceeds from the sale or other disposition of Common Shares may be reported to the IRS unless the U.S. Holder establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if (1) the holder fails to provide an accurate taxpayer identification number or otherwise establish a basis for exemption, or (2) is described in certain other categories of persons.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the IRS.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A US HOLDER. EACH US HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN COMMON SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the "**Tax Act**") generally applicable to a holder of Common Shares of the Company who, for purposes of the Tax Act and at all relevant times, is neither resident in Canada nor deemed to be resident in Canada for purposes of the Tax Act and any applicable income tax treaty or convention, and who does not use or hold (and is not deemed to use or hold) Common Shares in carrying on a business in Canada, deals at arm's length with and is not affiliated with the Company and holds Common Shares as capital property (a "**Holder**"). Generally, Common Shares will be considered to be capital property to a Holder thereof provided that the Holder does not hold Common Shares in the course of carrying on a business of buying and selling securities and such Holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder (i) that is a "financial institution" for purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) an interest in which is a "tax shelter investment" as defined in the Tax Act; or (iv) that has elected to report its tax results in a functional currency other than Canadian currency. Special rules, which are not discussed in this summary, may apply to a Holder that is an "authorized foreign bank" within the meaning of the Tax Act or an insurer carrying on business in Canada and elsewhere. Such Holders should consult their own tax advisors.

This summary is based upon the provisions of the Tax Act (including the regulations ("**Regulations**") thereunder) in force as of the date hereof and our understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") published in writing by the CRA prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act (and the Regulations) publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action. This summary is not exhaustive of all possible Canadian federal income tax considerations, and does not take into account other federal or any provincial, territorial or foreign income tax legislation or considerations, which may differ materially from those described in this summary.

This summary is of a general nature only and is not, and is not intended to be, and should not be construed to be, legal or tax advice to any particular Holder, and no representations concerning the tax consequences to any particular Holder are made. **Holders should consult their own tax advisors regarding the income tax considerations applicable to them having regard to their particular circumstances.**

Dividends

Dividends paid or credited (or deemed to be paid or credited) to a Holder by the Company are subject to Canadian withholding tax at the rate of 25% unless reduced by the terms of an applicable tax treaty. For example, under the Canada-United States Income Tax Convention (1980) (the "**US Treaty**"), as amended, the dividend withholding tax rate is generally reduced to 15% in respect of a dividend paid or credited to a Holder beneficially entitled to the dividend who is resident in the U.S. for purposes of the US Treaty and whose entitlement to the benefits of the US Treaty is not limited by the limitation of benefits provisions of the US Treaty. Holders are urged to consult their own tax advisors to determine their entitlement to relief under the US Treaty or any other applicable tax treaty as well as their ability to claim foreign tax credits with respect to any Canadian withholding tax, based on their particular circumstances.

Disposition of Common Shares

A Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Common Share, unless the Common Share constitutes or is deemed to constitute "taxable Canadian property" to the Holder thereof for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty or convention.

In general, provided the Common Shares are listed on a "designated stock exchange" (which currently includes the TSX) at the date of the disposition, the Common Shares will only constitute "taxable Canadian property" of a Holder if, at any time within the 60-month period preceding the disposition: (i) such Holder, persons with whom the Holder did not deal at arm's length, partnerships in which the Holder or a person with whom the Holder did not deal at arm's length holds a membership interest directly or indirectly through one or more partnerships, or any combination thereof, owned 25% or more of the issued shares of any class or series of the Company's capital stock, and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of (A) real or immovable property situated in Canada, (B) Canadian resource properties, (C) timber resource properties, and (D) options in respect of, or interests in, or for civil law rights in, property described in any of subparagraphs (ii)(A) to (C), whether or not the property exists. However, and despite the foregoing, in certain circumstances the Common Shares may be deemed to be "taxable Canadian property" under the Tax Act.

Holders whose Common Shares may be "taxable Canadian property" should consult their own tax advisers.

F. ***Dividends and paying agents.***

Not applicable.

G. ***Statement by experts.***

Not applicable.

H. ***Documents on display.***

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and file periodic reports and other information with the SEC. However, as a foreign private issuer, we are exempt from the rules and regulations under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. Our reports and other information filed with the SEC may be inspected at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of these materials may be obtained at prescribed rates from the SEC at that address. Our reports and other information can also be inspected at no charge on the SEC's website at www.sec.gov.

We are also subject to the information and reporting requirements of the *Securities Act* (Ontario) and the *Canada Business Corporations Act.* Such reports and information can be inspected at no charge on the website www.sedar.com.

If you are a shareholder, you may request a copy of these filings at no cost by contacting us at:

Director of Finance
Aptose Biosciences Inc.
2 Meridian Road
Toronto, Ontario M9W 4Z7
Canada
Phone (416) 798-1200
Fax (416) 798-2200

I. ***Subsidiary information.***

Aptose has two subsidiaries: NuChem, a company incorporated under the laws of Ontario, Canada, and Aptose USA, a company incorporated under the laws of Delaware, USA. Aptose owns 80% of the issued and outstanding voting share capital of NuChem and 100% of the issued and outstanding voting share capital of Aptose USA. NuChem has limited activity and the non-controlling interest is not material to the consolidated financial statements of the Company. Aptose USA was incorporated in April 2014 and did not have any activity during the transition period ended December 31, 2014.

Item 11. Qualitative and Quantitative Disclosures About Market Risk

Refer to notes 4 and 8 to the consolidated financial statements contained in Item 18.

We are not exposed to significant market risks. We do not currently have significant interest, credit or foreign currency risk.

We do not utilize derivative financial instruments to hedge our interest rate or foreign currency rate risks.

Interest Rate Risk

The Company invests its cash resources in liquid government and corporate debt instruments. We do not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to interest rates on our investments, owing to the relative short-term nature of the investments.

Credit Risk

Financial instruments potentially exposing the Company to a concentration of credit risk consist principally of cash and cash equivalents and marketable securities. The Company manages this credit risk by maintaining bank accounts with Schedule I banks and investing only in highly rated Canadian securities that are traded on active markets and are capable of prompt liquidation.

Exchange Rate Sensitivity

The functional currency of the Company is the Canadian dollar. The Company does not have significant cash balances in any foreign currencies, does not generally invest in marketable securities denominated in currencies other than Canadian dollars and does not have revenue sources denominated in foreign currencies as of December 31, 2014. The Company has employment contracts, including Executive employment contracts which are denominated in U.S. dollars as well as contracts to provide clinical trial services which are denominated in U.S. dollars. A decrease in the value of the Canadian dollar increases the costs associated with these contracts. Any foreign exchange gains and losses are included in the determination of gain or loss for the relevant period.

Limitations

The above discussion includes only those exposures that exist as of December 31, 2014, and as a result, does not consider exposures or positions that could arise after that date. The Company's ultimate realized gain or loss with respect to interest rate and exchange rate fluctuations would depend on the exposures that arise during the period.

Risk Factors

See Item 3.D.

Item 12. Description of Securities Other Than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividends Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

(a) Disclosure controls and procedures.

As of the end of the seven months ended December 31, 2014, an evaluation of the effectiveness of our "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), was carried out by our management under the supervision of and with the participation of the principal executive officer and principal financial officer. Based upon on that evaluation, our principal executive officer and principal financial officer have concluded that as of the end of that transition period, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

It should be noted that while our principal executive officer and principal financial officer believe that our disclosure controls and procedures are effective and provide a reasonable level of assurance, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

(b) Management's annual report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over our financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control system was designed to provide reasonable assurance that all transactions are accurately recorded, that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS, and that our assets are safeguarded.

Management has assessed the effectiveness of our internal control over financial reporting as at December 31, 2014. In management's opinion, our internal control over financial reporting is effective as of December 31, 2014. In making its assessment, management used the Committee of Sponsoring Organizations of the Treadway Commission framework in Internal Control – Integrated Framework of 1992 to evaluate the effectiveness of our internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

(c) Attestation report of the independent registered public accounting firm

Because we are a non-accelerated filer under the rules of the SEC, this Transition Report is not required to include, and does not include, an attestation report of our independent registered public accounting firm with respect to our internal control over financial reporting.

(d) Changes in internal control over financial reporting.

There has been no change in our internal control over financial reporting during the period covered by this Transition Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Warren Whitehead, a director of the Company and the chairman of the Audit Committee, possesses the attributes required of an "audit committee financial expert," and is "independent," within the meaning of applicable NASDAQ rules.

Item 16B. Code of Ethics

We have adopted a code of ethics, as such term is defined in Form 20-F, which applies to all of our officers, directors, employees and consultants. A copy of the code of ethics is available, without charge, upon written request from our Director of Finance at our offices located at 2 Meridian Road, Toronto, Ontario M9W 4Z7, Canada. There were no amendments to, or waivers granted under, our code of ethics during the seven months ended December 31, 2014.

Item 16C. Principal Accountant Fees and Services

KPMG LLP has served as our principal independent external auditor since October 1994. The total fees billed to us for professional services provided by KPMG LLP for the seven months ended December 31, 2014 and the fiscal year ended May 31, 2014 are as follows:

	Seven Months Ended December 31, 2014	Fiscal Year Ended May 31, 2014
Audit Fees	$ 157,440	$ 388,676
Audit-Related Fees	$ -	$ -
Tax Fees	$ 36,015	$ -
All Other Fees	$ -	$ -
Total	$ 193,455	$ 388,676

Audit fees consist of the fees paid with respect to the audit of our consolidated annual financial statements, quarterly reviews and 20-F filing with the SEC and for any other professional services that are normally provided by KPMG LLP in connection with statutory and regulatory filings or engagements. Tax fees related to tax planning advice provided with respect to intellectual property and US operations.

Pre-Approval Policies and Procedures

The Audit Committee of our board of directors has, pursuant to the Audit Committee charter, adopted specific responsibilities and duties regarding the provision of services by our external auditor, currently KPMG LLP. Our charter requires Audit Committee pre-approval of all permitted audit, audit-related and tax services.

Subject to the charter, the Audit Committee may establish fee thresholds for a group of pre-approved services. The Audit Committee then recommends to the board of directors approval of the fees and other significant compensation to be paid to the independent auditors.

No services were provided by KPMG LLP under a *de minimus* exemption for the seven months ended December 31, 2014.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

On October 23, 2014, we listed our Common Shares for trading on NASDAQ. Section 5615(a)(3) of the NASDAQ Marketplace Rules permits NASDAQ to grant exemptions to a foreign private issuer for the provisions of the Rule 5600 series and Rule 5250 (d). We are organized under the laws of Canada and our Common Shares are listed for trading on the TSX. We comply with the laws of Canada and rules and regulations of the TSX, including rules related to corporate governance practices. A description of the significant ways in which our governance practices differ from those followed by domestic companies pursuant to the NASDAQ Marketplace Rules is as follows:

Shareholder Meeting Quorum Requirement: The NASDAQ minimum quorum requirement for a shareholder meeting under Section 5620(c) of the NASDAQ Marketplace Rules is one-third of the outstanding shares of common stock. In addition, a company listed on NASDAQ is required to state a quorum requirement in their bylaws. Our quorum requirement is set forth in our corporate bylaws. A quorum for our shareholder meeting is two persons present or by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting and each entitled to vote at the meeting.

Compensation Committee Mandate: NASDAQ will require compliance with the revised Rule 5605(d) for all companies following the company's first annual meeting occurring after January 15, 2014, or October 31, 2014, whichever is earlier. In our case this would be following our August 19, 2014 annual general and special meeting. The changes to the rule include requiring the mandate of the Compensation Committee to include accountability to external advisors. The Compensation Committee Mandate does not currently include such requirements.

The foregoing is consistent with the laws, customs and practices in Canada and the rules of the TSX.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

We have responded to Item 18 in lieu of responding to this Item.

Item 18. Financial Statements

The consolidated financial statements of Aptose Biosciences Inc. are attached as follows:

Item 19. Exhibits.

See the Exhibit Index below.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Transition Report on its behalf.

APTOSE BIOSCIENCES INC.

By: */s/ William G. Rice*
Name: William G. Rice, PhD
Title: Chairman and Chief Executive Officer

Date: March 3, 2015

By: */s/ Gregory K. Chow*
Name: Gregory K. Chow
Title: Chief Financial Officer

Date: March 3, 2015

EXHIBIT INDEX

Exhibit Number	Description
1.1*	Articles of Incorporation
1.2*	Articles of Arrangement
1.3^^^	Certificate of Amendment
1.4*	By-law #2 of the Registrant
2.11+	Indemnification Agreement dated July 10, 2007 between Old Lorus and the Company
2.24+	Share Purchase Warrant related to the June 2012 Private Placement
2.25^	Form of Promissory note and Warrant issued June 19, 2013
2.26^	Form of Convertible Promissory note issued September 26, 2013
2.27^	Underwriting Agreement dated November 22, 2013 in connection with the December 2013 public offering
2.28^	Underwriting Agreement dated March 27, 2014 in connection with the April 2014 public offering
4.1#	Security Based Compensation Plans as amended March 27, 2014
4.2+++	Form of Officer and Director Indemnity Agreement
4.3++	Amalgamation Agreement dated August 23, 1991, among the Company, Mint Gold Resources Ltd., Harry J. Hodge and Wayne Beach
4.4##^^	Non-Exclusive License Agreement dated May 1, 2012 between the Company and Genentech, Inc.
4.5+	Indemnification Agreement dated July 10, 2007 between Old Lorus and the Company
4.8**	Lease of Premises between the Company and 565991 Ontario Limited, dated July 27, 2001.
4.8.1^	2005 Amendment to July 27, 2001 Lease of Premises between the Company and 565991 Ontario Limited
4.8.2^	2008 Amendment to July 27, 2001 Lease of Premises between the Company and 565991 Ontario Limited
4.8.3^	2011 Amendment to July 27, 2001 Lease of Premises between the Company and 565991 Ontario Limited
4.8.4^	2013 Amendment to July 27, 2001 Lease of Premises between the Company and 565991 Ontario Limited
4.9^	Executive Employment Agreement between the Company and Dr. William G. Rice, dated October 25, 2013
4.9a	Amendment to the Employment agreement between the Company and Dr. William G. Rice dated August 19, 2014.
4.9.1^	Executive Employment Agreement between the Company and Gregory K. Chow, dated November 29, 2013
4.9.2^	Executive Employment Agreement between the Company and Avanish Vellanki, dated November 29, 2013
8.1#	List of subsidiaries
11.1	Code of Business Conduct and Ethics.
11.2	Audit Committee Charter
12.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
12.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
13.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act
13.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act
15.1	Management Discussion and Analysis for the seven months ended December 31, 2014

* Incorporated by reference to File 0-32001, Form 6-K, filed with the SEC on November 19, 2007.

** Incorporated by reference to File 000-19763, Form 20-F, filed with the SEC on December 16, 2002.

\+ Incorporated by reference to File 1-32001, Form 6-K, filed with the SEC on September 4, 2007.

++ Incorporated by reference to File 0-19763, Registration Statement on Form 20-FR, filed with the SEC on March 4, 1992.

+++ Incorporated by reference to File 1-32001, Form 20-F, Annual Report, filed with the SEC on November 29, 2007.

^ Incorporated by reference to File 1-32001, Form 20-F, Annual Report, filed with the SEC on May 16, 2014.

^^ Confidential treatment has been obtained for portions of this document, which have been omitted and filed separately with the SEC.

^^^ Incorporated by reference to File 1-32001, Form 6-K, filed with the SEC on September 2, 2014.

Incorporated by reference to File 1-32001, Form 20-F, Annual Report, filed with the SEC on July 30, 2014

Incorporated by reference to File 1-32001, Form 20-F/A, Annual Report, filed with the SEC on January 11, 2013.

Consolidated Financial Statements of

APTOSE BIOSCIENCES INC.

Seven month period ending December 31, 2014,
Years ended May 31, 2014 and 2013

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Aptose Biosciences Inc.

We have audited the accompanying consolidated financial statements of Aptose Biosciences Inc., which comprise the consolidated statements of financial position as of December 31, 2014 and May 31, 2014, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the seven-month period ended December 31, 2014 and for each of the years in the two-year period ended May 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aptose Biosciences Inc. as of December 31, 2014 and May 31, 2014, and its consolidated financial performance and its consolidated cash flows for the seven-month period ended December 31, 2014 and for each of the years in the two-year period ended May 31, 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 3, 2015

Toronto, Canada

APTOSE BIOSCIENCES INC.

Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	December 31, 2014	May 31, 2014
Assets		
Current assets:		
Cash and cash equivalents (note 4(a))	$ 14,365	$ 19,367
Investments (note 4(b))	16,180	11,019
Prepaid expenses and other assets	855	495
Total current assets	31,400	30,881
Non-current assets:		
Equipment and intangibles (note 5)	200	18
Total non-current assets	200	18
Total assets	$ 31,600	$ 30,899
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 256	$ 649
Accrued liabilities (note 14)	1,662	1,283
Convertible promissory notes (note 7)	410	-
Total current liabilities	2,328	1,932
Long term liabilities:		
Convertible promissory notes (note 7)	-	528
Total long term liabilities	-	528
Shareholders' equity:		
Share capital (note 9):		
Common shares	221,259	212,938
Equity portion of convertible promissory notes (note 7)	64	88
Stock options (notes 9(e) and 10)	4,078	2,658
Contributed surplus (note 9(d))	21,653	21,410
Warrants (note 9(c))	501	1,857
Deficit	(218,283)	(210,512)
Total shareholders' equity	29,272	28,439
Total liabilities and shareholders' equity	$ 31,600	$ 30,899

See accompanying notes to consolidated financial statements.

Commitments, contingencies and guarantees (Note 14)
Subsequent events (Note 16)

On behalf of the Board:

"Warren Whitehead" Director

"Bradley Thompson" Director

APTOSE BIOSCIENCES INC.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in thousands of Canadian dollars, except for per common share data)

7 month period ended December 31, 2014 and 12 month periods ended May 31, 2014 and 2013

	7 months ended December 31, 2014	12 months ended May 31, 2014	2013
Revenue	$ –	$ –	$ –
Expenses:			
Research and development (notes 6 and 12)	2,404	3,015	3,317
General and administrative (note 12)	5,588	7,355	2,272
Operating expenses	7,992	10,370	5,589
Finance expense (note 11)	58	259	6
Finance income	(279)	(76)	(30)
Net finance (income) expense	(221)	183	(24)
Net loss and total comprehensive loss for period	$ (7,771)	$ (10,553)	$ (5,565)
Basic and diluted loss per common share	$ (0.67)	$ (2.02)	$ (1.58)
Weighted average number of common shares outstanding used in the calculation of (in thousands) (note 9):			
Basic and diluted loss per common share	11,605	5,216	3,521

See accompanying notes to consolidated financial statements.

APTOSE BIOSCIENCES INC.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars)

7 months ended December 31, 2014 and years ended May 31, 2014 and 2013

	Share capital	Stock options	Warrants	Contributed surplus	Equity portion of debt	Deficit	Total
Balance, May 31, 2014	$ 212,938	$ 2,658	$ 1,857	$ 21,410	$ 88	$ (210,512)	$ 28,439
Exercise of warrants (note 9(c))	7,814	-	(1,166)	-	-	-	6,648
Exercise of stock options	345	(162)	-	-	-	-	183
Conversion of promissory notes (note 7)	162	-	-	8	(24)	-	146
Expiry of warrants	–	–	(190)	190	–	–	–
Stock-based compensation (note 10)	–	1,627	–	–	–	–	1,627
Expiry of stock options	–	(45)	–	45	–	–	–
Net loss for the period	–	–	–	–	–	(7,771)	(7,771)
Balance, December 31, 2014	$ 221,259	$ 4,078	$ 501	$ 21,653	$ 64	$ (218,283)	$ 29,272
Balance, June 1, 2013	$ 174,522	$ 1,018	$ 2,421	$ 21,217	$ –	$ (199,959)	$ (781)
Issuance of common shares (note 9(b)(ii))	6,927	–	350	–	–	–	7,277
Issuance of common shares (note 9(b)(i))	25,584	-	-	-	-	-	25,584
Issuance of warrants (note 9(b)(iii))	–	–	75	–	–	–	75
Issuance of convertible notes (note 7)	–	–	–	–	88	–	88
Exercise of warrants (note 9(c))	5,422	-	(964)	-	–	–	4,458
Exercise of options and DSU's (note 9(g))	483	(18)	-	-	-	-	465
Expiry of warrants	–	–	(25)	25	–	–	–
Stock-based compensation (note 10)	–	1,826	–	–	–	–	1,826
Cancellation and forfeiture of stock options	–	(168)	–	168	–	–	–
Net loss for the year	–	–	–	–	–	(10,553)	(10,553)
Balance, May 31, 2014	$ 212,938	$ 2,658	$ 1,857	$ 21,410	$ 88	$ (210,512)	$ 28,439
Balance, June 1, 2012	$ 170,036	$ 535	$ 609	$ 21,186	$ –	$ (194,394)	$ (2,028)
Issuance of units (note 9(b)(iv))	4,263	–	1,855	–	–	–	6,118
Exercise of warrants (note 9(c))	223	–	(43)	–	–	–	180
Stock-based compensation (note 10)	–	514	–	–	–	–	514
Forfeiture of stock options	–	(31)	–	31	–	–	–
Net loss for the year	–	–	–	–	–	(5,565)	(5,565)
Balance, May 31, 2013	$ 174,522	$ 1,018	$ 2,421	$ 21,217	$ –	$ (199,959)	$ (781)

See accompanying notes to consolidated financial statements.

APTOSE BIOSCIENCES INC.

Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

	7 months ended December 31, 2014	12 months ended May 31, 2014	2013
Cash flows from operating activities:			
Net loss for the year	$ (7,771)	$ (10,553)	$ (5,565)
Items not involving cash:			
Stock-based compensation	1,627	1,826	514
Depreciation and amortisation	22	21	38
Finance income	(279)	(76)	(30)
Finance expense	58	259	6
Other	-	1	-
Change in non-cash operating working capital (note 11)	(374)	(14)	(52)
Cash used in operating activities	(6,717)	(8,536)	(5,089)
Cash flows from financing activities:			
Issuance of common shares and warrants, net of issuance costs (note 9(b)(i) and (ii))	-	32,861	6,118
Exercise of warrants, options and DSU's (note 9)	6,831	4,923	180
Issuance of convertible notes	-	600	-
Debt issuance costs	-	(40)	-
Issuance of promissory notes and loans	-	1,068	-
Repayment of promissory notes and loans	-	(1,068)	(900)
Interest paid on notes and loans	(30)	(129)	(6)
Cash provided by financing activities	6,801	38,215	5,392
Cash flows from investing activities:			
Acquisition of investments	(5,161)	(11,019)	-
Purchase of equipment	(204)	(22)	-
Interest received	279	76	30
Cash (used in) provided by investing activities	(5,086)	(10,965)	30
Increase (decrease) in cash and cash equivalents	(5,002)	18,714	333
Cash and cash equivalents, beginning of year	19,367	653	320
Cash and cash equivalents, end of year	$ 14,365	$ 19,367	$ 653

Supplemental cash flow information (note 11)

See accompanying notes to consolidated financial statements.

1. Reporting entity:

Aptose Biosciences Inc. ("Aptose" or the "Company") is a clinical-stage biotechnology company committed to discovering and developing personalized therapies addressing unmet medical needs in oncology. Aptose is a publicly listed company incorporated under the laws of Canada. The Company's shares are listed on the Nasdaq Capital Markets and the Toronto Stock Exchange. The head office, principal address and records of the Company are located at 2 Meridian Road, Toronto, Ontario, Canada, M9W 4Z7.

Aptose changed its name from Lorus Therapeutics Inc. effective August 28, 2014.

Effective July 17, 2014 the Company changed its fiscal year end from May 31 to December 31. As a result of that change the current reporting fiscal period is for the seven months ended December 31, 2014 while the prior year comparative periods are for the twelve months ended May 31, 2014 and 2013, and therefore are not directly comparable to the current seven month period.

2. Basis of presentation:

(a) Statement of compliance:

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on March 3, 2015.

(b) Functional and presentation currency:

The functional and presentation currency of the Company is the Canadian dollar.

(c) Significant accounting judgments, estimates and assumptions:

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from those estimates. The consolidated financial statements include estimates, which, by their nature, are uncertain.

2. Basis of presentation (continued):

The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty as of the date of the statement of financial position that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next fiscal year include:

(i) Valuation of contingent liabilities:

The Company utilizes considerable judgment in the measurement and recognition of provisions and the Company's exposure to contingent liabilities. Judgment is required to assess and determine the likelihood that any potential or pending litigation or any and all potential claims against the Company may be successful. The Company must estimate if an obligation is probable as well as quantify the possible economic cost of any claim or contingent liability. Such judgments and assumptions are inherently uncertain. The increase or decrease of one of these assumptions could materially increase or decrease the fair value of the liability and the associated expense.

(ii) Valuation of tax accounts:

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Currently, the Company has deductible temporary differences which would create a deferred tax asset. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. To date, the Company has determined that none of its deferred tax assets should be recognized. The Company's deferred tax assets are mainly comprised of its net operating losses from prior years and prior year research and development expenses. These tax pools relate to entities that have a history of losses, have varying expiry dates, and may not be used to offset taxable income. As well, there are no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. The generation of future taxable income could result in the recognition of some portion or all of the remaining benefits, which could result in an improvement in the Company's results of operations through the recovery of future income taxes.

2. Basis of presentation (continued):

(iii) Valuation of share-based compensation and share purchase warrants:

Management measures the costs for share-based payments and share purchase warrants using market-based option valuation techniques. Assumptions are made and judgment is used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the share price, expected dividend yield, and employee turnover rates. Such judgments and assumptions are inherently uncertain. The increase or decrease of one of these assumptions could materially increase or decrease the fair value of share-based payments and share purchase warrants issued and the associated expense.

3. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Company its 80% owned subsidiary, NuChem Pharmaceuticals Inc. ("NuChem") and its 100% owned subsidiary Aptose Biosciences Inc. USA ("Aptose USA"). NuChem has limited activity and the non-controlling interest is not material to the financial statements of the Company. Aptose USA was incorporated in April 2014 and had limited activity during the period ended December 31, 2014. A subsidiary is an entity over which the Company has control, being the power to govern the financial and operating policies of the investee entity so as to obtain benefits from its activities. Accounting policies of the subsidiaries are consistent with the Company's accounting policies. All intra-group transactions, balances, revenue and expenses are eliminated on consolidation.

(b) Foreign currency translation:

Foreign currency transactions are translated into Canadian dollars at rates prevailing on the transaction dates. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates in effect at that date. Gains or losses resulting from the translation to Canadian dollars are presented in the statement of loss and comprehensive loss for the period within general and administrative expenses.

3. Significant accounting policies (continued):

(c) Derecognition of financial assets and liabilities:

A financial asset is derecognized when the right to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset.

A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

(d) Financial assets and liabilities:

Financial assets within the scope of IAS 39, *Financial Instruments - Recognition and Measurement* ("IAS 39"), are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

The Company's financial instruments are comprised of the following:

Financial assets	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Short-term investments	Loans and receivables	Amortized cost
Financial liabilities	**Classification**	**Measurement**
Accounts payable, accrued liabilities and convertible promissory notes payable	Other liabilities	Amortized cost

The Company considers unrestricted cash on hand and guaranteed investment certificates held by Canadian Schedule A banks with original maturities of three months or less as cash and cash equivalents.

3. Significant accounting policies (continued):

Fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

- Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means; and
- Level 3 - inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Company's financial assets as at December 31, 2014 and May 31, 2014 which include cash and cash equivalents and short term investments are classified as a Level 1 measurement.

(e) Equipment:

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The Company records depreciation at rates that charge operations with the cost of the assets over their estimated useful lives on a straight-line basis as follows:

Furniture	3 years
Laboratory Equipment	5 years
Computer hardware	3 years
Leasehold improvements	Life of lease

The assets' residual value, useful life and methods of depreciation are reviewed at each reporting period and adjusted prospectively if appropriate.

3. Significant accounting policies (continued):

(f) Intangible assets:

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The Company's intangible assets consist of computer application software that is not an integral part of related hardware. Subsequent expenditures that increase application software functionality are recognized in the carrying amount of intangible assets if they embody future economic benefit to the Company. All other costs including the costs of day-to-day servicing of intangible assets are expensed as incurred. Amortization is recognized in expense on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

(g) Research and development:

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditures capitalized would include the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Other development expenditures which do not meet the criteria for capitalization are recognized in profit or loss as incurred.

Capitalized development costs are recognized at cost less accumulated amortization and accumulated impairment losses.

The Company has not capitalized any development costs to date.

(h) Investment tax credits:

Research and development investment tax credits, which are earned as a result of incurring qualifying research and development expenditures, are recorded as a reduction of the related expense or cost of the asset acquired when there is reasonable assurance that they will be realized.

3. Significant accounting policies (continued):

The Company's claim for scientific research and experimental development ("SR&ED") deductions and related investment tax credits for income tax purposes are based on management's interpretation of the applicable legislation in the Income Tax Act (Canada). These amounts are subject to review and acceptance by the Canada Revenue Agency or the Ontario Ministry of Finance prior to collection.

(i) Employee benefits:

(i) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid in short-term cash bonuses if the Company expects to pay these amounts as approved by the Board of Directors as a result of past services provided by the employee and the obligation can be estimated reliably.

(ii) Stock-based compensation:

The Company has a stock-based compensation plan (the "Plan") available to officers, directors, employees and consultants with grants under the Plan approved by the Company's Board of Directors. Under the Plan, the exercise price of each option equals the closing trading price of the Company's stock on the day prior to the grant if the grant is made during the trading day or the closing trading price on the day of grant if the grant is issued after markets have closed. Vesting is provided for at the discretion of the Board of Directors and the expiration of options is to be no greater than 10 years from the date of grant.

Details regarding the determination of the fair value of equity settled share-based transactions are set out in note 10.

The Company uses the fair value based method of accounting for employee awards granted under the Plan. The Company calculates the fair value of each stock option grant using the Black-Scholes option pricing model at the grant date. The stock-based compensation cost of the options is recognized as stock-based compensation expense over the relevant vesting period of the stock options using an estimate of the number of options that will eventually vest.

3. Significant accounting policies (continued):

Stock options awarded to non-employees are accounted for at the fair value of the goods received or the services rendered. The fair value is measured at the date the Company obtains the goods or the date the counterparty renders the service. If the fair value of the goods or services cannot be reliably measured, the fair value of the options granted will be used.

The Company has an alternate compensation plan that provides directors and senior management with the option of receiving director's fees, salary, bonuses or other remuneration ("Remuneration") in common shares rather than cash. Under the plan, the participant receives an allotment from treasury of such number of shares as will be equivalent to the cash value of the Remuneration determined by dividing the Remuneration by the weighted average closing common share price for the five trading days prior to payment date (the "5-day VWAP"). The issue price of the shares is the 5-day VWAP. There are currently no shares allotted for issuance under this plan.

The Company has a deferred share unit (“DSU”) plan that provides directors the option of receiving payment for their services in the form of share units rather than common shares or cash. Officers may also receive compensation under the plan as determined by the Board of Directors. Share units entitle the director to elect to receive, on termination of his or her services with the Company, an equivalent number of common shares, or the cash equivalent of the market value of the common shares at that future date. The plan gives the holder of the DSU’s the option between settlement in cash or shares of Aptose and the Board of Directors of Aptose has the final determination as to the method of settlement. It is currently the intention of the Board of Directors to comply with the wishes of the holder in terms of settlement method.

For units issued under this plan, the Company records an expense and a liability equal to the market value of the shares issued. The accumulated liability is adjusted for market fluctuations on a quarterly basis.

There are currently no shares allotted for issuance under this plan (May 31, 2014 – nil).

(j) Loss per share:

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the year. The inclusion of the Company's stock options and warrants in the computation of diluted loss per share has an anti-dilutive effect on the loss per share and, therefore, they have been excluded from the calculation of diluted loss per share.

3. Significant accounting policies (continued):

(k) Income taxes:

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

(l) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

Employee entitlements to annual leave are recognized as the employee earns them. A provision, stated at current cost, is made for the estimated liability at the end of each reporting period.

The Company has recorded a provision related to an indemnification as described in note 14.

3. Significant accounting policies (continued):

(m) Finance income and finance costs:

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss using the effective interest method.

Finance costs comprise interest expense on borrowings and are recognized in profit or loss using the effective interest method.

(n) Standards and Interpretations Adopted in the Seven Months Ended December 31, 2014:

(i) Amendment to IAS 32, *Financial instruments: presentation* ("IAS 32"):

The amendment to IAS 32 clarifies the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendment clarifies that an entity has a legally enforceable right to set-off if that right is not contingent on a future event and is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The adoption of the amendments to IAS 32 did not have any impact on the Company's consolidated financial statements.

(ii) International Financial Reporting Interpretation Committee 21, *Levies* ("IFRIC 21"):

IFRIC 21 addresses the issue of when to recognize a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statement preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. IFRIC 21 requires retrospective application. The adoption of IFRIC 21 did not have a material impact on the Company’s consolidated financial statements as the Company has not incurred levies.

3. Significant accounting policies (continued):

(o) Recent accounting pronouncements:

(i) IFRS 9, *Financial Instruments* ("IFRS 9"):

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The Company intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(ii) Amendments to IAS 1

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

4. Capital disclosures:

The Company's objectives when managing capital are to:

- Maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and
- Ensure sufficient cash resources to fund its research and development activity, to pursue partnership and collaboration opportunities and to maintain ongoing operations.

The capital structure of the Company consists of equity comprised of share capital, share purchase warrants, stock options, contributed surplus and deficit. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, acquiring or disposing of assets, adjusting the amount of cash balances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements, and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended May 31, 2014.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

4. Capital disclosures (continued):

(a) Cash and cash equivalents:

Cash and cash equivalents consists of cash of $293 thousand (May 31, 2014 - $2.3 million) and funds deposited into high interest savings accounts totalling $14.072 million (May 31, 2014 - $17.1 million). The current interest rate earned on these deposits is between 1.2% and 1.25% (May 31, 2014 – 1.2-1.25%).

(b) Investments:

As at December 31, 2014 and May 31, 2014, short term investments consist of guaranteed investment certificates with Canadian financial institutions having high credit ratings. Short-term investments include twelve investments (May 31, 2014 – eleven investments) with maturity dates from April 22, 2015 to June 19, 2016 (May 31, 2014 – April 22, 2015 to May 8, 2016), bearing an interest rate from 1.50% to 2.10% (May 31, 2014 – 1.56% to 1.85%) per annum. Included in the investments balance are $8.1 million in investments that mature in fiscal 2016.

There were no short term investments outstanding as of May 31, 2013.

5. Equipment and intangible assets:

Equipment:

December 31, 2014	Cost	Accumulated depreciation	Net book value
Equipment	$ 545	$ 481	$ 64
Computer hardware	36	14	22
Office furniture	38	37	1
Leasehold improvements	25	1	24
	$ 644	$ 533	$ 111

During the seven months ended December 31, 2014 the Company disposed of $1.5 million in fully depreciated equipment, $437 thousand in fully depreciated computer hardware and $147 in fully depreciated office furniture no longer in use.

May 31, 2014	Cost	Accumulated depreciation	Net book value
Equipment	$ 1,979	$ 1,976	$ 3
Computer hardware	448	433	15
Office furniture	184	184	-
	$ 2,611	$ 2,593	$ 18

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

5. Equipment and intangible assets (continued):

Intangible assets:

December 31, 2014	Cost	Accumulated amortization	Net book value
Computer software	$ 105	$ 16	$ 89
	$ 105	$ 16	$ 89

During the seven months ended December 31, 2014 the Company disposed of $325 thousand in fully amortized computer software.

May 31, 2014	Cost	Accumulated amortization	Net book value
Computer software	$ 325	$ 325	$ -
	$ 325	$ 325	$ -

6. Research and development programs:

The Company has product candidates in two classes of anti-cancer therapies:

(a) Small molecule program:

The Company is developing small molecule therapies based on anti-proliferative and anti-metastatic properties that act at novel cancer specific targets that target indications addressing large cancer markets. The Company's proprietary group of small molecule compounds includes lead drug APTO-253 in acute myeloid leukemia (AML), myelodysplastic syndromes (MDS) and other hematologic malignancies. Additionally, the Company has a preclinical small molecule program targeting maternal embryonic leucine zipper kinase (MELK) for the treatment of various cancers.

(b) Large molecule program:

The Company's large molecule program includes a molecule to target specific cell-surface receptors expressed in certain cancers expressing the Interleukin-17E receptor (IL-17ER). The molecule under development is IL-17E, which binds to IL-17ER to lead to targeted cell killing. IL-17E is also known to have activity in stimulating the anti-cancer properties of the immune system. IL-17E is a protein-based therapeutic in the pre-clinical stage of development. The Company is not currently developing IL-17E and is seeking to out-license the program.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

6. Research and development programs (continued):

Program costs by product class are as follows:

	7 months ended December 31, 2014	12 months ended May 31, 2014	2013
Small molecule program	$ 2,371	$ 2,199	$ 2,701
Large molecule program	-	88	425
	$ 2,371	$ 2,287	$ 3,126

See note 12 for all components of research and development expenditures.

7. Convertible promissory notes and loans payable:

a) Convertible promissory notes

In September 2013, the Company completed a private placement of convertible promissory notes for aggregate gross proceeds of $600 thousand. Each convertible promissory note consists of a $1 thousand principal amount of unsecured promissory note convertible into common shares of the Company at a price per share of $3.60. The promissory notes bear interest at a rate of 10% per annum, payable quarterly and are due September 26, 2015.

Certain related parties participated in the transaction. A company related to Mr. Abramson, a former director of Aptose acquired $100 thousand of the promissory notes, Mr. Sheldon Inwentash and his joint actors (“Mr. Inwentash”) was a related party of the Company by virtue of exercising control or direction over more than 10% of the common shares, acquired $150 thousand of the promissory notes and Sprott Asset Management which then held more than 10% of the common shares of Aptose acquired $112 thousand of the notes.

The promissory notes are a compound financial instrument containing a liability component and an equity component represented by the conversion feature. The fair value of the liability component upon issuance was estimated by discounting the future cash flows associated with the debt at a discounted rate of approximately 19% which represents the estimated borrowing cost to the Company for similar promissory notes with no conversion feature. The residual value of $88 thousand was allocated to the conversion feature.

Subsequent to initial recognition, the promissory notes are being accounted for at amortized cost using the effective interest rate method. The Company incurred costs associated with the financing of $17 thousand. These costs along with the adjustment for the conversion feature are being accreted using the effective interest rate method over the 24 month life of the notes.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

7. Convertible promissory notes and loans payable (continued):

During the seven months ended December 31, 2014, $162.5 thousand promissory notes with a carrying value of $146 thousand were converted into common shares of the Company.

	December 31, 2014	May 31, 2014
Promissory notes	$ 438	$ 600
Less: Unamortized adjustment for equity component of notes	(72)	(88)
Less: Issuance costs	(17)	(17)
	349	495
Accretion in carrying amount of notes	61	33
Balance, end of period	$ 410	$ 528

b) Loans payable

In September 2013, the Company entered into loan agreements for proceeds of $150 thousand. The loans were unsecured, bore interest at a rate of 10% per annum payable quarterly and were due September 30, 2015. The Company repaid the loans and all accrued and unpaid interest thereon on April 25, 2014.

8. Financial instruments:

(a) Financial instruments:

The Company has classified its financial instruments as follows:

	December 31, 2014	May 31, 2014
Financial assets:		
Cash and cash equivalents, consisting of high interest savings account, measured at amortized cost	$ 14,365	$ 19,367
Investments, consisting of guaranteed investment certificates, measured at amortized cost.	16,180	11,019
Financial liabilities:		
Accounts payable, measured at amortized cost	256	649
Accrued liabilities, measured at amortized cost	1,662	1,283
Convertible promissory notes, measured at amortized cost	410	528

8. Financial instruments (continued):

At December 31, 2014, there are no significant differences between the carrying values of these amounts and their estimated market values due to their short-term nature.

(b) Financial risk management:

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed.

(i) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents. The carrying amount of the financial assets represents the maximum credit exposure.

The Company manages credit risk associated with its cash and cash equivalents by maintaining minimum standards of R1-low or A-low investments and the Company invests only in highly rated Canadian corporations which are capable of prompt liquidation.

(ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, management and the Board consider securing additional funds through equity, debt or partnering transactions. The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flows. All of the Company's financial liabilities are due within the current operating period.

(iii) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Company's income or the value of its financial instruments.

8. Financial instruments (continued):

The Company is subject to interest rate risk on its cash and cash equivalents and short-term investments. The Company does not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to the interest rates on the investments, owing to the relative short-term nature of the investments. The Company does not have any material interest bearing liabilities subject to interest rate fluctuations.

Financial instruments potentially exposing the Company to foreign exchange risk consist principally of accounts payable and accrued liabilities. The Company holds minimal amounts of U.S. dollar denominated cash, purchasing on an as-needed basis to cover U.S. dollar denominated payments. At December 31, 2014, U.S. dollar denominated accounts payable and accrued liabilities amounted to $565 thousand (May 31, 2014 - $769 thousand). Assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in an increase or decrease in loss and comprehensive loss for the year of $57 thousand (May 31, 2014 - $77 thousand). The Company does not have any forward exchange contracts to hedge this risk.

9. Share capital:

Share consolidation:
In accordance with the authority granted by shareholders at the Company's annual and special meeting on August 19, 2014 to permit it to implement a consolidation of the Company's outstanding common shares in a ratio of between 1-for-5 and 1-for-15, the Company's Board of Directors approved a 1-for-12 share consolidation which became effective October 1, 2014. The share consolidation affects all of the Company's common shares, stock options and warrants outstanding at the effective time. Fractional shares were not issued. Prior to consolidation the Company had approximately 139 million shares outstanding. Following the share consolidation, the Company has approximately 11.6 million common shares outstanding. Similarly, prior to consolidation, the Company had approximately 17.1 million stock options and 2.6 million warrants to purchase common shares outstanding. Following the share consolidation, the Company had approximately 1.4 million stock options and 218 thousand warrants to purchase common shares outstanding.

In these consolidated financial statements, all references to number of shares, stock options and warrants in the current and past periods have been adjusted to reflect the impact of the share consolidation. All amounts based on the number of shares, stock options or warrants, unless otherwise specified, such as earnings (loss) per share and weighted average issuance price in the case of stock options have been adjusted to reflect the impact of 1-for-12 share consolidation.

9. Share capital (continued):

(a) Continuity of common shares and warrants:

	Common shares		Warrants	
	Number	Amount	Number	Amount
	(In thousands)		(In thousands)	
Balance, May 31, 2012	1,769	$ 170,036	473	$ 609
Issuance of units (b)(iv)	1,719	4,263	1,719	1,720
Issuance of finders warrants (b)(iv)	–	–	103	135
Exercise of warrants (c)	33	223	(33)	(43)
Balance, May 31, 2013	**3,521**	**$ 174,522**	**2,262**	**$ 2,421**
Expiry of broker warrants	-	-	(16)	(25)
Issuance of warrants (b)(iii)	-	-	76	75
Warrant exercises	868	5,422	(868)	(964)
Finders warrants (b)(iv)	-	-	103	-
Option exercises	6	39	-	-
December equity offering and overallotment (b)(ii)	1,220	6,927	73	350
April equity offering and overallotment (b)(i)	4,708	25,584	-	-
DSU exercise	65	444	-	-
Balance, May 31, 2014	**10,388**	**$ 212,938**	**1,630**	**$ 1,857**
Warrant exercises	1,231	7,814	(1,231)	(1,166)
Warrant expiry	-	-	(190)	(190)
Option exercises	36	345	-	-
Promissory note conversion	45	162	-	-
Balance, December 31, 2014	**11,700**	**$ 221,259**	**209**	**$ 501**

(b) Equity issuances:

(i) April 2014 Public Equity Offering and Overallotment

In April 2014, the Company completed a public offering of common shares. The Company issued 4,166,667 (pre-consolidation 50,000,000) common shares at a purchase price of $6.00 ($0.50 pre-consolidation) per common share and an additional 541,667 (pre consolidation 6,500,000) common shares upon the partial exercise of the over-allotment option for aggregate gross proceeds of $28.3 million. The total costs associated with the transaction were approximately $2.7 million which includes a cash commission of $2.0 million based on 7% of the gross proceeds received as part of the offering.

Mr. Inwentash, a former related party of the Company, participated in this offering and acquired an aggregate of 108,333 (pre-consolidation 1,300,000) common shares.

(ii) December 2013 Public Equity Offering and Overallotment

In December 2013, Aptose completed a public offering of common shares. Aptose issued 1,060,833 (pre-consolidation 12,730,000) common shares at a price of $6.60 (pre-consolidation $0.55) per common share and an additional 159,125 (pre-consolidation 1,909,500) common shares upon the exercise of the overallotment option for aggregate gross proceeds of $8.1 million.

9. Share capital (continued):

The total costs associated with the transaction were approximately $1.1 million which include a cash commission of $483 thousand based on 6% of the gross proceeds received as part of the offering, and the issuance of 73,198 (pre-consolidation 878,370) broker warrants with an estimated fair value of $350 thousand. The fair value of these warrants was determined using the Black Scholes model with a 24 month time to maturity, an assumed volatility of 130% and a risk free interest rate of 1.5%. Each broker warrant is exercisable into one common share of the Company at a price of $6.60 (pre-consolidation $0.55) for a period of twenty four months following closing of the offering.

Mr. Inwentash, a former related party of the Company, participated in the Offering and acquired an aggregate of 151,667 (pre-consolidation 1,820,000) common shares.

(iii) June 2013 Private Placement
In June 2013 the Company completed a private placement of units ("Units" in this section) at a price of $1 thousand per unit, for aggregate gross proceeds of $918 thousand.

Each Unit consisted of (i) a $1 thousand principal amount of unsecured promissory note and (ii) 83 (pre-consolidation 1,000) common share purchase warrants. The promissory notes bore interest at a rate of 10% per annum, payable monthly and were due June 19, 2014. Each warrant entitled the holder thereof to acquire one common share of the Company at a price per common share equal to $3.00 (pre-consolidation $0.25) at any time until June 19, 2015.

Certain related parties participated in the transaction. Directors and officers (including former officer Dr. Aiping Young, and former director Dr. Jim Wright and Dr. Mark Vincent) acquired an aggregate of $68 thousand of the promissory notes. A company related to a Mr. Abramson, a former director of the Company acquired $250 thousand of the promissory notes and Mr. Inwentash acquired $100 thousand of the promissory notes.

The Units contained a liability component and an equity component represented by the warrants to purchase common shares. The fair value of the liability component of $843 thousand was estimated by discounting the future cash flows associated with the debt at a discounted rate of approximately 19% which represents the estimated borrowing cost to the Company for similar promissory notes with no warrants. The residual value of $75 thousand was allocated to the warrants. The Company incurred costs associated with the financing of $23 thousand. These costs were amortized using the effective interest rate method over the 12 month life of the notes.

These notes and any interest accrued thereon were repaid in full in April 2014.

9. Share capital (continued):

(iv) June 2012 Private Placement

On June 8, 2012 Aptose completed a private placement (the "Private Placement") of 1,718,750 (pre-consolidation 20,625,000) units at a subscription price of $3.84 (pre-consolidation $0.32) per unit, each unit ("Unit") consisting of one common share and one common share purchase warrant for gross proceeds to Aptose of $6.6 million. Each warrant was exercisable for a period of 24 months from the date of issuance at an exercise price of $5.40 (pre-consolidation $0.45) (the "Warrants"). Any unexercised warrants expired on June 8, 2014.

Aptose paid a cash finder's fee of $396 thousand based on 6% of the gross proceeds of the Private Placement and issued 103,125 (pre-consolidation 1,237,500) finder's warrants with an exercise price of $3.84 (pre-consolidation $0.32) each. Each finder's warrant was exercisable into Units consisting of 103,125 (pre-consolidation 1,237,500) common shares and 103,125 (pre-consolidation 1,237,500) Warrants. In May 2014, the finder's Warrants were exercised and in June 2014 the underlying Warrants were also exercised.

The total costs associated with the transaction were approximately $617 thousand which includes the $135 thousand which represented the estimated fair value of the finders warrants issued as part of the Private Placement. Each such finder warrant was exercisable for one Unit at a price of $3.84 (pre-consolidation $0.32) per Unit for a period of 24 months following the closing of the Offering. The Company allocated the net proceeds of the Offering to the common shares and the common share purchase warrants based on their estimated relative fair values. Based on relative fair values, $4.3 million of the net proceeds were allocated to the common shares and $1.7 million to the common share purchase warrants.

(c) Warrants:

Warrants exercised during the seven months ended December 31, 2014:

(in thousands)	Number	Proceeds
August 2011 warrants (i)	8	$ 48
June 2012 private placement warrants (ii)	1,223	6,600
Total	1,231	$ 6,648

In addition to the cash proceeds received the original fair value related to these warrants of $1.2 million was transferred from warrants to share capital. This resulted in a total amount of $7.8 million credited to share capital.

9. Share capital (continued):

Warrants exercised during the year ended May 31, 2014:

(in thousands)	Number	Proceeds
August 2011 warrants (i)	327	$ 1,764
June 2012 private placement warrants (ii)	409	2,210
June 2012 finder warrants	103	396
June 2013 private placement warrants (iii)	29	88
Total	868	$ 4,458

In addition to the cash proceeds received the original fair value related to these warrants of $964 thousand was transferred from warrants to share capital. This resulted in a total amount of $5.4 million credited to share capital.

Warrants exercised during the year ended May 31, 2013:

(in thousands)	Number	Proceeds
August 2011 warrants (i)	33	$ 180
Total	33	$ 180

In addition to the cash proceeds received the original fair value related to these warrants of $43 thousand was transferred from warrants to share capital. This resulted in a total amount of $223 thousand credited to share capital.

Summary of outstanding warrants:

(in thousands)	7 months ended December 31, 2014	12 months ended May 31, 2014
August 2011 warrants (i)	89	97
June 2012 private placement warrants (ii)	-	1,413
June 2013 private placement warrants (iii)	47	47
December 2013 broker warrants (iv)	73	73
Number of warrants outstanding, end of year	209	1,630

(i) August 2011 warrants are exercisable into common shares of Aptose at a price per share of $5.40 and expiring in August 2016.

(ii) June 2012 warrants were exercisable into common shares of Aptose at a price per share of $5.40 and expired on June 8, 2014. During the seven months ended December 31, 2014, 1.2 million warrants were exercised and the balance expired unexercised.

(iii) June 2013 private placement warrants are exercisable into common shares of Aptose at a price per share of $3.00 and expiring in June 2015.

9. Share capital (continued):

(iv) December 2013 broker warrants are exercisable into common shares of Aptose at a price per share of $6.60 and expiring in December 2015.

(d) Continuity of contributed surplus:

Contributed surplus is comprised of the cumulative grant date fair value of expired share purchase warrants and expired stock options as well as the cumulative amount of previously expensed and unexercised equity settled share-based payment transactions.

(in thousands)	7 months ended December 31, 2014	12 months ended May 31, 2014	May 31, 2013
Balance, beginning of period	$ 21,410	$ 21,217	$ 21,186
Expiry of warrants (c)	190	25	–
Expiry of stock options	45	65	31
Conversion of promissory notes	8	-	-
Cancellation of stock options	-	103	–
Balance, end of period	$ 21,653	$ 21,410	$ 21,217

(e) Continuity of stock options:

(in thousands)	7 months ended December 31, 2014	12 months ended May 31, 2014	May 31, 2013
Balance, beginning of period	$ 2,658	$ 1,018	$ 535
Stock option expense	1,627	1,826	514
Exercise of stock options	(162)	(18)	-
Expiry of stock options	(45)	(65)	(31)
Cancellation of stock options	-	(103)	–
Balance, end of period	$ 4,078	$ 2,658	$ 1,018

(f) Loss per share:

Loss per common share is calculated using the weighted average number of common shares outstanding for the seven months ending December 31, 2014 of 11.605 million and the years ending May 31, 2014 of 5.216 million and 3.521 million as of May 31, 2013, calculated as follows:

9. Share capital (continued):

(in thousands)	7 months ended December 31, 2014	12 months ended May 31, 2014	May 31, 2013
Issued common shares, beginning of period	10,388	3,521	1,769
Effect of April 2014 public offering (note 9(b)(i))	-	785	-
Effect of December 2013 public offering (note 9(b)(ii))	-	597	-
Effect of Warrant exercises (note 9(c))	1,200	301	33
Effect of option and DSU exercises	4	12	-
Effect of promissory note conversion (note 7)	13	-	-
Effect of private placement (note 9(b)(iv))	-	-	1,719
Issued weighted average common shares, end of period	11,605	5,216	3,521

The effect of any potential exercise of the Company's stock options and warrants outstanding during the year has been excluded from the calculation of diluted loss per common share as it would be anti-dilutive.

(g) Deferred share unit plan:

As at December 31, 2014 nil deferred share units are outstanding (May 31, 2014 – nil, May 31, 2013 – 65,000). 65,000 common shares of the Company were issued in April 2014 in satisfaction of the outstanding deferred share unit liability. The shares issued had a fair value of $444 thousand.

10. Stock-based compensation:

Stock option plan:

Under the Company's stock option plan, options, rights and other entitlements may be granted to directors, officers, employees and consultants of the Company to purchase up to a maximum of 15% of the total number of outstanding common shares, estimated at 1,754,000 options, rights and other entitlements as at December 31, 2014. Options are granted at the fair market value of the common shares on the closing market date immediately preceding the date of the grant. Options vest at various rates (immediate to three years) and have a term of 10 years. Stock option transactions for the seven month period ended December 31, 2014 and the two years ended May 31, 2014 are summarized as follows:

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

10. Stock-based compensation (continued):

Option numbers are in (000's)

	7 months ended December 31, 2014	
	Options	Weighted average exercise price
Outstanding, beginning of period	824	$ 6.22
Granted	604	5.57
Exercised	(36)	5.14
Forfeited	(18)	6.96
Outstanding, end of the period	1,374	5.95

Option numbers are in (000's)

	May 31, 2014		May 31, 2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	280	$ 5.50	135	$5.28
Granted	573	6.63	148	5.70
Exercised	(6)	3.70	-	-
Forfeited	(3)	22.16	(3)	6.44
Cancelled	(20)	6.00	-	-
Outstanding, end of year	824	6.22	280	5.50

The following table summarizes information about stock options outstanding at December 31, 2014:

Option numbers are in (000's)

	Options outstanding			Options exercisable	
Range of exercise prices	Options	Weighted average remaining contractual life (years)	Weighted average exercise price	Options	Weighted average exercise price
$2.16 - $ 3.48	166	7.5	$ 2.80	163	$ 2.81
$3.48 - $ 5.70	715	9.2	5.59	106	5.70
$5.71 - $ 9.36	488	9.1	6.99	203	8.03
$9.37 - $118.80	5	3.1	63.26	5	63.26
	1,374	8.9	5.95	477	6.28

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

10. Stock-based compensation (continued):

The following assumptions were used in the Black-Scholes option pricing model to determine the fair value of stock options granted during the period:

	7 months ended December 31, 2014	12 months ended May 31, 2014	May 31, 2013
Exercise price	$ 5.16-5.70	$ 3.48-9.36	$ 5.70
Grant date share price	5.16-5.70	$ 2.48-9.36	$ 5.70
Risk-free interest rate	1.5%	1.5%-3.0%	3.0%
Expected dividend yield	-	–	–
Expected volatility	53-122%	125%-135%	135%
Expected life of options	3 months-5 years	5 years	5 years
Weighted average fair value of options granted or modified during the year	$ 4.56	$ 6.60	$ 5.04

The Company uses historical data to estimate the expected dividend yield and expected volatility of its common shares in determining the fair value of stock options. The expected life of the options represents the estimated length of time the options are expected to remain outstanding.

Stock options granted by the Company during the seven months ended December 31, 2014 vest 50% upon the first anniversary and 25% on each of the second and third anniversaries.

Stock options granted by the Company during the year ended May 31, 2014 consisted of 151,708 options which vested immediately, 70,833 options that vested 50% upon issuance and 25% on each of the next two anniversaries and 276,667 options which vest 50%, 25% and 25% on each of the next three anniversaries, 70,833 options which vest in equal installments over 36 months and 3,125 options which vest in October 2014.

Stock options granted by the Company during the year ended May 31, 2013 had various vesting schedules. Options granted to directors consisted of 13,333 options that vested 50% upon issuance and 50% one year later. Options granted to the former CEO of 87,500 vest 50% after one year and 25% on each of August 2, 2014 and August 2, 2015. Upon the departure of the former CEO in March 2014 the vesting of these options was accelerated and they are fully vested as of May 31, 2014. Options granted to certain members of management totaled 27,083 and vested 50% upon certain performance criteria measured as of May 31, 2013 and 25% May 31, 2014 and 25% on May 31, 2015. Options granted to employees totaled 20,417 and vest 50% after one year and 25% on each of August 2, 2015 and August 2, 2016.

Refer to note 12 for a breakdown of stock option expense by function.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

11. Additional cash flow disclosures:

Net change in non-cash operating working capital is summarized as follows:

	7 month ended December 31	12 months ended May 31	
	2014	**2014**	**2013**
Prepaid expenses and other assets	$ (360)	$ (130)	$ (72)
Accounts payable	(393)	(64)	391
Accrued liabilities	379	180	(371)
	$ (374)	$ (14)	$ (52)

During the seven months ended December 31, 2014 the Company incurred interest on the convertible promissory notes described in note 7 of $30 thousand of which $3 thousand was accrued and unpaid at December 31, 2014. The interest accrues at a rate of 10% per annum and is paid quarterly. In addition the Company recorded accretion expense of $28 thousand as described in note 7.

During the year ended May 31, 2014 the Company paid $75 thousand in interest expense on the $918 thousand promissory notes as described in note 9(b)(iii) and recorded accretion expense of $100 thousand related to the same promissory notes. These notes and all unpaid interest were repaid in April 2014. The interest accrued at a rate of 10% per annum. In addition the Company incurred interest in the year ended May 31, 2014 on the loan agreements and convertible promissory notes described in note 7 of $51 thousand of which $14 thousand was accrued and unpaid at May 31, 2014. In addition the Company recorded $33 thousand of accretion expense as described in note 7. The interest accrues at a rate of 10% per annum and is paid quarterly. The loan agreements and all interest accrued thereon were repaid in April 2014. In addition the Company paid interest of $3 thousand at a rate of 10% per annum to the withheld pay of employees. All amounts withheld from employees had been repaid in December 2013.

During the year ended May 31, 2013, the Company incurred $6 thousand in interest expense on a $900 thousand promissory note due to a former Director. The interest was paid at a rate of 10%.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

12. Other expenses:

Components of research and development expenses:

	7 month ended December 31, 2014	12 months ended May 31, 2014	2013
Program costs (note 6)	$ 2,371	$ 2,287	$ 3,126
Severance cost for former President and COO	-	326	-
Deferred share unit costs	-	90	(40)
Stock-based compensation	29	296	198
Depreciation of equipment	4	16	33
	$ 2,404	$ 3,015	$ 3,317

Components of general and administrative expenses:

	7 month ended December 31, 2014	12 months ended May 31, 2014	2013
General and administrative excluding salaries	$ 2,467	$ 2,658	$ 1,368
Salaries	1,505	2,217	675
Severance cost of former President and COO	-	762	-
Deferred share unit costs	-	183	(92)
Stock-based compensation	1,598	1,530	316
Depreciation of equipment and amortisation	18	5	5
	$ 5,588	$ 7,355	$ 2,272

13. Related party transactions:

See also notes 7 and 9 for related party transactions.

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.

Compensation of key management personnel:

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

13. Related party transactions (continued):

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Company's activities as a whole. The Company has determined that key management personnel consists of the members of the Board of Directors along with the officers of the Company. For the seven month period ended December 31, 2014 the officers were the Chairman, President and Chief Executive Officer, the Chief Financial Officer as well as the Chief Business Officer. For the year ended May 31, 2014 the officers were the Chairman, President and Chief Executive Officer, the Chief Financial Officer and the Chief Business Officer as well as the Director of Finance, the former Vice President of Research and the former President and Chief Operating Officer. For the year ended May 31, 2013 the officers were the former President and Chief Operating Officer, the Director of Finance and the former Vice President of Research.

Officer compensation:

	7 month ended December 31, 2014	12 months ended May 31, 2014	2013
Salaries and short-term employee benefits	$ 1,029	$ 2,357	$ 727
Severance payment to the former COO	-	1,088	-
Deferred share units	-	273	(132)
Stock-based compensation	1,452	1,475	358
	$ 2,481	$ 5,193	$ 953

Director compensation:

	7 month ended December 31, 2014	12 months ended May 31, 2014	2013
Directors' fees	$ 118	$ 386	$ 180
Stock-based compensation	117	179	73
	$ 235	$ 565	$ 253

Included in accounts payable and accrued liabilities is $29 thousand (May 31, 2014 - $268 thousand, May 31, 2013 - $126 thousand) due to directors and officers of the Company relating to directors' fees, and reimbursements for employment expenses. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

14. Commitments, contingencies and guarantees:

(a) Operating lease commitments:

The Company has entered into operating leases for premises and equipment under which it is obligated to make minimum annual payments as described below:

	Less than 1 year	1 - 3 years	3 - 5 years	Total
Operating leases	$ 150	$ 224	$ 248	$ 622

The Company's facility lease in Toronto expires in March 2015 and the office facility lease in San Diego expires in January 2020.

In January 2015 the Company entered into a new lease for lab facility space in San Diego and in February 2015 the Company entered into new lease facilities in Toronto for both office and lab space. The annual cost for these new locations is expected to be approximately $300 thousand per year.

The lease of the current Toronto location contains certain restoration commitments which the Company will need to comply with upon the end of the March 31, 2015 lease. The Company has recorded a provision of $300 thousand as its current estimate of these costs.

(b) Other contractual commitments:

The Company holds a non-exclusive license from Genentech Inc. to certain patent rights to develop and sub-license a certain polypeptide. The Company does not expect to make any milestone or royalty payments under this agreement in the fiscal years ended December 31, 2015 or 2016, and cannot reasonably predict when such milestones and royalties will become payable, if at all.

(c) Guarantees:

The Company entered into various contracts, whereby contractors perform certain services for the Company. The Company indemnifies the contractors against costs, charges and expenses in respect of legal actions or proceedings against the contractors in their capacity of servicing the Company. The maximum amounts payable from these guarantees cannot be reasonably estimated. Historically, the Company has not made significant payments related to these guarantees.

14. Commitments, contingencies and guarantees (continued):

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers. The fair value of this indemnification is not determinable.

(d) Indemnification on plan of arrangement:

On July 10, 2007, Aptose completed a plan of arrangement and corporate reorganization whereby the assets and liabilities of Aptose were transferred from one corporate entity into a new corporate entity which continued to operate as Aptose Therapeutics Inc. Under the arrangement, the Company agreed to indemnify the old entity and its directors, officers and employees from and against all damages, losses, expenses, other third party costs and legal expenses, to which any of them may be subject arising out of any matter occurring:

(i) prior to, at or after the effective time of the arrangement ("Effective Time") and directly or indirectly relating to any of the assets transferred to the Company pursuant to the arrangement (including losses for income, sales, excise and other taxes arising in connection with the transfer of any such asset) or conduct of the business prior to the Effective Time;

(ii) prior to, at or after the Effective Time as a result of any and all interests, rights, liabilities and other matters relating to the assets transferred to the Company pursuant to the arrangement; and

(iii) prior to or at the Effective Time and directly or indirectly relating to, with certain exceptions, any of the activities of the old entity or the arrangement.

The Company recorded a liability of $50 thousand, which it believes to be a reasonable estimate of the fair value of the obligation for the indemnifications provided as at December 31, 2014. There have been no claims on this indemnification to date.

15. Income taxes:

Provision for income taxes:

Major items causing the Company's income tax rate to differ from the statutory rate of approximately 26.5% (May 31, 2014 – 26.5%, May 31, 2013 - 26.5%) are as follows:

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

15. Income taxes (continued):

	7 months ended December 31, 2014	12 months ended May 31, 2014	2013
Loss before income taxes	$(7,771)	$(10,553)	$(5,565)
Statutory Canadian corporate tax rate	26.5%	26.5%	26.5%
Anticipated tax recovery	$ (2,059)	$ (2,797)	$ (1,475)
Non-deductible permanent differences	441	599	138
Change in deferred tax benefits deemed not probable to be recovered	1,643	2,839	1,553
Undeducted financing costs	-	(730)	(235)
Other	(25)	89	19
	$ -	$ –	$ –

The Company has undeducted research and development expenditures, totaling $24.4 million that can be carried forward indefinitely. The Company also has non-refundable federal investment tax credits of approximately $5.0 million which are available to reduce future federal taxes payable and begin to expire in 2026, as well as non-refundable Ontario research and development tax credits of approximately $442 thousand which are available to reduce future Ontario taxes payable and begin to expire in 2028.

In addition, the Company has non-capital loss carryforwards of $30.8 million. To the extent that the non-capital loss carryforwards are not used, they expire as follows:

2015	$ 10
2026	11
2027	4,359
2028	3,744
2029	657
2030	2,907
2031	2,581
2032	3,479
2033	7,513
2034	5,499
	$ 30,760

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

15. Income taxes (continued):

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2014	May 31, 2014
Net operating losses carried forward	$ 8,148	$ 6,692
Research and development expenditures	6,478	6,185
Equipment book over tax depreciation	459	450
Intangible asset	3,097	3,097
Undeducted financing costs	740	890
Ontario Research and Development Tax Credit	442	395
Cumulative eligible capital	346	358
Other	-	-
Unrecognized deferred tax asset	$ 19,710	$ 18,067

16. Subsequent events:

On January 16, 2015, 108,000 stock options were granted to members of the Board of Directors and the Scientific Advisory Board of the Company at an exercise price of $6.77. The options vest over a three year term and have a contractual life of ten years.

On January 20, 2015, $50 thousand of the outstanding convertible promissory notes were converted into 13,888 common shares of the Company.

On February 12, 2015, 8,333 outstanding warrants were exercised into an equal number of common shares of the Company.

In addition, subsequent to the seven months ended December 31, 2014 up until the date hereof, 45,625 outstanding stock options were exercised into an equal number of common shares of the Company.

These transactions will be accounted for in the first quarter of 2015.

LORUS THERAPEUTICS INC.

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT is made the 19 day of August, 2014

BETWEEN:

LORUS THERAPEUTICS INC.
(the "Corporation")

- and –

DR. WILLIAM G. RICE
(the "Executive")

RECITALS:

A. The Corporation is involved in the biopharmaceutical business specializing in the discovery, development and commercialization of pharmaceutical products and technologies.

B. The Corporation and Executive are parties to that certain Executive Employment Agreement dated October 25, 2013 ("Prior Agreement").

C. The Corporation wishes to continue to employ the Executive in the position of Chairman of the Board ("Chair"), President and Chief Executive Officer.

D. The Corporation and Executive desire to amend and restate the Prior Agreement on the terms and conditions set forth herein.

E. The Corporation and the Executive have agreed to enter into this Amended and Restated Executive Employment Agreement ("Agreement") in order to formalize in writing the terms and conditions reached between them governing the Executive's continued employment with the Corporation in his position as Chair, President and Chief Executive Officer.

NOW THEREFORE in consideration of the covenants in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties, the parties agree as follows:

1. **Definitions**

In this Agreement,

"Affiliate" means a corporation, partnership, limited liability company or any other entity which owns at least a majority of the outstanding shares of the Corporation or of which the Corporation owns at least a majority of the outstanding shares, equity or other ownership interests;

"Agreement" means this agreement and all schedules attached to this agreement, in each case as they may be amended or supplemented from time to time;

"Basic Salary" has the meaning set out in Section 4.1;

"Benefits" has the meaning set out in Section 4.2;

"Business Day" means any day, other than Saturday, Sunday, or a Corporation recognized holiday in the jurisdiction in which the recipient of a notice or other communication received in accordance with Section 12 is located;

"Change in Control" means the consummation of any of the following: (a) the acquisition of the Corporation by another entity by means of any transaction or series of related transactions to which the Corporation is a party (including, without limitation, any stock acquisition, reorganization, merger or consolidation but excluding any sale of stock for capital raising purposes) other than a transaction or series of transactions in which the holders of the voting securities of the Corporation outstanding immediately prior to such transaction continue to retain (either by such voting securities remaining outstanding or by such voting securities being converted into voting securities of the surviving entity), following such transaction, at least fifty percent (50%) of the total voting power represented by the voting securities of the surviving entity outstanding immediately after such transaction or series of transactions; (b) a sale, lease or other conveyance of all or substantially all of the assets of the Corporation; or (c) any liquidation, dissolution or winding up of the Corporation, whether voluntarily or involuntarily. Notwithstanding the foregoing, the Corporation and Executive agree that Change in Control does not include any reorganization, sale or plan of arrangement undertaken to move the domicile of the Corporation to the U.S., pursuant to which the Corporation will become a wholly-owned subsidiary of a Delaware corporation.

"Disability" means the Executive's inability to perform the essential functions of the position described in this Agreement, with or without reasonable accommodations, for a period of 180 consecutive calendar days, or for any period of 180 days (whether or not consecutive) in any consecutive 365-day period, due to a physical or mental disability. A determination of a Disability shall be made by a physician satisfactory to both the Executive and the Corporation; provided that if the Executive and the Corporation do not agree on a physician, the Executive and the Corporation shall each select a physician and these two together shall select a third physician, whose determination as to a Disability shall be binding on all parties. The Corporation shall administer this provision in compliance with all applicable federal and state laws;

"Employment Period" has the meaning set out in Section 2;

"Good Reason" means any one of the following conditions that occurs without the Executive's written consent: (i) a material reduction in the Executive's responsibilities and authority as President and Chief Executive Officer of the Corporation; (ii) a material reduction in the Executive's Basic Salary, other than in connection with an across-the-board decrease of base salaries applicable to all senior executives of the Corporation; or (iii) relocation of the Executive's principal place of employment to a place that increases the Executive's one-way commute from

the Executive's residence by at least fifty (50) miles as compared to the Executive's then-current principal place of employment immediately prior to such relocation. Notwithstanding the foregoing, in order to resign for Good Reason, the Executive must (1) provide the Corporation with written notice within sixty (60) days after the first occurrence of the event giving rise to Good Reason setting forth the basis for the resignation; (2) allow the Corporation at least thirty (30) days from receipt of such written notice to rescind or cure such event (the "Cure Period"); and (3) if such condition is not reasonably rescinded or cured within the Cure Period, the Executive's resignation from all positions he then holds with the Corporation (including any subsidiary or parent entities) must be effective not later than thirty (30) days after the expiration of the Cure Period and in any event not later than two (2) years following the first occurrence of the event giving rise to Good Reason;

"Just Cause" means: (i) theft, fraud, dishonesty or material misconduct by the Executive involving the property, business or affairs of the Corporation or the carrying out of the Executive's duties, which results in (or could result in) material harm to the Corporation; (ii) any material breach by the Executive of any term of this Agreement (other than a material breach of the Employee Proprietary Information and Inventions Agreement that Executive executed on or about October 25, 2013 ("Employee Proprietary Agreement")) that is capable of correction, after notice by the Corporation of the failure to do so and an opportunity for the Executive to correct the same within a reasonable time from the date of receipt of that notice and which material breach would constitute just cause for the termination of this Agreement and the Executive's employment hereunder; or (iii) any material breach of the Employee Proprietary Agreement;

"Person" means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

"Share Option Plan" means the Corporation's Stock Option Plan as the same is in effect at any relevant time;

"Stock Option Agreement" means any agreement required to be executed and delivered pursuant to the Share Option Plan"; and

"Year of Employment" means any 12-month period commencing on October 25, 2013, the date of commencement of the Executive's employment under the Prior Agreement, or on any anniversary of that date.

2. Employment and Term

The Corporation will continue to employ the Executive, and the Executive will continue to serve the Corporation in the office set forth in Schedule "A", with effect from the date contained in Schedule "A", until the effective date that the Executive's employment is terminated in accordance with Section 7 hereof (the "Employment Period").

3. **Nature of Employment**

3.1. The Executive will continue to perform the duties of the office as outlined in Schedule "A".

3.2. During the Employment Period, the Executive will faithfully, honestly and diligently serve the Corporation. The Executive will (except in the case of illness, accident or vacation) devote all of the Executive's business time and attention to the Executive's employment and will use the Executive's best efforts to promote the interests of the Corporation. Notwithstanding the foregoing, the Executive may remain as Chairman of the Board of Cylene Pharmaceuticals, Inc. and, with the prior written consent of the Board of Directors of the Corporation (the "Board"), which consent will not be unreasonably withheld, serve on the board of directors of other corporations or accept part-time unpaid academic appointments, provided that any such board or academic appointment does not interfere with the performance of the Executive's obligations hereunder, and provides, in a manner satisfactory to the Board, for the adequate protection of any intellectual property arising out of or in connection with such appointment. Unless otherwise specified in Schedule "A", the Executive appreciates that the Executive's duties may involve travel from the Executive's place of employment (both within and outside the United States), and the Executive agrees to travel as reasonably required in order to fulfill the Executive's duties. The Executive will be reimbursed for the cost of any business visitor visas necessary for the performance of his duties while employed by the Corporation.

3.3. The Executive will comply with all rules, regulations and reasonable and legal instructions of the Corporation now in force, or that may be adopted from time to time, and communicated by the Corporation to its executives generally.

4. **Remuneration**

4.1. Basic Salary. The Corporation will pay to the Executive a gross annual salary (the "Basic Salary") as set out in Schedule "A". The Basic Salary will be payable in equal installments in accordance with the practices of the Corporation applicable to its other senior executives.

4.2. Benefits. The Executive will be eligible to participate in all Corporation benefit programs provided by the Corporation to its United States-based executive officers, once such benefit programs have been adopted and established in the United States. At this time, the Corporation anticipates such benefit programs will include: group health care coverage (including medical, dental and vision), life insurance, short term and long term disability coverage, accidental death and dismemberment, a 401(k) plan, and a non-qualified deferred compensation plan ("Deferred Compensation Plan"). Until the Corporation adopts and establishes a group health care coverage plan, the Corporation agrees to pay Executive a taxable monthly benefits allowance, as set out in Schedule "A."

4.3. Deferred Compensation Plan. The Corporation will make pre-ordinary income tax contributions to the Executive's Deferred Compensation Plan account as set out in Schedule "A".

4.4. Bonus Remuneration. The Executive will be entitled to receive bonus remuneration ("Bonus Remuneration") in respect of each Year of Employment during the Employment Period, or any part thereof, as the Board, in its good faith discretion, may authorize in accordance with the terms of any management incentive compensation plan of the Corporation in effect from time to time. The Executive's current Bonus Remuneration target is as set out in Schedule "A".

4.5. Initial Share Options. Pursuant to the Prior Agreement, the Executive was eligible to receive grants of options to acquire a total of 2,950,000 common shares of the Corporation (collectively, the "Options").

4.5.1. The Executive acknowledges that he received the first grant of Options (for 425,000 shares) from the Corporation, which were granted and became fully vested and exercisable on or about October 25, 2013 (the "First Grant").

4.5.2. The Executive acknowledges that he received the second grant of Options (for 845,000 shares) from the Corporation, with 781,633 shares granted on or about December 10, 2013 and 63,367 shares granted on January 29, 2014 (collectively, the "Second Grant"). The Second Grant is governed in all respects by the terms of the Corporation's Share Option Plan and the applicable Stock Option Agreement(s) provided to the Executive.

4.5.3 The Executive acknowledges that he received the third grant of Options (for 1,680,000 shares) from the Corporation, which were granted on or about April 10, 2014 (the "Third Grant"). The Third Grant is governed in all respects by the terms of the Corporation's Share Option Plan and the applicable Stock Option Agreement provided to the Executive.

4.6. Additional Share Options. The Executive acknowledges that he received an additional grant of options to purchase an aggregate number of the Company's common shares, such that, when added to the number of the Company's common shares underlying Executive's First Grant, Second Grant, and Third Grant, equaled five percent (5%) of the total number of outstanding common shares of the Company on a fully diluted basis (including outstanding options, warrants, convertible notes and deferred share units) immediately prior to such grant (the "Five Percent Grant"). The Five Percent Grant is governed in all respects by the terms of the Corporation's Share Option Plan and the applicable Stock Option Agreement.

4.7 Communication of Annual Objectives. Prior to the commencement of each Year of Employment throughout the Employment Period, the Lead Independent director of the Corporation, based on discussions with the full Board, will provide a written communication to the Executive setting out:

4.7.1. the corporate objectives as agreed to by the Executive and the Board relating to the employment of the Executive for the ensuing fiscal year of the Corporation;

4.7.2. the Basic Salary of the Executive during the ensuing fiscal year; and

4.7.3. the potential Bonus Remuneration to which the Executive may become entitled during the ensuing fiscal year and the basis of calculation thereof;

in each case as the same have been determined by the Compensation Committee of the Board and approved by the Board.

5. **Expenses**

5.1. Travel and Related Expenses. The Corporation will, upon presentation of expense statements or receipts and any other supporting documentation as the Corporation may reasonably require, pay or reimburse the Executive in accordance with the Corporation's expense policies for all travel and out-of-pocket expenses reasonably incurred or paid by the Executive in the performance of the Executive's duties and responsibilities.

5.2. Automobile. The Corporation will provide the Executive with an annual automobile allowance as set out in Schedule "A", such automobile allowance to be inclusive of all costs, including without limitation, the purchase or lease and maintenance of the Executive's automobile.

5.3 Tax Equalization. The Corporation will provide the Executive with tax equalization, if applicable, to account for any tax liabilities above US tax liabilities, resulting from the performance of the Executive's duties hereunder.

6. **Vacation**

Executive will be entitled during each Year of Employment during the Employment Period to accrue vacation time at the rate provided in Schedule "A". Vacation will be taken by the Executive at times reasonably acceptable to the Corporation having regard to its operations and will be in accordance with the Corporation's vacation policy.

7. **Termination of Employment**

7.1. The Corporation shall have the right to terminate the Executive's employment with or without Just Cause, at any time and without notice. The Executive shall have the right to resign for Good Reason by written notice of resignation delivered to the Board in accordance with the definition of "Good Reason." The Executive shall have the right to resign without Good Reason by providing at least sixty (60) days written notice of the resignation delivered to the Corporation (provided that after Executive has provided such notice to the Corporation, the Corporation may in its discretion shorten such notice period to a lesser duration and in such case the Corporation would only have to provide Executive with the compensation and benefits that had been earned as of the actual date of Executive's termination of employment). If the Executive resigns without Good Reason, he will continue to be paid until his 60-day notice period, or shorter period thereof, ends during the Employment Period. In light of the parties' understanding and mutual agreement that it is essential that the Corporation have an orderly transition period in the event of Executive's resignation without Good Reason, in such event, the Executive agrees to provide any transitional services reasonably requested by the Board during

such notice period (at the Corporation's sole cost and expense) and further agrees that the Corporation shall be entitled to obtain equitable relief to the extent needed to require Executive's specific performance during the notice period, provided that the Corporation waives any right to seek contractual damages or other monetary remedies that arise solely with respect to any resignation upon less than sixty (60) days written notice.

This Agreement and the Executive's employment hereunder will automatically terminate upon the Executive's death, without any further obligations on the part of the Corporation to the Executive or the Executive's estate, other than accrued and unpaid Basic Salary and accrued and unused vacation pay, and any other accrued benefit required to be paid by law, up to the date of the Executive's death.

7.2. Mitigation. In the event of termination of the Executive's employment and his execution and non-revocation of the Release and Waiver that entitles him to severance, the Executive shall have no obligation to find employment.

7.3. Resignation as Officer or Director. Upon termination of employment, the Executive shall be deemed to automatically resign each position that he then holds as an officer or director of the Corporation; provided that (and without limiting the foregoing), if requested by the Corporation, the Executive shall contemporaneously deliver a written notice of resignation to the Board, unless requested by the Board in writing to continue on in one of his positions with the Corporation.

7.4. Severance Benefits For Qualifying Termination Unrelated to a Change in Control. If: (i) the Executive's employment is terminated either: (A) by the Corporation without Just Cause (other than due to Executive's death or Disability), or (B) by the Executive for Good Reason (each a "Qualifying Termination"); and (ii) the Executive satisfies the Release Requirement, then the Executive will receive the following Severance Benefits:

7.4.1. Either (a) a lump sum cash payment equal to the Executive's annual Basic Salary at the time of employment termination (without giving effect to any reduction in Basic Salary that would give Executive the right to resign for Good Reason), less applicable deductions and withholdings, to be paid by the Corporation on the first payroll period following the Effective Date of the Release (the "Lump Sum Payment"); or (b) if the Corporation, in the good faith discretion of the Board, is unable to make the Lump Sum Payment at the time of employment termination due to a lack of sufficient operating funds, an amount equal to the Executive's annual Basic Salary (without giving effect to any reduction in Basic Salary that would give Executive the right to resign for Good Reason) to be paid in substantially equal installments on a monthly basis during the nine (9) month period following the employment termination date, less applicable deductions and withholdings (the "Monthly Installment Payments"); provided that, in each case, any payments scheduled to be made prior to the Effective Date of the Release shall instead accrue and be paid in a single lump sum during the first payroll period following the Effective Date of the Release. Notwithstanding the foregoing, the Corporation may elect to make the Monthly Installment Payments in lieu of the Lump Sum Payment only if an exemption is available from application of Section 409A of the Code with respect to such payments so that such payment schedule will not result in adverse tax consequences to Executive under Section 409A of the

Internal Revenue Code of 1986, as amended (the "Code") and the regulations and other guidance thereunder and any state law of similar effect (collectively "Section 409A").

7.4.2. A lump sum cash payment in an amount equal to the average of the Bonus Remuneration the Executive received from the Corporation during the last three Years of Employment completed prior to the year of the employment termination, pro rated based on the number of days the Executive worked during the year of the employment termination divided by 365 (the "Bonus Payment"). The Bonus Payment, less applicable deductions and withholdings, will be paid on the first payroll period following the Effective Date of the Release.

7.4.3. If the Corporation has not previously established a group health plan that Executive has commenced to participate in prior to Executive's termination, the Corporation shall continue to pay the Executive a monthly payment of U.S.$2,000.00 (before deduction for income taxes and other required deductions), payable on the last Friday of each month, for a period of twelve (12) months following the date of termination, provided that any payments scheduled to be made prior to the Effective Date of the Release shall instead accrue and be paid during the first payroll period that follows the Effective Date of the Release. If the Corporation has previously established a group health plan in which Executive participates prior to Executive's termination and Executive timely elects COBRA coverage following any Qualifying Termination, the Corporation will pay the Executive for the full amount of such COBRA premiums for himself and his covered dependents (on a monthly basis) for a period of up to twelve (12) months following the date of termination; *provided, that,* if and to the extent that any benefit described in this Section 7.4.3 is not or cannot be paid or provided under any Corporation plan or program without adverse tax consequences to the Corporation or for any other reason, as determined by the Corporation in its sole discretion, then the Corporation shall pay the Executive a fully taxable cash payment equal to the COBRA premium for that month, subject to applicable tax withholding premiums for a period of up to twelve (12) months following the date of termination; *provided, further, that* the COBRA payments or, if applicable, the monthly payment discussed above, shall terminate on the earliest to occur of (A) the close of the 12-month period following the termination of the Executive's employment; (B) the expiration of the Executive's (or Executive's dependents') eligibility for continuation coverage under COBRA; and (C) the date when the Executive becomes eligible for group health insurance coverage in connection with new employment or self-employment. If the Executive becomes eligible for coverage under another employer's group health plan or otherwise ceases to be eligible for COBRA coverage during the period provided in this Section 7.4.3, Executive must immediately provide written notice to the Corporation of such event, and the Corporation-provided COBRA payments, or if applicable, the monthly payments under this Section 7.4.3 shall immediately cease.

7.5. Severance Benefits For Qualifying Termination Related to a Change in Control. If: (i) the Executive's employment is terminated by way of a Qualifying Termination, in either case, within three (3) months immediately preceding or twelve (12) months immediately following the consummation of a Change in Control, and (ii) the Executive satisfies the Release Requirement, then, in lieu of (and not additional to) the Severance Benefits described in Section 7.4, the Executive will receive the following Change in Control Severance Benefits. For the avoidance of doubt: (A) in no event will the Executive be entitled to Severance Benefits under

Section 7.4 and this Section 7.5, and (B) if the Corporation has commenced providing Severance Benefits to the Executive under Section 7.4 prior to the date that the Executive becomes eligible to receive Change in Control Severance Benefits under this Section 7.5, the benefits previously provided to the Executive under Section 7.4 shall reduce the Change in Control Severance Benefits provided under this Section 7.5:

7.5.1. Either (a) a lump sum cash payment equal to eighteen (18) months of the Executive's annual Basic Salary at the time of employment termination (without giving effect to any reduction in Basic Salary that would give the Executive the right to resign for Good Reason), less applicable deductions and withholdings, to be paid by the Corporation on the first payroll period following the Effective Date of the Release (the "Lump Sum CIC Payment"); or (b) if the Corporation, in the good faith discretion of the Board, is unable to make the Lump Sum Payment at the time of employment termination due to a lack of sufficient operating funds, an amount equal to eighteen (18) months of the Executive's annual Basic Salary (without giving effect to any reduction in Basic Salary that would give Executive the right to resign for Good Reason) to be paid in substantially equal installments on a monthly basis during the nine (9) month period following the employment termination date, less applicable deductions and withholdings (the "Monthly CIC Installment Payments"); provided that, in each case, any payments scheduled to be made prior to the Effective Date of the Release shall instead accrue and be paid in a single lump sum during the first payroll period following the Effective Date of the Release. Notwithstanding the foregoing, the Corporation may elect to make the Monthly CIC Installment Payments in lieu of the Lump Sum CIC Payment only if an exemption is available from application of Section 409A of the Code with respect to such payments so that such payment schedule will not result in adverse tax consequences to the Executive under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations and other guidance thereunder and any state law of similar effect (collectively "Section 409A").

7.5.2 A lump sum cash payment in an amount equal to 150% of the average of the Bonus Remuneration the Executive received from the Corporation during the last three Years of Employment completed prior to the year of the employment termination, pro rated based on the number of days the Executive worked during the year of the employment termination divided by 365 (the "Bonus Payment"). The Bonus Payment, less applicable deductions and withholdings, will be paid on the first payroll period following the Effective Date of the Release.

7.5.3 If the Corporation has not previously established a group health plan that Executive has commenced to participate in prior to Executive's termination, the Corporation shall continue to pay the Executive a monthly payment of U.S.$2,000.00 (before deduction for income taxes and other required deductions), payable on the last Friday of each month, for a period of twelve (12) months following the date of termination, provided that any payments scheduled to be made prior to the Effective Date of the Release shall instead accrue and be paid during the first payroll period that follows the Effective Date of the Release. If the Corporation has previously established a group health plan in which Executive participates prior to Executive's termination and Executive timely elects COBRA coverage following any Qualifying Termination, the Corporation will pay the Executive for the full amount of such COBRA premiums for himself and his covered dependents (on a monthly basis) for a period of up to twelve (12) months following

the date of termination; *provided, that,* if and to the extent that any benefit described in this Section 7.5.3 is not or cannot be paid or provided under any Corporation plan or program without adverse tax consequences to the Corporation or for any other reason, as determined by the Corporation in its sole discretion, then the Corporation shall pay the Executive a fully taxable cash payment equal to the COBRA premium for that month, subject to applicable tax withholding, for a period of up to twelve (12) months following the date of termination; *provided, further, that* the COBRA payments or, if applicable, the monthly payment discussed above, shall terminate on the earliest to occur of (A) the close of the 12-month period following the termination of the Executive's employment; (B) the expiration of the Executive's (or the Executive's dependents') eligibility for continuation coverage under COBRA; and (C) the date when the Executive becomes eligible for group health insurance coverage in connection with new employment or self-employment. If the Executive becomes eligible for coverage under another employer's group health plan or otherwise ceases to be eligible for COBRA coverage during the period provided in this Section 7.5.3, the Executive must immediately provide written notice to the Corporation of such event, and the Corporation-provided COBRA payments, or if applicable, the monthly payments under this Section 7.5.3 shall immediately cease.

7.5.4 Notwithstanding anything to the contrary set forth in the Corporation's Share Option Plan or form of award agreement, effective as of the Executive's employment termination date, the vesting and exercisability of all then outstanding unvested stock options, restricted shares or other equity awards then held by the Executive shall accelerate such that all shares become immediately vested and exercisable, if applicable, by the Executive upon such termination and shall remain exercisable, if applicable, following the Executive's termination as set forth in the applicable equity award documents.

7.6 Release Requirement. Notwithstanding the foregoing, to be eligible for any of the Severance Benefits or Change in Control Severance Benefits, on or within thirty (30) days following the termination of employment, the Executive must satisfy the requirement (the "Release Requirement") to return to the Corporation a signed and dated general release of all known and unknown claims in a form acceptable to the Corporation (the "Release and Waiver") and allow that Release and Waiver to become effective in accordance with its terms (such date, the "Effective Date of the Release"). No Severance Benefits or Change in Control Severance Benefits will be paid hereunder prior to the Effective Date of the Release. Accordingly, if the Executive breaches the preceding sentence and/or refuses to sign and deliver to the Corporation an executed Release and Waiver or signs and delivers to the Corporation the Release and Waiver but exercises his right, if any, under applicable law to revoke the Release and Waiver (or any portion thereof), then the Executive will not be entitled to any bonus, severance, or payment under this Agreement.

8. IRS Code Section 409A

Notwithstanding anything to the contrary herein, the following provisions apply to the extent benefits provided herein are subject to Section 409A. Severance Benefits or Change in Control Severance Benefits (as applicable) shall not commence until the Executive has a "separation from service" for purposes of Section 409A. Each installment of Severance Benefits

or Change in Control Severance Benefits (as applicable) is a separate "payment" for purposes of Treas. Reg. Section 1.409A-2(b)(2)(i), and the Severance Benefits or Change in Control Severance Benefits (as applicable) are intended to satisfy the exemptions from application of Section 409A provided under Treasury Regulations Sections 1.409A-1(b)(4), and 1.409A-1(b)(9). However, if such exemptions are not available and the Executive is, upon separation from service, a "specified employee" for purposes of Section 409A, then, solely to the extent necessary to avoid adverse personal tax consequences to the Executive under Section 409A, the timing of the Severance Benefits or Change in Control Severance Benefits (as applicable) payments shall be delayed until the earlier of (i) six (6) months and one day after the separation from service, or (ii) the date of the Executive's death. If the Corporation determines that any Severance Benefits or Change in Control Severance Benefits (as applicable) provided under this Agreement constitutes "deferred compensation" under Section 409A, for purposes of determining the schedule for payment of the Severance Benefits or Change in Control Severance Benefits (as applicable), the Effective Date of the Release will not be deemed to have occurred any earlier than the sixtieth (60^{th}) date following the Separation From Service, regardless of when the Release actually becomes effective. The Severance Benefits or Change in Control Severance Benefits (as applicable) are intended to qualify for an exemption from application of Section 409A or comply with its requirements to the extent necessary to avoid adverse personal tax consequences under Section 409A, and any ambiguities herein shall be interpreted accordingly.

9. **Parachute Payment**

9.1 If any payment or benefit the Executive will or may receive from the Corporation or otherwise (a "280G Payment") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then any such 280G Payment provided pursuant to this Agreement (a "Payment") shall be equal to the Reduced Amount. The "Reduced Amount" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in the Executive's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "Reduction Method") that results in the greatest economic benefit for the Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "Pro Rata Reduction Method").

9.2 Notwithstanding any provision of Section 9.1 to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows:

(A) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for the Executive as determined on an after-tax basis; (B) as a second priority, Payments that are contingent on future events (*e.g.*, being terminated without Just Cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

9.3 Unless the Executive and the Corporation agree on an alternative accounting firm or law firm, the accounting firm engaged by the Corporation for general tax compliance purposes as of the day prior to the effective date of the Change in Control transaction shall perform the foregoing calculations. If the accounting firm so engaged by the Corporation is serving as accountant or auditor for the individual, entity or group effecting the Change in Control transaction, the Corporation shall appoint a nationally recognized accounting or law firm to make the determinations required by this Section 9. The Corporation shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. The Corporation shall use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to the Executive and the Corporation within fifteen (15) calendar days after the date on which the Executive's right to a 280G Payment becomes reasonably likely to occur (if requested at that time by the Executive or the Corporation) or such other time as requested by the Executive or the Corporation.

9.4 If the Executive receives a Payment for which the Reduced Amount was determined pursuant to clause (x) of Section 9.1 and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, the Executive agrees to promptly return to the Corporation a sufficient amount of the Payment (after reduction pursuant to clause (x) of Section 9.1) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of Section 9.1, the Executive shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

10. No Conflicting Obligations

10.1. The Executive warrants to the Corporation that:

10.1.1. the performance of the Executive's duties as an employee of the Corporation will not breach any agreement or other obligation to keep confidential the proprietary information of any third party; and

10.1.2. the Executive is not bound by any agreement with or obligation to any third party that conflicts with the Executive's obligations as an employee of the Corporation or that may affect the Corporation's interest in the Inventions (as defined in the Employee Proprietary Agreement.

10.2. The Executive will not, in the performance of the Executive's duties as an employee of the Corporation:

10.2.1. improperly bring to the Corporation or use any trade secrets, confidential information or other proprietary information of any third party; or

10.2.2. knowingly infringe the intellectual property rights of any third party.

11. **Proprietary Information and Assignment of Inventions Agreement**

The Executive acknowledges that he executed, and will continue to abide by, the Employee Proprietary Agreement.

12. **Notices**

Any notice or other communication required or permitted to be given hereunder must be in writing, and must be given by facsimile or other means of electronic communication or by hand-delivery as hereinafter provided, except that any notice of termination by the Corporation under Section 7 above must be hand-delivered or given by registered mail. Any notice or other communication, if mailed by registered mail, will be deemed to have been received on the day that mail is delivered by the post office, or if sent by facsimile, will be deemed to have been received on the Business Day following the confirmed sending, or if delivered by hand to the Executive will be deemed to have been received at the time it is delivered to the Executive or, if delivered to the Executive or the Corporation at the applicable address noted in Schedule "A", when it is delivered either to the individual designated in Schedule "A" or to an individual at that address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address will also be governed by this section. Notices and other communications must be addressed as set out in Schedule "A".

13. **Headings**

The inclusion of headings in this Agreement is for convenience of reference only and is not to affect construction or interpretation.

14. **Invalidity of Provisions**

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any provision by a court of competent jurisdiction will not affect the validity or enforceability of any other provision.

15. **Entire Agreement**

This Agreement, the Employee Proprietary Agreement , and the attached Schedule "A," constitute the entire agreement between the parties pertaining to the subject matter of this Agreement. This Agreement supersedes and replaces all prior agreements, including but not limited to the Prior Agreement, written or oral, with respect to the Executive's employment by the Corporation. There are no warranties, representations or agreements between the parties in

connection with the subject matter of this Agreement except as specifically set forth or referred to in this Agreement. No reliance is placed on any representation, opinion, advice or assertion of fact made by the Corporation, or its directors, officers and agents (for each of whom the Corporation contracts as trustee) to the Executive, except to the extent that the same has been reduced to writing and included as a term of this Agreement. Accordingly, there will be no liability, either in tort or in contract, assessed in relation to any representation, opinion, advice or assertion of fact, except to the extent aforesaid.

16. **Waiver, Amendment**

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement will be binding unless executed in writing by the Corporation and the Executive. No waiver of any provision of this Agreement will constitute a waiver of any other provision nor will any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

17. **Binding Effect; Assignment**

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. The Executive may not assign his rights or delegate his obligations under this Agreement, and any attempt at an assignment or delegation shall be void and of no effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, successors and permitted assigns.

18. **Affiliates**

To the extent that the Executive performs services for Affiliates of the Corporation, his rights and obligations hereunder with respect to the Corporation also shall be deemed to include and be binding upon such Affiliates.

19. **Governing Law**

This Agreement and the Executive's employment hereunder will be governed by and construed in accordance with the laws of the State of California.

20. **Arbitration**

20.1. All disputes, controversies or differences between the parties hereto which are not settled by common accord shall be conclusively settled by arbitration before one arbitrator in San Diego, California, in accordance only with the then-current American Arbitration Association Employment Rules, and judgment and the award rendered by the arbitrator may be entered in any court or tribunal of competent jurisdiction. In any arbitration proceeding conducted pursuant to this section, both parties shall have the right to discovery, to call witnesses and to cross-examine the other party's witnesses (either through legal counsel, expert witnesses, or both). All decisions of the arbitrator shall be final, conclusive and binding upon the parties. The arbitrator shall issue

a written decision, including the essential findings and conclusions on which the award is based, and all decisions of the arbitrator shall not be subject to judicial review.

20.2. The Corporation shall bear the fees and costs of the arbitrator and the arbitration specific costs and each party shall bear their own costs and expenses (including attorneys' fees and expenses) incurred in connection with the arbitration; provided, in the event of such arbitration or any litigation between the Executive and the Corporation in aid of arbitration or to enforce an award or in respect of a matter that is not subject to arbitration pursuant to this Agreement, the prevailing party shall be entitled to attorneys' fees and costs pursuant to applicable law and, if a party to this Agreement hereafter pursues any dispute by any method other than as set forth herein, the responding party shall be entitled to recover from the initiating party all damages, costs, expenses and attorneys' fees incurred as a result of defending such action.

20.3. The agreement to arbitrate provided by this section specifically includes, but is not limited to: any claims arising out of or relating to the Executive's employment with the Corporation or the terms and conditions or the termination thereof; any claims arising out of or relating to this Agreement or any other agreement to which the Executive and the Corporation are parties and that arises out of or relates in any way to the Executive's employment with the Corporation or the terms and conditions or the termination thereof; any claim that this Agreement or any such other agreement is invalid, unenforceable, void, voidable or is or may be rescinded, revoked or terminated and any claim arising out of or relating in any way to any action or omission of any kind whatsoever in the course of or connected in any way with any relations between the Corporation and the Executive, including, by way of example and not limitation, the following types of claims: wage or overtime claims, wrongful or constructive discharge claims, discrimination claims (including sex, age, race, religion, national origin), harassment claims of any kind and claims for denial of benefits. BY AGREEING TO ARBITRATION HEREUNDER, BOTH THE EXECUTIVE AND THE CORPORATION UNDERSTAND THEY ARE AGREEING TO HAVE ANY DISPUTE RELATING TO THIS AGREEMENT OR THE BREACH OR TERMINATION THEREOF DECIDED BY A NEUTRAL ARBITRATOR AND AS TO THOSE DISPUTES DECIDED BY THE NEUTRAL ARBITRATOR, THE EXECUTIVE AND THE CORPORATION ARE GIVING UP THEIR RIGHT TO A JURY OR COURT TRIAL.

20.4. Notwithstanding the foregoing provisions of this section, either the Executive or the Corporation, in a court of competent jurisdiction, may seek to obtain preliminary injunctive and/or other equitable relief in support of claims to be prosecuted in an arbitration to the extent allowed by the California Arbitration Act by filing an action in court in accordance with California Code of Civil Procedure Section 1281.8.

21. Counterparts

This Agreement may be signed in counterparts. Each counterpart will constitute an original document and all counterparts, taken together, will constitute one and the same instrument. Executed counterparts may be delivered by telecopier or other electronic delivery.

22. **Acknowledgement**

The Executive acknowledges that:

(i) the Executive has received a copy of this Agreement;

(ii) the Executive has had sufficient time to review and consider this Agreement thoroughly;

(iii) the Executive has read and understands the terms of this Agreement and the Executive's obligations under this Agreement;

(iv) the Executive has been given an opportunity to obtain independent legal advice, or other advice as the Executive may desire, concerning the interpretation and effect of this Agreement, and by signing this Agreement the Executive has either obtained advice or voluntarily waived the Executive's opportunity to receive same; and

(v) this Agreement is entered into voluntarily by the Executive.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF THE PARTIES HAVE EXECUTED THIS AGREEMENT UNDER THEIR RESPECTIVE SEALS.

LORUS THERAPEUTICS INC.

Date: 19 August 2014

By: _____ c/s

Name: DENIS BURGER

Title: LEAD DIRECTOR

I agree and accept employment on these terms.

WITNESS:)

_____)
Signature of Witness)

AVANISH VELLANKI)
Witness Name (Please Print))

_____ l/s
DR. WILLIAM G. RICE

SCHEDULE "A"

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This schedule is attached to and forms an essential part of the Amended and Restated Executive Employment Agreement (the "Agreement") between Lorus Therapeutics Inc. (the "Corporation") and Dr. William G. Rice (the "Executive").

1. The Executive's employment with the Corporation commenced on October 25, 2013 (the "Effective Date").

2. The offices to be held by the Executive in the Corporation will continue to be Chair, President and Chief Executive Officer. The Corporation may, at any time, and subject to the Executive's rights under the Agreement, assign the Executive to perform other functions (with the Corporation and/or any of its Affiliates) that are consistent with the Executive's skill and experience and the position of Chair, President and Chief Executive Officer.

3. In accordance with Section 3.1 of the Agreement, the undersigned has agreed to perform the duties of the office of Chair, President and Chief Executive Officer in accordance with paragraph 2 of this Schedule "A" and as set out in the job description attached as Appendix 1 to this Schedule "A", as amended from time to time by the Corporation with the prior written consent of the Executive.

4. In accordance with Section 4.1 of the Agreement, the Executive was initially entitled to a Basic Salary of U.S. $380,000.00 per year (before deduction for income taxes and other required deductions), which Basic Salary increased to U.S. $480,000.00 per year effective as of the closing of the PIPE (as defined in the Agreement). Thereafter, the Corporation will review the Executive's Basic Salary annually, with a view to considering increases which the Board, upon advice of the Compensation Committee, deems to be appropriate and in the best interests of the Corporation.

5. In accordance with Section 4.2 of the Agreement, the Executive will be entitled to a monthly payment of U.S. $2,000.00 (before deduction for income taxes and other required deductions), payable on the last Friday of each month, until such time that the Corporation adopts and establishes a group health care coverage plan and the Executive commences participation in such plan.

6. In accordance with Section 4.3 of the Agreement, the Corporation shall contribute an amount equal to 3% of the Executive's Basic Salary annually to the Executive's Deferred Compensation Plan account, with such contributions made on a pre-ordinary income tax basis and in manner that complies with the requirements of Section 409A of the U.S. Internal Revenue Code.

7. In accordance with and subject to Section 4.4 of the Agreement and any management incentive compensation plan, the Executive shall be entitled to receive annual Bonus

Remuneration of up to 45% of his then current Basic Salary (as determined as of the last day of the applicable performance period for which the Bonus Remuneration was earned); provided that upon the closing of the PIPE, the Compensation Committee of the Corporation will evaluate in good faith the Executive's eligibility for an immediate payment of a pro rata portion of the Bonus Remuneration for the applicable performance period. Any Bonus Remuneration will be paid to the Executive no later than the later of: (i) the fifteenth (15th) day of the third (3rd) month following the close of the Corporation's fiscal year in which such Bonus Remuneration is earned or (ii) March 15 following the calendar year in which such Bonus Remuneration is earned.

8. In accordance with Section 5.2 of the Agreement, the Executive will be provided with an annual automobile allowance of U.S. $14,400.00 (before deduction for income taxes and other required deductions) payable in equal monthly installments on the last Friday of each month.

9. In accordance with Section 6, the Executive will continue to accrue twenty-five (25) days of paid vacation annually, to be adjusted to reflect periods of employment of less than a full calendar year (which, if not fully used, may be carried over from year to year, up to a reasonable cap as set forth by the Corporation).

10. In accordance with Section 12, any notice or communication to be given or made must be addressed as follows:

if to the Executive
Attention: Dr. William G. Rice
13601 Nogales Drive
Del Mar, CA 92014

if to the Corporation:
Lorus Therapeutics Inc.
2 Meridien Road
Toronto, ON
Attention: Lead Independent Director

with copies to:

Cooley LLP
Attention: Julie M. Robinson, Esq.
4401 Eastgate Mall
San Diego, CA 92121
Email: robinsonjm@cooley.com
Telephone: 858-550-6092
Facsimile: 858-550-6420

APPENDIX 1

Job Description

Dr. William G. Rice

Dr. William G. Rice ("Rice") will continue to be the Chair, President and Chief Executive Officer of the Corporation.

As Chair, President and Chief Executive Officer, Rice will provide leadership, strategic vision, direction and effective operational execution within budget to the Corporation and its executives and employees.

Rice will be responsible for developing, implementing, executing and achieving the Corporation's strategic plans and for ensuring that the Corporation's strategic plans and objectives are effectively communicated, both internally to the board of directors, executives and employees, and externally to the bio-technology and investment communities, including shareholders and potential investors. Rice will also be responsible for securing strategic alliances with other credible biotechnology and pharmaceutical companies, for raising financing as required and for ensuring that the Corporation is able to attract, motivate and retain superior executives and employees.

Rice will report to the Board of Directors of the Corporation and will be a member of the Board of Directors of the Corporation.

In addition to the foregoing, Rice shall have such further responsibilities consistent with the position of Chair, President and Chief Executive Officer as shall be assigned to Rice by the Board of Directors of the Corporation from time to time.

Exhibit 11.1

CODE OF BUSINESS CONDUCT AND ETHICS
APTOSE BIOSCIENCES INC.
(the "Company")

As revised and adopted by the Board of Directors (the "Board") on March 3, 2015

Statement of Policy

The Company is committed to the highest standards of legal and ethical business conduct. This Code of Business Conduct and Ethics (the "**Code**") summarizes the legal, ethical and regulatory standards that the Company must follow and is a reminder to the directors, officers and employees of the seriousness of that commitment. Compliance with this Code and high standards of business conduct is mandatory for every director, officer and employee of the Company. The Code should also be provided to and followed by all of the Company's agents and representatives, including its consultants, to the same extent required of directors, officers and employees of the Company.

To help the directors, officers and employees of the Company understand what is expected of them and to carry out their responsibilities, we have created this Code of Business Conduct and Ethics. While this Code covers a wide range of business practices and procedures, it is not intended to be a comprehensive guide to all of our policies or to all of your responsibilities under the applicable laws or regulations. Rather, this Code sets out basic principles to help resolve the ethical and legal issues that you may encounter in conducting our business. As such, this Code functions as a guideline, or a minimum requirement, that must always be followed and from time to time we may adopt additional policies and procedures with which our employees, officers and directors are expected to comply, if applicable to them. However, it is the responsibility of each employee, officer and director to apply common sense, together with his or her own highest personal ethical standards, in making business decisions where there is no stated guideline in the Code. If any applicable law conflicts with a policy in this Code, you must comply with the law; however, if a local custom or policy conflicts with this Code, you must comply with the Code. If you have any questions about these conflicts or any questions relating to the policies or application of the Code, you should ask your supervisors how to handle the situation.

Action by members of your family, significant others or other persons who live in your household (referred to in the Code as "**family members**") also may potentially result in ethical issues to the extent that they involve the Company's business. For example, acceptance of inappropriate gifts by a family member from one of our suppliers could create a conflict of interest and result in a Code violation attributable to you. Consequently, in complying with the Code, you should consider not only your own conduct, but also that of your family members, significant others and other persons who live in your household.

We expect each of the directors, officers and employees of the Company to read and become familiar with the ethical standards described in this Code. You should not hesitate to ask questions about whether any conduct may violate the Code or clarify gray areas. All employees have a duty to report any known or suspected violation of this Code, including any violation of laws, rules, regulations or policies that apply to the Company. Reporting a known or suspected violation of this Code by others will not be considered an act of disloyalty, but an action taken to safeguard the reputation and integrity of the Company and its employees. Violations of the law, our corporate policies or this Code may lead to disciplinary action, including termination of employment or service with the Company.

We Insist on Honest and Ethical Conduct

We have built our business through the assistance of quality employees and representatives who adhere to the very highest standards of honesty, ethics and fairness in our dealings with all of our business contacts. We place the highest value on the integrity of the directors, our officers and our employees of the Company, and demand this level of integrity in all our dealings. We insist on not only ethical dealings with others, but on the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

Competition and Fair Dealing

All directors, officers and employees of the Company are required to deal honestly and fairly with our customers, suppliers, competitors, other employees and other third parties with whom you have contact in the course of performing your job. We seek to outperform our competition fairly and honestly. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of others is prohibited. If information is obtained by mistake that may constitute a trade secret or other confidential information of another business, or if you have any questions about the legality of proposed information gathering, you must consult your supervisor or the Chair of the Audit Committee.

No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other intentional unfair practice. Be aware that the Federal Trade Commission Act (United States) provides that "unfair methods of competition in commerce, and unfair or deceptive acts or practices in commerce, are declared unlawful." It is a violation of the Act to engage in deceptive, unfair or unethical practices and to make misrepresentations in connection with sales activities.

Employees involved in procurement have a special responsibility to adhere to principles of fair competition in the purchase of products and services by selecting suppliers based exclusively on normal commercial considerations, such as quality, cost, availability, service and reputation, and not on the receipt of special favors.

Conflicts of Interest; Corporate Opportunities; Related Party Transactions

The directors, officers and employees of the Company should not be involved in any activity that creates or gives the appearance of a conflict of interest between their personal interests and the interests of the Company. A conflict of interest occurs when an individual's private interest interferes in any way or may appear to interfere with the interests of the Company as a whole. A conflict situation can arise when a director, officer or employee takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interests may also arise when a director, officer or employee, or a family member, receives an improper personal benefit as a result of his or her position with the Company. Loans to, or guarantees of obligations of, employees or their family members by the Company are of special concern and could constitute an improper personal benefit to the recipients of such loans or guarantees. Some loans are expressly prohibited by law and the Company requires that the Board approve loans and guarantees to employees by the Company. As a result, all loans and guarantees to employees by the Company are considered Related-Party Transactions that must be approved by the Board. Even the appearance of a conflict of interest where none actually exists can be damaging and should be avoided.

It may be a conflict of interest for a director, officer or employee to work simultaneously for a competitor, customer or supplier. The best policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on our behalf. In particular, except as provided below, no director, officer or employee shall:

i. be a consultant to, or a director, officer or employee of, or otherwise operate an outside business that:

- markets products or services in direct competition with our current or potential programs and services;
- supplies products or services to the Company; or
- purchases products or services from the Company;

ii. accept any personal loan or guarantee of obligations from the Company, except to the extent such arrangements have been approved by outside legal counsel and are legally permissible; or

iii. conduct business on behalf of the Company with immediate family members, which include your spouse, children, parents, siblings and persons sharing your same home whether or not legal relatives.

In addition, although no list can include every possible situation in which a conflict of interest could arise, the following are examples of situations that may, depending on the facts and circumstances, involve problematic conflicts of interests:

- seeking employment by another company;
- passing confidential information to competitors;
- investment activity using insider information;
- providing assistance to an organization that markets products and services in competition with the Company's own products or services;
- owning, directly or indirectly, a significant financial interest in any entity that does business, seeks to do business or competes with us;
- soliciting or accepting gifts, favors, loans or preferential treatment from any person or entity that does business or seeks to do business with us. See next section entitled "Gifts and Entertainment" for further discussion of the issues involved in this type of conflict;
- soliciting contributions to any charity or for any political candidate from any person or entity that does business or seeks to do business with us;
- taking personal advantage of corporate opportunities;
- moonlighting without permission;

- conducting our business transactions with a business in which you have a significant financial interest; and

- exercising supervisory or other authority on behalf of the Company over a co-worker who is also a family member.

On an annual basis, the Company, with the assistance of outside counsel, if appropriate, shall collect the following information from each director, officer and, to the extent feasible, "significant shareholders:" a list of all of their "affiliates" and "immediate family members" (as defined below), and, with respect to each "immediate family member" listed: (a) the name of his or her employer and job title or brief job description and (b) the identity of each "affiliate" of such "immediate family member". The list sought shall also include, for directors and executive officers (and their "immediate family members"), the name of each charitable or non-profit organization for which the person is actively involved in fundraising or otherwise serves as a director or trustee or in a similar capacity. The Company shall distribute the master list (and any updates) to (i) business units and department leaders responsible for purchasing goods or services for the Company or selling the Company's goods or services and (ii) the Chief Financial Officer, Controller, director of human resources director of accounts payable and the director of accounts receivable or other appropriate persons performing similar functions. The purpose of the distribution of the master list is to enable the recipients to use the information contained in the master list to effectuate the terms of this Code.

Under this Code, any proposed transaction that has been identified as a Related-Party Transaction may be consummated or materially amended only following approval by the Audit Committee, or by the full Board where required by law, in accordance with the provisions of this Code. In the event that it is inappropriate for the Audit Committee to review the transaction for reasons of conflict of interest or otherwise, after taking into account possible recusals by Audit Committee members, then the Related-Party Transaction shall be approved by another independent body of the Board. The approving body shall be referred to in this Section as the "**Committee**".

"**Related Party**" means any (a) person who is, or at any time since the beginning of the Company's last fiscal year, was, a director or executive officer of the Company or a nominee to become a director of the Company; (b) security holder known by the Company to be the beneficial owner of more than 5% of any class of the Company's voting securities (a "**significant shareholder**"); (c) "**immediate family member**" of any of the foregoing, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such person, and any person (other than a tenant or employee) sharing the household of such person; (d) firm, corporation or other entity in which any of the foregoing persons is an executive, partner or principal or similar control position or in which such person has a 5% or greater beneficial ownership interest (an "**affiliate**") and (e) any party that would be considered to be a related party under the definition in Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("**MI 61-101**").

"**Related-Party Transaction**" is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company and any Related Party are, were or will be participants in which the amount involved exceeds $120,000 and also any transaction that fits under the definition of "Related Party Transaction" under MI 61-101. Transactions involving compensation for services provided to the Company as an employee, consultant or director shall not be considered Related-Party Transactions under this Code.

Under this Code, any Related-Party Transaction, if not a Related-Party Transaction when originally consummated, or if not initially identified as a Related-Party Transaction prior to consummation, shall be submitted to the Committee, the Board where required by law, for review and ratification in accordance with the approval policies set forth above as soon as reasonably practicable. The Committee, or the Board, as applicable, shall consider whether to ratify and continue, amend and ratify, or terminate or rescind such Related-Party Transaction.

In the event that the Company proposes to enter into, or materially amend, a Related-Party Transaction, management of the Company shall present such Related-Party Transaction to the Committee for review, consideration and approval for recommendation to the Board. The presentation shall include, to the extent reasonably available, a description of (a) all of the parties thereto, (b) the interests, direct or indirect, of any Related Party in the transaction in sufficient detail so as to enable the Committee to fully assess such interests (c) a description of the purpose of the transaction, (d) all of the materials facts of the proposed Related-Party Transaction, including the proposed aggregate value of such transaction, or, in the case of indebtedness, that amount of principal that would be involved, (e) the benefits to the Company of the proposed Related-Party Transaction, (f) if applicable, the availability of other sources of comparable products or services, (g) an assessment of whether the proposed Related-Person Transaction is on terms that are comparable to the terms available to or from, as the case may be, an unrelated third party or to employees generally and (h) management's recommendation with respect to the proposed Related-Party Transaction. In the event the Committee is asked to consider whether to ratify an ongoing Related-Party Transaction, in addition to the information identified above, the presentation shall include a description of the extent of work performed and remaining to be performed in connection with the transaction and an assessment of the potential risks and costs of termination of the transaction, and where appropriate, the possibility of modification of the transaction.

The Board, in approving or rejecting the proposed Related-Party Transaction, shall consider all the relevant facts and circumstances deemed relevant by and available to the Board, including, but not limited to (a) the risks, costs and benefits to the Company, (b) the impact on a director's independence in the event the Related Party is a director, immediate family member of a director or an entity with which a director is affiliated, (c) the terms of the transaction, (d) the availability of other sources for comparable services or products and (e) the terms available to or from, as the case may be, unrelated third parties or to or from employees generally. The Board shall approve only those Related-Party Transactions that, in light of known circumstances, are in, or are not inconsistent with, the best interests of the Company and its shareholders, as the Board determines in the good faith exercise of its discretion.

This Section has been approved by the Audit Committee. The Audit Committee shall periodically review and recommend to the Company's Board, from time to time, as amendments to this Section.

Gifts and Entertainment

Business gifts and entertainment are meant to create goodwill and sound working relationships and not to gain improper advantage with customers or facilitate approvals from government officials. The exchange, as a normal business courtesy, of meals or entertainment (such as tickets to a game or the theatre or a round of golf) is a common and acceptable practice as long as it is not extravagant. Unless express permission is received from the Chair of the Audit Committee, gifts and entertainment cannot be offered, provided or accepted by any employee unless consistent with customary business practices and not excessive in value. This principle applies to our transactions everywhere in the world, even where the practice is widely considered "a way of doing business." Employees should not accept gifts or entertainment that may reasonably be deemed to affect their judgment or actions in the performance of their duties. Our customers, suppliers and the public at large should know that our employees' judgment is not for sale.

Under some statutes, such as the Foreign Corrupt Practices Act, in the United States (further described in the section below entitled "International Business Laws"), and the Corruption of Foreign Public Officials Act, in Canada, giving anything of value to a government official to obtain or retain business or favorable treatment is a criminal act subject to prosecution and conviction. Discuss with your supervisor or the Chair of the Audit Committee any proposed entertainment or gifts if you are uncertain about their appropriateness.

Confidentiality

Our directors, officers and employees are entrusted with our confidential information and with the confidential information of our suppliers, customers or other business partners. You also may learn of information before that information is released to the general public. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed, and may include (i) technical or scientific information about current and future products, services or research, (ii) business or marketing plans or projections, (iii) earnings and other internal financial data, (iv) personnel information, (v) supply and customer lists and (vi) other non-public information that, if disclosed, might be of use to our competitors, or harmful to our suppliers, customers or other business partners. This information is our property, or the property of our suppliers, customers or business partners, and in many cases was developed at great expense.

Our directors, officers and employees must maintain the confidentiality of confidential information entrusted to them by the Company, their suppliers, customers or other business partners, except when disclosure is authorized by outside legal counsel or is otherwise required by applicable laws or regulations. There may be times when you learn confidential information about other companies before that information has been made available to the public. You must treat confidential information in the same manner as you are required to treat our confidential and proprietary information. There may even be times when you must treat as confidential the fact that we have an interest in, or are involved with, another company.

You are expected to keep confidential and proprietary information confidential unless and until that information is released to the public through approved channels (usually through a press release, a filing with a securities commission or a formal communication from a member of senior management). Every employee has a duty to refrain from disclosing to any person confidential or proprietary information about us or any other company learned in the course of employment here, until that information is disclosed to the public through approved channels. This Code requires you to refrain from discussing confidential or proprietary information with outsiders and even with other employees of the Company, unless those fellow employees have a legitimate need to know the information in order to perform their job duties. Unauthorized use or distribution of this information could also be illegal and result in civil liability and/or criminal penalties.

You should also take care not to inadvertently disclose confidential information. Materials that contain confidential information, such as memos, notebooks, computer disks and laptop computers, should be stored securely. Unauthorized posting or discussion of any information concerning our business, information or prospects on the Internet is prohibited. You may not discuss our business, information or prospects in any "chat room," regardless of whether you use your own name or a pseudonym. Be cautious when discussing sensitive information in public places like elevators, airports, restaurants and "quasi-public" areas within the Company, such as cafeterias. All of the Company's emails, voicemails and other communications are presumed confidential and should not be forwarded or otherwise disseminated outside of the Company, except where required for legitimate business purposes.

This obligation to preserve confidential information continues even after your employment ends. In connection with this obligation, some employees may have executed a confidentiality agreement when he or she began his or her employment with the Company. Please see your confidentiality agreement, if any, and the Company's employee handbook for further information regarding your responsibilities in this area.

For further information on confidentiality and disclosure obligations, reference should be made to the Company's Disclosure and Insider Trading Policy.

Record-Keeping

Honest and accurate recording and reporting of information is required of directors, officers and employees of the Company in order to make responsible business decisions. All of the books, records, accounts and financial statements of the Company must be maintained in reasonable detail, must appropriately reflect the Company's transactions, and must conform both to applicable legal requirements and to the Company's system of internal controls.

In maintaining accurate books and records, the Company should ensure:

- Cooperation with the Finance Department of the Company and external auditors;
- That transactions that do not seem to serve a legitimate purposes are reported;
- Knowledge of any untruthful or inaccurate statements or records, whether intentionally or unintentionally made are volunteered;
- That contracts to which the Company is a party are in writing;
- That side letters or comfort letters which are not mentioned in the main document and are not exhibits, appendices, or attachments are executed only after being approved by a member of senior management; and
- That Company records are always retained or destroyed according to Company document retention policies.

Many employees regularly use business expense accounts, which must be documented and recorded accurately. If you are not sure whether a certain expense is legitimate, ask your supervisor.

Protection and Proper Use of Company Assets

All directors, officers and employees should endeavor to protect the assets of the Company and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. Equipment should not be used for non-Company business, though incidental personal use may be permitted. The law forbids persons from stealing the property of the Company, including cash, credit cards and other tangible and intangible assets. Any suspected incident of fraud or theft should be immediately reported for investigation. The Company's information technology system and other technology resources may be used only for legitimate business-related communications, though occasional personal use that is professional and does not interfere with the Company's business may be permitted. You may not, however, use our corporate name, any brand name or trademark owned or associated with the Company or any letterhead stationery for any personal purpose. All directors, officers and employees are prohibited from sharing their passwords, or customers' passwords. The unauthorized use and/or disclosure of other users' passwords is prohibited. Employees must abide by all security restrictions on all of the Company's technology systems and resources and are prohibited from attempting to evade, disable or "crack" passwords or other security provisions or otherwise attempt to improperly access such systems or resources.

The obligation to protect the assets of the Company includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, lists of customers, data, codes, programs, methods, processes, and procedures in connection with the development and providing of the Company's products, market research, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, salary information, the Company's agreements with vendors and other third parties, financial information and projections, and other commercially sensitive information which is not readily available to the public through legitimate origins, and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate the policies of the Company, could be illegal and may result in civil or even criminal penalties. The obligation to preserve the Company's proprietary information continues even after employment ends. The following is a summary of the main areas of intellectual property and confidential information:

(i) Patents are granted on inventions, such as new or improved machines, drug compounds, research discoveries, processes, computer programs, and methods of doing business. The Company strives to protect its inventions with patents. The inventions you create in the course of your employment belong to the Company.

(ii) Trademarks are distinctive symbols, words or groups of words that distinguish the products or services of a particular company from those of other companies. Consistent and careful usage of all trademarks of the Company is imperative.

(iii) Copyrights protect original works of authorship, such as written materials, software, audio-visual works, photographs, drawings, illustrations and similar works. An employee who creates a work in the scope of his or her employment creates it as a work made for hire, thus the Company is the owner of the copyright. However, the copyright of a work rests initially with the author or authors of the work, therefore it is essential that all contracts involving work to be done for the Company by a third party secure ownership of the copyright in that work for the Company.

(iv) Confidential Information is any information that gives the Company a competitive edge in the marketplace or that would harm the Company if disclosed inappropriately. Remember to stamp all confidential information with approved confidential and proprietary markings. You should not leave confidential information in places where it could be easily seen or found by unauthorized individuals. You should not discuss confidential information in public places where you could be overheard. Follow the required procedures for safeguarding and disposing of confidential information, rather than throwing it away in an ordinary garbage can.

Employees, officers and directors are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or position without the consent of the Board. No employee may use corporate property, information or position for improper personal gain, and no employee may compete with the Company directly or indirectly. Employees, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Any misuse or suspected misuse of our assets must be immediately reported to your supervisor or the Chair of the Audit Committee.

Provide Full, Fair, Accurate, Timely and Understandable Disclosure

We are committed to providing our shareholders and investors with full, fair, accurate, timely and understandable disclosure in the reports of the Company. You must take all steps available to assist the Company in these responsibilities. Employees who collect, provide or analyze information for or otherwise contribute in any way in preparing or verifying our financial and accounting reports should strive to ensure that our financial disclosure is accurate and transparent and that such reports contain all of the information about the Company that would be important to enable shareholders and potential investors to assess the soundness and risks of our business and finances and the quality and integrity of our accounting and disclosures. To this end, directors, officers and employees of the Company shall:

a) not make or cause to be made false or misleading statements, or omit to state, or cause another person to omit to state, any material fact necessary in order to make statements not misleading, to the Company's independent auditors, the Audit Committee, the Board or to a member of the Company's Finance Department;

b) not take any action to fraudulently influence, coerce, manipulate or mislead any independent public accountant engaged in the performance of an audit or review of the financial statements of the Company that are required to be filed with regulators, if you knew or were unreasonable in not knowing that such action could, if successful, result in rendering such financial statements materially misleading;

c) not make false or misleading entries in our books and records for any reason or take or authorize any action that would intentionally cause our financial records or financial disclosure to fail to comply with generally accepted accounting principles, the rules and regulations of the applicable securities commissions or other applicable laws, rules and regulations;

d) notify the Chief Financial Officer of the Company if they become aware of an unreported or questionable transaction;

e) notify the Audit Committee of concerns or complaints regarding questionable accounting or audit matters;

f) maintain a system of internal accounting controls that will provide reasonable assurances to management that all transactions are properly recorded;

g) prohibit the establishment of any undisclosed or unrecorded funds or assets;

h) maintain a system of internal control over financial reporting that will provide reasonable assurances to our management that material information about the Company is made known to management, particularly during the periods in which our periodic reports are being prepared;

i) not maintain any cash or other assets for any purpose in any unrecorded or "off-the-books" fund;and

j) present information in a clear and orderly manner and avoid the use of unnecessary legal and financial language in the information provided to shareholders and, if applicable, our periodic reports.

Any employee who becomes aware of any departure from these standards has a responsibility to report his or her knowledge promptly to a supervisor or the Chair of the Audit Committee. For further information on confidentiality and disclosure obligations, reference should be made to the Company's Disclosure and Insider Trading Policy.

Special Ethical Obligations for Employees with Financial Reporting Responsibilities

The CEO, CFO, CBO, director of finance or other persons performing similar functions for the Company (collectively, the '**Principal Officers**"), each bear a special responsibility for promoting in integrity throughout the Company. Furthermore, each of our Principal Officers has specific responsibilities with respect to the financial reporting and public disclosures of the Company. Because of this special role, our Principal Officers are bound by the following Financial Officer Code of Ethics, and each agrees that he or she will:

a) Act with honesty and integrity, including the ethical handling of actual or apparent conflicts of interests between personal and professional relationships;

b) Comply with all applicable laws, rules and regulations of federal, state, provincial and local governments, and other appropriate private and public regulatory agencies applicable to the performance of his or her duties with the Company;

c) Comply with the established accounting procedures, system of internal control over financial reporting of the Company and generally accepted accounting principles;

d) Promptly disclose to the Audit Committee any significant deficiencies in the design or operation of the internal control over financial reporting of the Company impacting the collection and reporting of financial data and any fraud involving management or other employees who play a significant role in the internal control over financial reporting of the Company; and

e) Provide information that is accurate, complete, objective, relevant, timely and understandable to ensure full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, stock exchanges, securities commissions or governmental agencies, and in other public communications made by the Company.

Media/Public Discussions

It is our policy to disclose material information concerning the Company to the public only through specific limited channels to avoid inappropriate publicity and to ensure that all those with an interest in the Company will have equal access to information. All inquiries or calls from the press and financial analysts should be referred to our Chief Financial Officer. We have designated our Chief Financial Officer as our official spokesperson for questions concerning the financial performance, strategic direction or operating performance of the Company, and operational issues such a research and development, regulatory developments, sales and marketing, etc. Unless a specific exception has been made by our Chief Financial Officer, he is the only person who may communicate with the press on behalf of the Company. You also may not provide any information to the media about us off the record, for background, confidentially or secretly, including, without limitation, by way of postings on internet websites, chat rooms or "blogs". For further information on confidentiality and disclosure obligations, reference should be made to the Company's Disclosure and Insider Trading Policy.

We Comply with all Laws, Rules and Regulations

We are committed to full compliance with the laws and regulations of the cities, provinces and countries in which we operate. We expect all of our directors, officers and employees to obey the law. We expect employees to understand the legal and regulatory requirements applicable to their business units and areas of responsibility. We expect our employees to monitor compliance with applicable laws and governmental rules and regulations and to identify, report and correct any violations. Violation of domestic or foreign laws, rules and regulations may subject an individual, as well as the Company, to civil and/or criminal penalties. You should be aware that conduct and records, including emails, are subject to internal and external audits and to discovery by third parties in the event of a government investigation or civil litigation. The fact that, in some countries, certain laws are not enforced or that violation of those laws is not subject to public criticism will not be accepted as an excuse for noncompliance. It is in everyone's best interests to know and comply with our legal obligations.

Specifically, we are committed to:

a) maintaining a safe and healthy work environment and comply with all applicable safety and health laws. As appropriate, the Company will develop, implement, review and update programs designed to comply with applicable Occupational Health and Safety legislation standards;

b) promoting a workplace that is free from discrimination or harassment based on race, color, religion, sex, age, national origin, disability or other factors that are unrelated to the business interests of the Company;

c) supporting fair competition and laws prohibiting restraints of trade and other unfair trade practices;

d) conducting our activities in full compliance with all applicable environmental laws;

e) prohibiting any illegal payments, gifts or gratuities to any government or government employee. All directors, officers and employees shall refer to the Company's policies regarding guidelines on the receipt or acceptance of gifts, entertainment or other items from vendors, customers and business partners;

f) prohibiting the unauthorized use, reproduction, or distribution of any third party's trade secrets, copyrighted information or confidential information; and

g) complying with all applicable securities laws.

International Business Laws

Our employees are expected to comply with the applicable laws in all countries to which they travel, in which they operate and where we otherwise do business, including laws prohibiting bribery, corruption or the conduct of business with specified individuals, companies or countries. The fact that, in some countries, certain laws are not enforced or that violation of those laws is not subject to public criticism will not be accepted as an excuse for noncompliance. In addition, we expect employees to comply with local laws, rules and regulations governing the conduct of business by its citizens and corporations outside the applicable geographic area.

International laws, rules and regulations, may include:

- Prohibitions on directly or indirectly giving anything of value to a government official to obtain or retain business or favorable treatment and requires the maintenance of accurate books of account, with all company transactions being properly recorded, including without limitation the U.S. Foreign Corrupt Practices Act and the Canadian Corruption of Foreign Public Officials Act;

- Prohibitions related to doing business with certain countries, or traveling to, subject to sanctions imposed by the applicable government, as well as specific companies and individuals identified on lists published by applicable governmental agencies;

- Restrictions on exports and re-exports from other countries of goods, software and technology to many countries, and prohibits transfers of domestic-origin items to denied persons and entities, including without limitation, U.S. Export Controls; and

- Prohibitions on domestic companies from taking any action that has the effect of furthering or supporting a restrictive trade practice or boycott imposed by a foreign country against a country friendly to the applicable domestic country or against any domestic person, including without limitation, anti-boycott regulations.

If you have a question as to whether an activity is restricted or prohibited, seek assistance before taking any action, including giving any verbal assurances that might be regulated by international laws.

Government and Third-Party Investigations

The Company may be subjected to information requests, inspections or investigations by governmental entities or private, third-party litigants. The policy of the Company is to cooperate fully with all legal and reasonable information requests, inspections or investigations, but the CEO, CFO, CBO or other persons performing similar functions for the Company (collectively, the "**Executive Officers**") are responsible for determining how the Company will respond to such actions. Individual directors, officers and employees are not authorized to respond to such actions without first consulting with an Executive Officer.

All directors, officers and employees should notify an Executive Officer immediately about any governmental or third-party information request, inspection, investigation, search warrant or subpoena of the Company or its personnel or customers. All directors, officers and employees should notify an Executive Officer immediately about any information request, inspection or investigation by any stock exchange or self-regulatory organization that is directed to the Company or its personnel before any information is given to the entity.

Antitrust

Antitrust laws are designed to protect the competitive process. These laws are based on the premise that the public interest is best served by vigorous competition and will suffer from illegal agreements or collusion among competitors. Antitrust laws generally prohibit:

- agreements, formal or informal, with competitors that harm competition or customers, including price fixing and allocations of customers, territories or contracts;
- agreements, formal or informal, that establish or fix the price at which a customer may resell a product; and
- the acquisition or maintenance of a monopoly or attempted monopoly through anti-competitive conduct.

Certain kinds of information, such as pricing, production and inventory, should not be exchanged with competitors, regardless of how innocent or casual the exchange may be and regardless of the setting, whether business or social.

Antitrust laws impose severe penalties for certain types of violations, including criminal penalties and potential fines and damages of millions of dollars, which may be tripled under certain circumstances. Understanding the requirements of antitrust and unfair competition laws of the various jurisdictions where we do business can be difficult, and you are urged to seek assistance from your supervisor or the Chair of the Audit Committee whenever you have a question relating to these laws.

Environmental Compliance

Applicable law imposes criminal liability on any person or company that contaminates the environment with any hazardous substance that could cause injury to the community or environment. Violation of environmental laws can involve monetary fines and imprisonment. We expect employees to comply with all applicable environmental laws.

It is our policy to conduct our business in an environmentally responsible way that minimizes environmental impacts. We are committed to minimizing and, if practicable, eliminating the use of any substance or material that may cause environmental damage, reducing waste generation and disposing of all waste through safe and responsible methods, minimizing environmental risks by employing safe technologies and operating procedures, and being prepared to respond appropriately to accidents and emergencies.

Political Activities

All directors, officers and employees shall comply with all applicable local, provincial and federal laws regulating contributions to political candidates, campaigns and parties.

All directors, officers and employees are prohibited from making any contribution in the Company's name to any local, provincial or federal political candidate, campaign or party. A personal contribution to a political candidate does not violate this policy. Directors, officers and employees may not seek reimbursement from the Company for political contributions previously made to any local, provincial, or federal political candidate, campaign or party. Directors, officers and employees are prohibited from using the Company for political purposes. Casual visits to the Company by political figures do not violate this Code. Directors, officers and employees should obtain written approval of an Executive Officer before establishing any provincial or federal political action committee.

The Company in no way seeks to discourage any person from participating on an individual basis in political activities on the person's own time. No director, officer or employee, however, may use the Company's name in connection with individual political activities, except if the employee is required by law to identify where he or she is employed in connection with a permitted transaction.

Money Laundering

People involved in criminal activities such as drug trafficking, fraud, smuggling, organized crime and others, may try to "launder" the proceeds of their crimes. This is attempted by structuring transactions or using other methods to move their money through various financial systems or institutions around the world to hide the origin of the money, making their funds appear legitimate. Instead of attempting to "clean" illegal funds, terrorists may use legally obtained money, such as charitable contributions, and transform them into funds used for terrorist activities.

The Company takes a strong stance against the practice of money laundering and takes all reasonable measures to prevent its services from being used for illegal purposes. If there is any concern about the reputation, integrity or source of funds of a customer or business associate, the Company will not conduct business with that person or business.

Compliance Procedures; Reporting Violations; and Effect of Violations

Compliance with this Code, first and foremost, is the individual responsibility of every director, officer and employee. We attempt to foster a work environment in which ethical issues and concerns may be raised and discussed with supervisors or with others without the fear of retribution. It is our responsibility to provide a system of reporting and access when you wish to report a suspected violation, or to seek counseling, and the normal chain of command cannot, for whatever reason, be used.

a. Administration

Our Board and Audit Committee have established the standards of business conduct contained in this Code and oversee compliance with this Code.

b. Reporting Violations and Questions

Illegal or unethical behaviour and any violation of the Code and its requirements are taken seriously by us. If you are concerned that illegal or unethical behaviour or violations of the Code may be taking place, you should contact, orally or in writing, any officer of the Company or your immediate supervisor. Concerns should be submitted to the Audit Committee. The report should include all evidence of activity by a department or director, officer or employee of the Company that may constitute:

- corporate fraud;
- unethical business conduct;
- a violation of federal, provincial or municipal law; or
- substantial and specific danger to the health and safety of any individual.

The party receiving your report will record receiving the report and document how the situation was handled.

In instances where you have not received a satisfactory response from an officer or your immediate supervisor, or if you are uncomfortable addressing your concerns to these individuals, we have engaged ConfidenceLine, an independent third party supplier, to provide a confidential and anonymous communication channel for reporting concerns about possible violations of the Code as well as auditing matters, internal accounting controls, financial and accounting irregularities or fraud. The ConfidenceLine Call Centre is available 24 hours a day, seven days a week and provides assistance in more than 150 languages. All inquiries will be handled promptly and discreetly.

To make a report, you may call 1-800-661-9675 within Canada or the United States.

If you bring forward a complaint, you have the right to remain anonymous and your confidentiality will be protected, except as necessary to conduct the investigation and take any remedial action, and subject to and in accordance with applicable law, regulation or legal proceedings.

This Code will be included in the orientation of new employees and provided to existing directors, officers and employees on an on-going basis.

c. No Retaliation

We will not permit retaliation, harassment, discharge, or other types of discrimination, including but not limited to, compensation or terms and conditions of employment of any kind by or on behalf of the Company or you, in respect of reports made in good faith or complaints of violations of this Code or other illegal or unethical conduct. In addition, no individual may be adversely affected if he or she refuses to carry out a directive which constitutes fraud or violation of any of the noted incidents. Nevertheless, if you participated in the alleged violation or alleged illegal or unethical behaviour, disciplinary action may be necessary. Disciplinary action up to and including dismissal will be taken against anyone who retaliates, directly or indirectly, or encourages others to do so, against anyone who reports a violation of the Code or illegal or unethical behaviour.

d. Internal Investigation

When an alleged violation of the Code is reported, we shall take prompt and appropriate action in accordance with the law and regulations otherwise consistent with good business practices. If the suspected violation appears to involve either a possible violation of law or an issue of significant corporate interest, or if the report involves a complaint or concern of any person, whether employee, a shareholder or other interested person regarding the Company's financial disclosure, internal accounting controls, questionable auditing or accounting matters or practices or other issues relating to our accounting or auditing, then the investigator should immediately notify the Chair of the Audit Committee. Additionally, if a suspected violation involves any director or executive officer or if the suspected violation concerns any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal controls, the investigator, or any person who received such report should immediately report the alleged violation to the Chair of the Audit Committee. The Chair of the Audit Committee or outside legal counsel, as applicable, shall assess the situation and determine the appropriate course of action. At a point in the process consistent with the need not to compromise the investigation, a person who is suspected of a violation shall be apprised of the alleged violation and shall have an opportunity to provide a response to the investigator.

All directors, officers and employees have a duty to cooperate in an investigation. Should a director, officer or employee fail to cooperate or provides false information in an investigation, the Company will take effective remedial action commensurate with the severity of the offense. The action may include disciplinary measures up to and including termination.

e. Consequences of a Violation

To protect our good name, we may discipline and/or terminate our relationship or affiliation with any officer or employee who breaches the Code, its related policies or engages in illegal or unethical behaviour. In the case of members of the Board, we may require that they resign from their position or recommend shareholders removal of any such member(s).

At Will Employment

Nothing in this Code shall confer upon employees any right to continue in the employment of the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any parent or subsidiary of the Company employing or retaining the employee) or of the employee, which rights are hereby expressly reserved by each, to terminate employee's service with the Company at any time for any reason, with or without cause.

Dissemination; Publication; Amendments and Waivers

A member of the senior management team will send out an e-mail to all directors, officers and employees on an annual basis, reminding them of their obligations under the Code.

This Code shall be posted on the Company's website and on SEDAR at www.SEDAR.com and EDGAR at https://www.sec.gov/edgar.shtml and shall be available to the public.

Any amendment of this Code requires approval of the Board and will be promptly disclosed as required by any applicable law or stock exchange regulations.

Any waiver of this Code for executive officers or directors may be made only by the Board, the Corporate Governance and Nominating Committee, or the extent permitted by applicable law and stock exchange regulations, a committee of the Board and will be promptly disclosed as required by any applicable law or stock exchange regulations.

Where to Seek Clarification

Conflict of Interest	Chief Executive Officer
Employee Issues	Your immediate Supervisor Chief Executive Officer
Legal Matters	Chief Financial Officer
Media Inquiries	Chief Executive Officer
Illegal Unethical Behaviour or Suspected Breach of this Code	Your supervisor A member of senior management, including the Chief Executive Officer, the Chief Financial Officer or the Chief Business Officer Chair of the Audit Committee ConfidenceLine

Exhibit 11.2

AUDIT COMMITTEE CHARTER
APTOSE BIOSCIENCES INC.
(the "Company")

As revised and adopted by the Board of Directors (the "Board") on March 3, 2015

1. Purpose

The primary purposes of the Audit Committee (the "**Committee**") of the Board shall be to act on behalf of the Board, in fulfilling the Board's oversight responsibilities with respect to the Company's corporate accounting and financial reporting processes, the systems of internal control over financial reporting, and audits of financial statements, as well as the quality and integrity of the Company's financial statements and reports and the qualifications, independence and performance of the registered public accounting firm or firms engaged as the Company's independent outside auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services (the "**Auditors**"). The Committee shall also provide oversight assistance in connection with the Company's legal, regulatory and ethical compliance programs as established by management and the Board. The operation of the Committee shall be subject to the constating documents of the Company as in effect from time to time and applicable law.

The policy of the Committee, in discharging these obligations, shall be to maintain and foster an open avenue of communication among the Committee, the Auditors and the Company's financial management.

The members of the Committee are not full-time employees of the Company and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Committee to conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the external auditors.

2. Composition

The Committee shall be comprised of a minimum three directors as determined by the Board. Each of the members of the Committee shall satisfy the independence and financial literacy requirements of any applicable securities laws, securities regulatory authorities and stock exchanges, including without limitation, requirements set out in, or by, National Instrument 52-110 Audit Committee, the Nasdaq Stock Market ("**Nasdaq**"), the Toronto Stock Exchange (the "**TSX**") and the United Stated Securities and Exchange Commission, as in effect from time to time. At least one member shall satisfy the applicable Nasdaq financial sophistication requirements as in effect from time to time.

Committee members shall be appointed by the Board. Members of the Committee shall serve until their resignation or removal. The Board may fill vacancies on the Committee by a majority vote of the authorized numbers of Directors, but may remove Committee members only with the approval of a majority of the independent Directors then serving on the full Board. The Board shall designate a Committee member as the Chair of the Committee on an annual basis, or if the Board does not do so, the Committee members shall appoint a Committee member as Chair by a majority vote of the authorized number of Committee members.

3. Meetings, Reports and Resources of the Committee

(a) Meetings. In discharging its responsibilities, the Committee shall meet as often as it determines necessary or advisable, but not less frequently than quarterly. The Committee may also hold special meetings or act by unanimous written consent as the Committee may decide. The meetings may be in person or telephone. The Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee shall appoint a secretary to be the secretary of each meeting of the Committee to keep written minutes of the meeting and deliberations and will ensure that such minutes are included in the Company's minute book. The Chair of the Committee shall report at the next regularly scheduled Board meeting following the applicable Committee meeting.

(b) Critical Reporting. The Committee shall report to the Board with respect to material issues that arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance or independence of the Auditors or such other matters as the Committee deems appropriate from time to time or whenever it shall be called upon to do so. The Committee may invite any person to attend part or all of a meeting of the Committee.

(c) Procedures. The Committee may establish its own procedures, including the formation and delegation of authority to subcommittees, in a manner not inconsistent with this charter, the articles or applicable laws or regulations. The Chair or a majority of the Committee members may call meetings of the Committee. A majority of the members of the Committee constitute a quorum for the transaction of Committee business, and the vote of a majority of the Committee members present at the meeting at which a quorum is present shall be the act of the Committee. The Committee shall review, discuss and assess its own performance at least annually. The Committee shall also periodically review (at least annually) and assess the adequacy of this charter, including the Committee's role and responsibilities as outlined in this charter, and shall recommend any proposed changes to the Board of its consideration. The Committee may meet in separate sessions with the Auditors, as appropriate, and management and other directors to discuss any matters that the Committee, the Auditors or management believe should be discussed privately with the Committee.

(d) Reports. The Committee shall prepare the report required by the rules of the Securities and Exchange Commission (the "**SEC**") to be included in the Company's annual proxy statement (if the Company is required to file an annual proxy statement pursuant to SEC rules), as well as any other report required of the Committee under applicable laws.

(e) Committee Access and Resources. The Committee shall have authority to appoint, determine compensation for, and at the Company's expense, retain and oversee the Auditors subject to applicable law and regulations including Section 10A(m)(2) of the United States Securities Exchange Act of 1934, as amended, and the rules thereunder and otherwise to fulfill its responsibilities under this charter. The Committee is at all times authorized to have direct, independent and confidential access to the Company's other directors, management and personnel to carry out the Committee's purposes. The Committee is also authorized to retain and terminate at the Company's expense, independent counsel or other advisers selected by the Committee for matters related to the Committee's purposes.

4. Authority and Responsibilities

The Committee shall oversee the Company's financial reporting process on behalf of the Board, and shall have direct responsibility for the oversight of the work of the Auditors and any other registered public accounting firm engaged for the purpose of performing other review or attest services for the Company. The Auditors and each such other registered public accounting firm shall report directly and be accountable to the Committee. The Committee's functions and procedures should remain flexible to address most effectively changing circumstances. To implement the Committee's purpose and policy, the Committee shall be charged with the following functions and processes with the understanding, however, that the Committee may supplement or (except as otherwise required by applicable laws or rules) deviate from these activities as appropriate under the circumstances:

(a) Evaluation and Retention of Auditors. To evaluate the performance of the Auditors, including the lead partner, to assess their qualifications (including their internal quality-control procedures and any material issues raised by that firm's most recent internal quality-control review or any investigations by regulatory authorities) and to determine whether to recommend to the Board the retention or to termination of the engagement of the existing Auditors or the appointment or engagement of a different independent registered public accounting firm.

(b) Communication Prior to Engagement. Prior to engagement of any prospective Auditors, to review a written disclosure by the prospective Auditors of all relationships between the prospective Auditors, or their affiliates, and the Company, or persons in financial oversight roles at the Company, that may reasonably be thought to bear on independence, and to discuss with the prospective Auditors the potential effects of such relationships on the independence of the prospective Auditors, consistent with applicable laws, regulations and accounting rules.

(c) Approval of Audit Engagements. To determine and recommend to the Board the engagement of the Auditors, prior to commencement of such engagement, to perform all proposed audit, review and attest services, including the scope of and plans for the audit, the adequacy of staffing, to determine and recommend to the Board the compensation to be paid, at the Company's expense, to the Auditors and the negotiation and execution, on behalf of the Company, of the Auditors' engagement letters.

(d) Approval of Non-Audit Services. To determine and approve engagements of the Auditors, prior to commencement of such engagements (unless in compliance with exceptions available under applicable laws and rules related to immaterial aggregate amounts of services), to perform any proposed permissible non-audit services, including the scope of the service and the compensation to be paid therefor, at the Company's expense, which approval may be pursuant to preapproval policies and procedures established by the Committee consistent with applicable laws and rules, including the delegation of preapproval authority to one or more Committee members so long as any such preapproval decisions are presented to the full Committee at the next scheduled meeting.

(e) Audit Partner Rotation. To monitor the rotation of the partners of the Auditors on the Company's audit engagement team as required by applicable laws and rules and to consider periodically and, if deemed appropriate, adopt a policy regarding rotation of auditing firms.

(f) Auditor Independence. At least annually, consistent with applicable rules and regulations, to receive and review written disclosures from the Auditors delineating all relationships between the Auditors, or their affiliates, and the Company, or persons in financial oversight roles at the Company, that may reasonably be thought to bear on independence and a letter from the Auditors affirming their independence, to consider and discuss with the Auditors any potential effects of any such relationships on the independence of the Auditors as well as any compensation or services that could affect the Auditors' objectivity and independence, and to assess and otherwise take appropriate action to oversee the independence of the Auditors.

(g) Former Employees of Auditor. To consider and, if deemed appropriate, adopt clear policies regarding Committee preapproval of employment by the Company of individuals employed or formerly employed by the Auditors and engaged on the Company's account.

(h) Audited Financial Statement Review. To review, upon completion of the audit, the financial statements proposed to be included in the Company's public disclosure documents, including financial news releases, management's discussion and analysis, registration statements, annual reports, including on Form 10-K or Form 20-F, as applicable, to be filed on SEDAR and/or with the SEC, management's discussion and analysis and to recommend whether or not such financial statements and other materials should be approved by the Board for disclosure.

(i) Annual Audit Results. To review with management and the Auditors, the results of the annual audit, including the Auditors' assessment of the quality, not just acceptability, of the Company's accounting principles and practices, the Auditors' views about qualitative aspects of the Company's significant accounting practices, the reasonableness of significant judgments and estimates (including material changes in estimates), all known and likely misstatements identified during the audit (other than those the Auditors believe to be trivial), the adequacy of the disclosures in the financial statements and any other matters required to be communicated to the Committee by the Auditors under the standards of the applicable accounting rules.

(j) Auditor Communications. At least annually, to discuss with the Auditors the matters required to be discussed by applicable law, regulations and accounting rules.

(k) Quarterly Results. To review and discuss with management and the Auditors, as appropriate, the results of the Auditors' review of the Company's quarterly financial statements and approve such quarterly financial statements, prior to public disclosure of quarterly financial information or filing of any required disclosure with any securities regulatory authority, including the filing with the SEC of the Company's Quarterly Report on Form 10-Q (if required by SEC rules), and to discuss with the Auditors any other matters required to be communicated to the Committee by the Auditors under generally accepted auditing standards, as appropriate.

(l) Management's Discussion and Analysis. To review and discuss with management and the Auditors, as appropriate, the Company's disclosures contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its periodic reports to be filed with the SEC and the disclosure in the "Management's Discussion and Analysis" to be filed with applicable securities regulatory authorities in Canada.

(m) Press Releases. To review and discuss with management and the Auditors, as appropriate, earnings press releases, and press releases containing information relating to material developments as well as the substance of financial information, information relating to material developments and earnings guidance provided to analysts and ratings agencies, which discussions may be general discussions of the type of information to be disclosed or the type of presentation to be made.

(n) Accounting Principles and Policies. To review with management and the Auditors, as appropriate, significant issues that arise regarding accounting principles and financial statement presentation, including critical accounting policies and practices, alternative accounting policies available under international financial reporting standards, in Canada, and generally accepted accounting principles, in the United States, related to material items discussed with management, the potential impact on the Company's financial statements of off-balance sheet structures and any other significant reporting issues and judgments, significant regulatory, legal and accounting initiatives or developments that may have a material impact on the Company's financial statements, compliance programs and policies if, in the judgment of the Committee, such review is necessary or appropriate. To approve, if appropriate, major changes to the Company's accounting principles and practices as suggested by the independent auditors or management and assure that the reasoning is described in determining the appropriateness of changes in accounting principles and disclosures.

(o) Risk Assessment and Management. To review and discuss with management and, as appropriate, the Auditors the Company's guidelines and policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps taken by management to monitor and control these exposures; and to review and discuss with management insurance programs, including director and officer insurance, product liability insurance and general liability insurance (but excluding compensation and benefits-related insurance).

(p) Management Cooperation with Audit. To evaluate the cooperation received by the Auditors during their audit examination, including a review with the Auditors of any significant difficulties encountered during the audit or any restrictions on the scope of their activities or access to required records, data and information and, whether or not resolved, significant disagreements with management and management's response, if any.

(q) Management Letters. To review and discuss with the Auditors and, if appropriate, management, any management or internal control letter issued or, to the extent practicable, proposed to be issued by the Auditors and management's response, if any, to such letter, as well as any additional material written communications between the Auditors and management.

(r) National Office Communications. To review and discuss with the Auditors, as appropriate, communications between the audit team and the Auditors' national office with respect to accounting or auditing issues presented by the engagement.

(s) Disagreements Between Auditors and Management. To review with management and the Auditors, or any other registered public accounting firm engaged to perform review or attest services, any conflicts or disagreements between management and the Auditors, or such other accounting firm, whether or not resolved, regarding financial reporting, accounting practices or policies or other matters, that individually or in the aggregate could be significant to the Company's financial statements or the Auditors' report, and to resolve any conflicts or disagreements regarding financial reporting.

(t) Internal Control Over Financial Reporting. To confer with management and the Auditors, as appropriate, regarding the scope, adequacy and effectiveness of internal control over financial reporting including significant deficiencies or material weaknesses identified by the Company's Auditors. To review with the management and the Auditors any fraud, whether or not material, that includes management or other employees who have any significant role in the Company's internal control over financial reporting and any significant changes in internal controls or other factors that could significantly affect internal controls, including any corrective actions in regard to significant deficiencies or material weaknesses.

(u) Correspondence with Regulators. To consider and review with management, the Auditors, outside counsel, as appropriate, and any special counsel, separate accounting firm or other consultants and advisors as the Committee deems appropriate, any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.

(v) Complaint Procedures. To establish procedures, when and as required by applicable laws and rules, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and to establish such procedures as the Committee may deem appropriate for the receipt, retention and treatment of complaints received by the Company with respect to any other matters that may be directed to the Committee for review and assessment.

(w) Ethical Compliance; Compliance with Legal and Regulatory Requirements. To review the results of management's efforts to monitor compliance with the Company's programs and policies designed to ensure adherence to applicable laws and rules, as well as to its Code of Business Conduct and Ethics, as amended from time to time, and regarding legal matters and compliance with legal and regulatory requirements that may have a material effect on the Company's business, financial statements or compliance policies, including any material reports or inquiries from regulatory or governmental agencies. To review with the Company's counsel, on at least an annual basis, any legal matters that could have a significant impact on the organization's financial statements and the Company's compliance with applicable laws and regulations.

(x) Related-Party Transactions. To review and provide oversight of related-party transactions, as required by applicable securities laws and the rules and regulations of applicable securities regulatory authorities and stock exchanges, in accordance with the Company's Disclosure and Insider Trading Policy and Code of Business Conduct and Ethics.

(y) Engagement of Registered Public Accounting Firms. To determine and recommend to the Board for approval the engagement of any registered public accounting firm (in addition to the Auditors), prior to commencement of such engagement, to perform any other review or attest service, including the recommendation to the Board of the compensation to be paid, at the Company's expense, to such firm and the negotiation and execution, on behalf of the Company, of such firm's engagement letter. To discharge such Auditors when circumstances warrant.

(z) Investment Policy. To review, on a periodic basis, as appropriate, the Company's investment policy and recommend to the Board any changes to the investment policy.

(aa) Investigations. To investigate any matter brought to the attention of the Committee within the scope of its duties if, in the judgment of the Committee, such investigation is necessary or appropriate.

(bb) Hiring Policies of Auditors. To review and approve the Company's hiring policies with respect to partners, employees and former partners and employees of the current and former Auditors of the Company.

(cc) Disclosure. To describe in the Company's annual information form the Committee's composition and responsibilities and how they were discharged.

The approval of this Audit Committee Charter shall be construed as delegation of authority to the Audit Committee with respect to the responsibilities set forth herein.

Exhibit 12.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANTTO SECURITIES AND EXCHANGE COMMISSION RULE 13a-14(a)

I, William G. Rice, certify that:

1. I have reviewed this transition report on Form 20-F of Aptose Biosciences Inc. for the seven month transition period ended December 31, 2014;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 3, 2015

/s/ William G. Rice
William G. Rice
Chairman, President and Chief Executive Officer

Exhibit 12.2

CERTIFICATION OF CHIEF FINANCIALOFFICER PURSUANTTO SECURITIES AND EXCHANGE COMMISSION RULE 13a-14(a)

I, Gregory K. Chow, certify that:

1. I have reviewed this transition report on Form 20-F of Aptose Biosciences Inc. for the seven month transition period ended December 31, 2014;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 3, 2015

/s/ Gregory K. Chow
Gregory K. Chow
Senior Vice President and CFO

Exhibit 13.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Transition Report of Aptose Biosciences Inc. (the "Company") on Form 20-F for the seven month period ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William G. Rice, Ph.D., President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition of the Company as of the end of the period covered by the Report and the results of operations of the Company for the period covered by the Report.

Date: March 3, 2015

/s/ William G. Rice
William G. Rice, Ph.D.
President and Chief Executive Officer

This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 13.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Transition Report of Aptose Biosciences Inc. (the "Company") on Form 20-F for the seven month period ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory Chow, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition of the Company as of the end of the period covered by the Report and the results of operations of the Company for the period covered by the Report.

Date: March 3, 2015

/s/ Gregory Chow
Gregory Chow
Chief Financial Officer

This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 15.1

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 3, 2015

This management's discussion and analysis of Aptose Biosciences Inc. ("Aptose", the "Company", "we", "our", "us" and similar expressions) should be read in conjunction with the Company's annual audited financial statements for the seven months ended December 31, 2014 and the annual report on form 20-F of the Company for the seven months ended December 31, 2014 which can be found on SEDAR at www.sedar.com and EDGAR at *www.sec.gov/edgar.shtml.*

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This management's discussion and analysis may contain forward-looking statements within the meaning of securities laws. Such statements include, but are not limited to, statements relating to:

- *our business strategy;*
- *our ability to obtain the substantial capital we require to fund research and operations;*
- *our plans to secure strategic partnerships to assist in the further development of our product candidates;*
- *our plans to conduct clinical trials and preclinical programs;*
- *our expectations regarding the progress and the successful and timely completion of the various stages of our drug discovery, preclinical and clinical studies and the regulatory approval process;*
- *our plans, objectives, expectations and intentions; and*
- *other statements including words such as "anticipate", "contemplate", "continue", "believe", "plan", "estimate", "expect", "intend", "will", "should", "may", and other similar expressions.*

The forward-looking statements reflect our current views with respect to future events, are subject to risks and uncertainties, and are based upon a number of estimates and assumptions that, while considered reasonable by us, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, among others:

- *our ability to obtain the substantial capital we require to fund research and operations;*
- *our lack of product revenues and history of operating losses;*
- *our early stage of development, particularly the inherent risks and uncertainties associated with (i) developing new drug candidates generally, (ii) demonstrating the safety and efficacy of these drug candidates in clinical studies in humans, and (iii) obtaining regulatory approval to commercialize these drug candidates;*
- *our drug candidates require time-consuming and costly preclinical and clinical testing and regulatory approvals before commercialization;*
- *clinical studies and regulatory approvals of our drug candidates are subject to delays, and may not be completed or granted on expected timetables, if at all, and such delays may increase our costs and could delay our ability to generate revenue;*
- *the regulatory approval process;*
- *our ability to recruit patients for clinical trials;*
- *the progress of our clinical trials;*
- *our liability associated with the indemnification of our predecessor and its directors, officers and employees in respect of an arrangement completed in 2007;*
- *our ability to find and enter into agreements with potential partners;*
- *our ability to attract and retain key personnel;*
- *our ability to obtain and maintain patent protection;*
- *our ability to protect our intellectual property rights and not infringe on the intellectual property rights of others;*
- *our ability to comply with applicable governmental regulations and standards;*
- *development or commercialization of similar products by our competitors, many of which are more established and have or have access to greater financial resources than us;*
- *commercialization limitations imposed by intellectual property rights owned or controlled by third parties;*
- *potential product liability and other claims;*
- *our ability to maintain adequate insurance at acceptable costs;*
- *further equity financing, which may substantially dilute the interests of our existing shareholders;*
- *changing market conditions; and*
- *other risks detailed from time-to-time in our on-going quarterly filings, annual information forms, annual reports and annual filings with Canadian securities regulators and the United States Securities and Exchange Commission, and those which are discussed under the heading "Risk Factors" in this document.*

Should one or more of these risks or uncertainties materialize, or should the assumptions set out in the section entitled "Risk Factors" underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this management's discussion and analysis or, in the case of documents incorporated by reference herein, as of the date of such documents, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law. We cannot assure you that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

CORPORATE UPDATE

The following items highlight our corporate activities during the seven months ended December 31, 2014 and any subsequent development up until the date hereof.

Appointment of Dr. Platzer
On December 15, 2014, we welcomed Erich Platzer M.D., Ph.D., to our Board of Directors. Dr. Platzer has a background in oncology and hematology from both a clinical and business perspective, bringing to Aptose product development, trial management, licensing and commercialization experience from his career in the pharmaceutical industry. Dr. Platzer is a board certified physician in internal medicine, hematology and medical oncology. Previously, Dr. Platzer was business director of oncology, global strategic marketing and therapeutic area head of oncology at F. Hoffman - La Roche AG, Basel, where he also served as medical director in oncology and global development project leader.

NASDAQ listing
On October 21, 2014 we announced that our common shares were approved for listing on the NASDAQ Capital Market ("NASDAQ") under the symbol "APTO" and began trading on NASDAQ on October 23, 2014. Aptose has retained its listing on the Toronto Stock Exchange (the "TSX") under the symbol "APS".

Share consolidation
Our Board of Directors approved a 1-for-12 share consolidation which became effective on October 1, 2014. The share consolidation affected all of our common shares, stock options and warrants outstanding at the effective time. Fractional shares were not issued. Prior to consolidation we had approximately 139.3 million shares outstanding. Following the share consolidation, we have approximately 11.6 million common shares outstanding. Similarly, prior to consolidation, we had approximately 17.1 million stock options and 2.6 million warrants to purchase common shares outstanding. Following the share consolidation, we have approximately 1.4 million stock options and 218 thousand warrants to purchase common shares outstanding.

Appointment of Dr. Howell
On September 8, 2014 we announced the appointment of Stephen B. Howell, M.D. in the capacity of Chief Medical Officer. Dr. Howell is a medical oncologist and has experience in the development of novel drugs and drug delivery systems for the treatment of cancer and in the discovery of the molecular and genetic mechanisms underlying drug resistance. Dr. Howell joined Aptose as a medical consultant to provide clinical guidance.

Name and year end change
On September 2, 2014 we announced that we had changed our name to Aptose Biosciences Inc. from the previous name of Lorus Therapeutics Inc. Our lead product, APTO-253 (formerly LOR-253) exerts its antitumor effects by activating a key apoptotic pathway in tumor cells. The term "apoptosis" represents the innate self-killing capacity of cells triggered upon the onset of cellular damage, and cancer cells employ various mechanisms to avoid apoptosis. For these reasons, "apoptosis" is the intuitive root of the name of "Aptose Biosciences". In addition, our stated goal with respect to the name change is to align the product portfolio and product development with the strategic course set by our management team.

Effective July 17, 2014 we changed our fiscal year end from May 31 to December 31. As a result of that change the current period is for the seven months ended December 31, 2014 while the prior year comparative period is for the twelve months ended May 31, 2014 and therefore is not directly comparable to the current seven month period.

PROGRAM UPDATES

APTO-253

Phase Ib Trial
On July 28, 2014 we announced that the U.S. Food and Drug Administration ("FDA") had completed its review and cleared the Investigational New Drug ("IND") application of APTO-253 for the treatment of hematologic malignancies, including acute myeloid leukemia ("AML"), high-risk myelodysplastic syndromes ("MDS"), lymphomas and multiple myeloma. Clearance of the IND allowed us to initiate a Phase Ib, multi-center, open-label, clinical study of APTO-253 in patients with relapsed or refractory hematologic malignancies. The Phase Ib trial will evaluate safety, tolerability, pharmacokinetics, pharmacodynamic responses and efficacy of APTO-253 as a single agent. The trial is expected to enroll 45-60 patients as part of a dose-escalation program and two separate disease-specific single-agent expansion cohorts.

The dose escalation study will include two separate arms: one group of up to 15 patients dedicated to AML and high-risk MDS only and another group of up to 15 patients for lymphomas and multiple myelomas. The two separate arms will allow for a focused look at AML and high-risk MDS and exploration of the effect of APTO-253 on lymphomas and myelomas. They will also provide patient data on two times the number of patients during 2015 than would have been possible with only a single arm study.

The primary objectives of the Phase Ib trial are: (i) to further assess safety on a new and optimized dosing schedule, and (ii) to identify the recommended dose for APTO-253 for the upcoming Phase Ib single-agent expansion trials which will include one expansion in AML for up to 15 patients and one expansion in MDS for up to 15 patients, in hematologic malignancies as well as in subsequent Phase 2 combination trials.

We plan to monitor patient Krüppel-like factor 4 ("KLF4") and the product of the embryonic gene Cdx2, the protein CDX2 (" **CDX2**") levels upon entry into the study, throughout the study, and during a post-treatment period. We will not exclude patients based on KLF4 or CDX2 status from participating in this first study as we believe this approach may be useful in further validating our companion diagnostic and observing potential responses among the broader population.

Subsequent to the seven months ended December 31, 2014, we announced on January 13, 2015 that we had dosed the first patient in the Phase Ib dose-escalation study. We anticipate providing a potential update on the dose-escalation study during the summer of 2015, completing enrollment of the Phase Ib dose-escalation study by late-2015 or the first half of 2016, starting the single agent expansion cohort studies for this study in 2016 and starting Phase 2 combination studies in 2016.

Other activities
On September 29, 2014 we announced, along with the Knight Cancer Institute at Oregon Health & Science University (OHSU) and The Leukemia & Lymphoma Society (LLS) that we entered into a formal collaboration with the Beat AML initiative. Beat AML is a groundbreaking research initiative that includes industry and academic collaborators led by top scientists within the Knight Cancer Institute in collaboration with The Leukemia & Lymphoma Society. Its goal is to accelerate development of potential therapies for AML.

APTO-253 will be profiled against primary cells from hundreds of AML patient samples collected by Beat AML contributors. Under the agreement, Aptose and the Knight Cancer Institute will collaborate on research related to APTO-253, which is designed to provide further insights into the optimal genetic profile of patients likely to benefit from APTO-253 therapy. The research will also aim to identify promising combinations of treatments that may further increase therapeutic efficacy. APTO-253 is a clinical-stage small molecule that acts through induction of the innate tumor suppressor gene KLF4 and expression of the downstream cell cycle regulator, p21. At the recent American Association for Cancer Research (AACR) Annual Meeting, researchers reported *in vitro* data demonstrating that APTO-253 induces cell death, or apoptosis, in AML cell lines, and synergizes with various conventional therapies for AML and MDS. Aptose is also developing a companion diagnostic to select patients with positive genetic prognostic factors to APTO-253, offering the potential for a personalized medicine in AML.

On December 8, 2014, Aptose presented the poster entitled: *APTO-253 Induces KLF4 to Promote Potent in Vitro Pro-Apoptotic Activity in Hematologic Cancer Cell Lines and Antitumor Efficacy as a Single Agent and in Combination with Azacitidine in Animal Models of Acute Myelogenous Leukemia* at the 56th American Society of Hematology Annual Meeting. In the poster, Aptose researchers reported the first set of *in vivo* murine xenograft study data for APTO-253 in hematologic malignancies, demonstrating antitumor activity as a single agent and in combination with the hypomethylating agent azacitadine. It was noted that combination therapy led to enhanced antitumor activity versus either agent alone. Furthermore, single agent and combination studies exhibited a favorable safety profile with no evidence of bone marrow suppression.

FINANCING ACTIVITIES

EQUITY FINANCINGS

April 2014
In April 2014, we completed a public offering of common shares. Aptose issued 4,708,333 (56,500,000 pre-consolidation) common shares at a purchase price of $6.00 ($0.50 pre-consolidation) per common share, including 541,667 (6,500,000 pre-consolidation) common shares pursuant to the partial exercise of an over-allotment option, for aggregate gross proceeds of $28.3 million. The total costs associated with the transaction were approximately $2.7 million which includes a cash commission of $2.0 million based on 7% of the gross proceeds received as part of the offering.

Mr. Sheldon Inwentash and his joint actors ("Mr. Inwentash"), a former related party of Aptose by virtue of exercising control or direction over more than 10% of the common shares of Aptose, participated in this offering and acquired an aggregate of 108,333 (1,300,000 pre-consolidation) common shares.

December 2013
On December 10, 2013, we completed a public offering of common shares. Aptose issued a total of 1,060,833 (12,730,000 pre-consolidation) common shares at a price of $6.60 ($0.55 pre-consolidation) per common share, for aggregate gross proceeds of $7.0 million as part of such offering.

The total costs associated with the transaction were approximately $999 thousand which includes a cash commission of $420 thousand based on 6% of the gross proceeds received as part of the offering, and the issuance of 63,650 (763,800 pre-consolidation) broker warrants with an estimated fair value of $304 thousand using the Black Scholes model. Each broker warrant is exercisable into one common share of the Company at a price of $6.60 ($0.55 pre-consolidation) for a period of twenty-four months following closing of the offering.

Mr. Inwentash, a former related party of the Company by virtue of exercising control or direction over more than 10% of the common shares of the Company, participated in this offering and acquired an aggregate of 151,667 (1,820,000 pre-consolidation) common shares.

On January 8, 2014, the underwriters conducting the offering exercised in full their over-allotment option to purchase an additional 159,125 (1,909,500 pre-consolidation) common shares of the Company at a price of $6.60 ($0.55 pre-consolidation) per common share for additional gross proceeds of $1.0 million. The total costs associated with the exercise of the over-allotment option were approximately $125 thousand based on 6% of the gross proceeds received as part of the exercise of the over-allotment option, and the issuance of 9,548 (114,570 pre-consolidation) broker warrants with an estimated fair value of $46 thousand using the Black Scholes model. Each broker warrant is exercisable into one common share of the Company at a price of $6.60 ($0.55 pre-consolidation) for a period of twenty-four months following the closing of the over-allotment option exercise.

WARRANT EXERCISES

Warrants exercised during the seven months ended December 31, 2014:

(in thousands)	Number	Proceeds
August 2011 warrants (i)	8	$ 48
June 2012 private placement warrants (ii)	1,223	6,600
Total	1,231	$ 6,648

In addition to the cash proceeds received, as a result of the exercise of the warrants, the original fair value related to these warrants of $1.2 million was transferred from the warrants to the share capital of the Company. This resulted in a total amount of $7.8 million credited to share capital following the exercise of the warrants.

Warrants exercised during the year ended May 31, 2014:

(in thousands)	Number	Proceeds
August 2011 warrants (i)	327	$ 1,764
June 2012 private placement warrants (ii)	409	2,210
June 2012 finder warrants	103	396
June 2013 private placement warrants (iii)	29	88
Total	868	$ 4,458

In addition to the cash proceeds received, as a result of the exercise of the warrants, the original fair value related to these warrants of $964 thousand was transferred from the warrants to the share capital of the Company. This resulted in a total amount of $5.4 million credited to share capital following the exercise of the warrants.

Warrants exercised during the year ended May 31, 2013:

(in thousands)	Number	Proceeds
August 2011 warrants (i)	33	$ 180
Total	33	$ 180

In addition to the cash proceeds received, as a result of the exercise of the warrants, the original fair value related to these warrants of $43 thousand was transferred from the warrants to the share capital of the Company. This resulted in a total amount of $223 thousand credited to share capital following the exercise of the warrants.

Summary of outstanding warrants:

(in thousands)	7 months ended December 31, 2014	12 months ended May 31, 2014
August 2011 warrants (i)	89	97
June 2012 private placement warrants (ii)	-	1,413
June 2013 private placement warrants (iii)	47	47
December 2013 broker warrants (iv)	73	73
Number of warrants outstanding, end of year	209	1,630

(i) August 2011 warrants are exercisable into common shares of Aptose at a price per share of $5.40 and expire in August 2016.
(ii) June 2012 warrants were exercisable into common shares of Aptose at a price per share of $5.40 ($0.45 pre-consolidation) and expired on June 8, 2014. During the seven months ended December 31, 2014, 1.2 million warrants were exercised and the balance expired unexercised.
(iii) June 2013 private placement warrants are exercisable into common shares of Aptose at a price per share of $3.00 ($0.25 pre-consolidation) and expire in June 2015.
(iv) December 2013 broker warrants are exercisable into common shares of Aptose at a price per share of $6.60 ($0.55 pre-consolidation) and expire in December 2015.

PROMISSORY NOTES AND WARRANTS

In June 2013, we completed a private placement of units at a price of $1 thousand per unit, for aggregate gross proceeds of $918 thousand.

Each unit consisted of (i) a $1 thousand principal amount of unsecured promissory note and (ii) 83 (1,000 pre-consolidation) common share purchase warrants. The promissory notes bore interest at a rate of 10% per annum, payable monthly and were due June 19, 2014. Each warrant entitled the holder to purchase one common share of Aptose at a price per common share equal to $3.00 ($0.25 pre-consolidation) at any time until June 19, 2015.

Certain related parties participated in the transaction. Directors and officers (including former president and chief executive officer Dr. Aiping Young, former director Dr. Jim Wright and current director Dr. Mark Vincent) acquired an aggregate of $68 thousand of the promissory notes. A company related to Mr. Herbert Abramson, a former director of Aptose acquired $250 thousand of the promissory notes and Mr. Inwentash acquired $100 thousand of the promissory notes.

The units contained a liability component and an equity component represented by the warrants to purchase common shares. The fair value of the liability component was estimated by discounting the future cash flows associated with the debt at a discounted rate of approximately 19% which represents the estimated borrowing cost to Aptose for similar promissory notes with no warrants. The residual value was allocated to the warrants. The Company incurred costs associated with the financing of $23 thousand. These costs were amortized using the effective interest rate method over the 12 month life of the notes.

The notes and interest accrued thereon were repaid in full in April 2014.

CONVERTIBLE PROMISSORY NOTES

In September 2013, we completed a private placement of convertible promissory notes for aggregate gross proceeds of $600 thousand.

Each convertible promissory note consists of a $1 thousand principal amount of unsecured promissory note convertible into common shares of the Company at a price per share of $3.60 ($0.30 pre-consolidation). The promissory notes bear interest at a rate of 10% per annum, payable quarterly and are due September 26, 2015.

Certain related parties participated in the transaction. A company related to Mr. Abramson, a former director of Aptose acquired $100 thousand of the promissory notes, Mr. Inwentash acquired $150 thousand of the promissory notes and Sprott Asset Management which held more than 10% of the common shares of Aptose and the ability to acquire control of more than 20% of Aptose acquired $112 thousand of the promissory notes.

The promissory notes are a compound financial instrument containing a liability component and an equity component represented by the conversion feature. The fair value of the liability component upon issuance was estimated by discounting the future cash flows associated with the debt at a discounted rate of approximately 19% which represents the estimated borrowing cost to Aptose for similar promissory notes with no conversion. The residual value of $88 thousand was allocated to the conversion feature. Subsequent to initial recognition, the notes are being accounted for at amortized cost using the effective interest rate method.

Aptose incurred costs associated with the financing of $17 thousand. These costs along with the adjustment for the conversion feature are being accreted using the effective interest rate method over the 24 month life of the notes.

During the seven months ended December 31, 2014, $162.5 thousand promissory notes with a carrying value of $146 thousand were converted into common shares of Aptose.

(in thousands)	December 31, 2014	May 31, 2014
Promissory notes	$ 438	$ 600
Less: Equity component of notes	(72)	(88)
Less: Issuance costs	(17)	(17)
	349	495
Accretion in carrying amount of notes	61	33
Balance, end of period	$ 410	$ 528

LOANS PAYABLE

In September 2013 we entered into loan agreements for proceeds of $150 thousand. The loans were unsecured, bore interest at a rate of 10% per annum payable quarterly and were due September 30, 2015. We repaid the loans and all accrued and unpaid interest thereon on April 25, 2014.

JUNE 2012 PRIVATE PLACEMENT

On June 8, 2012 we completed a private placement of 1,718,750 (20,625,000 pre-consolidation) units at a subscription price of $3.84 ($0.32 pre-consolidation) per unit and each unit consisted of one common share and one common share purchase warrant for gross proceeds to Aptose of $6.6 million.

Each warrant was exercisable for a period of 24 months from the date of issuance at an exercise price of $5.40 ($0.45 pre-consolidation).

We paid a cash finder's fee of $396 thousand based on 6% of the gross proceeds of the private placement and issued 103,125 (1,237,500 pre-consolidation) finder's warrants at an exercise price of $3.84 ($0.32 pre-consolidation) each. Each finder's warrant was exercisable into units consisting of 103,125 (1,237,500 pre-consolidation) common shares and 103,125 (1,237,500 pre-consolidation) warrants.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception, Aptose has financed its operations and technology acquisitions primarily from equity and debt financing, proceeds from the exercise of warrants and stock options, and interest income on funds held for future investment. We plan to continue our development programs from internal resources as they are available.

We currently do not earn any revenues from our drug candidates and are therefore considered to be in the development stage. The continuation of our research and development activities and the commercialization of the targeted therapeutic products are dependent upon our ability to successfully finance and complete our research and development programs through a combination of equity financing and payments from strategic partners. We have no current sources of significant payments from strategic partners.

CASH POSITION

At December 31, 2014, we had cash and cash equivalents and investments of $30.5 million compared to $30.4 million at May 31, 2014. We generally invest our cash in excess of current operations requirements in highly rated and liquid instruments. Investment decisions are made in accordance with an established investment policy administered by senior management and overseen by the Board. As at December 31, 2014 our cash was invested in cash of $293 thousand (May 31, 2014 - $2.3 million) and funds deposited into high interest savings accounts totaling $14.072 million (May 31, 2014 - $17.1 million). Working capital (representing primarily cash, cash equivalents and short term investments other current assets less current liabilities) at December 31, 2014 was $29.1 million (May 31, 2014 - $28.9 million).

We do not expect to generate positive cash flow from operations for the foreseeable future due to additional research and development costs, including costs related to drug discovery, preclinical testing, clinical trials, manufacturing costs and operating expenses associated with supporting these activities. It is expected that negative cash flow will continue until such time, if ever, that we receive regulatory approval to commercialize any of our products under development and/or royalty or milestone revenue from any such products exceeds expenses.

RESULTS OF OPERATIONS

Our net loss and comprehensive loss for the seven months ended December 31, 2014 was $7.8 million ($0.67 per share post consolidation) compared with $10.6 million ($2.02 per share post consolidation) in the twelve months ended May 31, 2014 and $5.6 million ($1.58 per share post consolidation) for the twelve months ended May 31, 2013.

The increase in annualized net loss and comprehensive loss in the seven months ended December 31, 2014 is due to increased research and development costs associated with the initiation of the APTO-253 Phase Ib clinical trial described above. In addition, increased general and administrative costs associated with corporate activities during the seven month period were incurred, including related to our name change and rebranding initiatives, the NASDAQ listing and associated costs as well as increased patent costs and an increase in anticipated costs to terminate our current Toronto lease.

The increase in net loss and comprehensive loss for the twelve months ended May 31, 2014 compared with the twelve months ended May 31, 2013 is due to increased general and administrative costs of $5.1 million associated with the hiring of new executives, increased stock based compensation expense, severance costs of $1.1 million paid to the former President and COO of the Company as well as increased legal, patent, travel, Board and consulting costs associated with a significant increase in corporate activity.

We utilized cash of $6.7 million in our operating activities in the seven months ended December 31, 2014 compared with $8.5 million in the year ended May 31, 2014 and $5.1 million in the year ended May 31, 2013. The increase on an annualized basis in the current year is the result of an increased annualized net loss associated the initiation of the APTO-253 Phase Ib clinical trial described above as well as extensive corporate activities including the name change and rebranding, the NASDAQ listing and increased patent costs.

We utilized cash of $8.5 million in our operating activities in the twelve months ended May 31, 2014 compared with $5.1 million in the twelve months ended May 31, 2013. The increase in the year ended May 31, 2014 is the result of an increased net loss associated with adding new members of management, severance payments to the former President and COO of the Company and generally increased levels of corporate activity.

At December 31, 2014, we had cash and cash equivalents and short term investments (including held to maturity investments not maturing in the current operating period) of $30.5 million compared to $30.4 million at May 31, 2014.

SELECTED ANNUAL FINANCIAL DATA

The following selected consolidated financial data have been derived from, and should be read in conjunction with, the accompanying audited consolidated financial statements for the seven months ended December 31, 2014 (the "Financial Statements") which are prepared in accordance with International Financial Reporting Standards ("IFRS").

Consolidated Statements of Loss and Comprehensive Loss

(amounts in Canadian thousands except for per common share data)	***7 months ended December 31, 2014***	***Year ended May 31, 2014***	***Year ended May 31, 2013***
REVENUE	**$ —**	$ —	$ —
EXPENSES			
Research and development	**2,404**	3,015	3,317
General and administrative	**5,588**	7,355	2,272
Operating expenses	**7,992**	10,370	5,589
Finance expense	**58**	259	6
Finance income	**(279)**	(76)	(30)
Net finance expense (income)	**(221)**	183	(24)
Net loss and total comprehensive loss for the period	**7,771**	10,553	5,565
Basic and diluted loss per common share (post consolidation)	**$ 0.67**	$ 2.02	$ 1.58
Weighted average number of common shares outstanding (post consolidation) used in the calculation of: Basic and diluted loss per share	**11,605**	5,216	3,521
Total Assets	**$ 31,600**	$ 30,899	$ 1,035
Total Long-term liabilities	**$ —**	$ 528	$ —

Research and Development

Research and development expenses totaled $2.4 million in the seven months ended December 31, 2014 compared with $3.0 million in the twelve months ended May 31, 2014 and $3.3 million in the twelve months ended May 31, 2013. Research and development expenses consist of the following:

(in thousands)	7 month ended December 31, **2014**	Year ended May 31, **2014**	Year ended May 31, **2013**
Program costs (see below)	**$ 2,371**	$ 2,287	$ 3,126
Severance cost for former President and COO	**-**	326	-
Deferred share unit ("DSU") costs	**-**	90	(40)
Stock-based compensation	**29**	296	198
Depreciation of equipment	**4**	16	33
	$ 2,404	$ 3,015	$ 3,317

Program costs by program:

(in thousands)	7 month ended December 31, 2014	Year ended May 31, 2014	Year ended May 31, 2013
Small molecule program	**$ 2,371**	$ 2,199	$ 2,701
Large molecule program	**-**	88	425
	$ 2,371	$ 2,287	$ 3,126

The Company has product candidates in two classes of anti-cancer therapies:

(a) Small molecule program:

The Company is developing small molecule therapies based on anti-proliferative and anti-metastatic properties that act at novel cancer specific targets that target indications addressing large cancer markets. The Company's proprietary group of small molecule compounds includes lead drug APTO-253 in AML, MDS and other hematologic malignancies. Additionally, the Company has a preclinical small molecule program targeting maternal embryonic leucine zipper kinase (MELK) for the treatment of various cancers.

(b) Large molecule program:

The Company's large molecule program includes a molecule to target specific cell-surface receptors expressed in certain cancers expressing the Interleukin-17E receptor (IL-17ER). The molecule under development is IL-17E, which binds to IL-17ER to lead to targeted cell killing. IL-17E is also known to have activity in stimulating the anti-cancer properties of the immune system. IL-17E is a protein-based therapeutic in the pre-clinical stage of development. The Company is not currently developing IL-17E and is seeking to out-license the program.

Expenditures for the seven month period ended December 31, 2014 have increased on an annualized basis in comparison to the twelve months ended May 31, 2014. The increase in expenditures in the seven months ended December 31, 2014 relates primarily to our Phase Ib clinical study of APTO-253 in patients with relapsed or refractory hematologic malignancies, which was initiated in late 2014, whereas no clinical development activity was ongoing in the twelve months ended May 31, 2014. In addition to the clinical costs associated with APTO-253, activity related to supporting the advancement of APTO-253 as a drug candidate through research and development activities increased significantly in the seven months ended December 31, 2014 compared with the prior year. These costs include research collaborations, animal studies and drug formulation work.

In the twelve months ended May 31, 2014 we incurred one time severance costs associated with the former President and COO of the Company which were paid in full in April 2014. The total severance amount of $1.1 million was allocated between general and administrative ($762 thousand) and research and development ($326 thousand). There are no ongoing obligations related to the severance payment. The allocation was based upon the time spent by the former President and COO of the Company on research and development vs. general and administrative activities.

There were no DSUs outstanding in the seven months ended December 31, 2014. In the twelve months ended May 31, 2014 DSU costs increased due to an increase in the share price of Aptose and the associated fair value of the units. In April 2014, 65,000 (780,000 pre-consolidation) common shares of Aptose were issued in payment of the outstanding DSU liability with a fair value of $444 thousand. There were no outstanding DSUs as of May 31, 2014. A recovery of DSU costs was recorded in the year ended May 31, 2013, which resulted from a reduction in our share price during the year.

Stock based compensation expenses were lower in the seven months ended December 31, 2014 compared with the twelve months ended May 31, 2014 due primarily to the timing of option grants as well as options granted in the twelve months ended May 31, 2014 which vested immediately resulting in increased expenses for that year. Stock based compensation costs were higher in the year ended May 31, 2014 compared with the prior year due to grants issued to new consultants and Scientific Advisory Board members which vested immediately.

Research and development expenditures decreased by $302 thousand in the twelve months ended May 31, 2014 to $3.0 million compared with $3.3 million in the twelve months ended May 31, 2013. The reduced spending is primarily the result of lower program costs.

Spending on the APTO-253 program was reduced in the twelve months ended May 31, 2014 as a Phase I trial in patients with advanced solid tumors had been completed and further clinical development and expenditures were paused while the appropriate strategic and clinical direction for the drug candidate was determined and additional financing was secured. In addition, further spending on the IL-17E program was also paused during that period.

General and Administrative

General and administrative expenses totaled $5.6 million for the seven months ended December 31, 2014 compared with $7.4 million in the twelve months ended May 31, 2014 and $2.3 million in the twelve months ended May 31, 2013. General and administrative expenses consisted of the following:

(in thousands)	7 months ended December 31, **2014**	12 months ended May 31, **2014**	12 months ended May, 31 **2013**
General and administrative excluding salaries	$ 2,467	$ 2,658	$ 1,368
Salaries	1,505	2,217	675
Severance cost of former President and COO	-	762	-
DSU costs	-	183	(92)
Stock-based compensation	1,598	1,530	316
Depreciation and amortisation	18	5	5
	$ 5,588	$ 7,355	$ 2,272

General and administrative expenses excluding salaries have increased on an annualized basis in the seven months ended December 31, 2014 compared with the twelve months ended May 31, 2014. The increased costs are the result of the following corporate activities:

- Our name change (described above) and related rebranding initiatives;
- Our listing on NASDAQ and the subsequent increase in Directors and Officers insurance costs;
- The change in year end from May 31, to December 31;
- Increased patent filing and maintenance costs;
- Costs associated with additional corporate offices and the estimated increased cost of restoring the current Toronto office location, and
- Increased travel costs.

Salary costs have increased on an annualized basis in the seven months ended December 31, 2014 compared with the twelve months ended May 31, 2014 as the new executives hired in October and November 2013 were employed for the entire operating period in the current period rather than a partial year in the prior period. These increased costs were offset by the termination of the former President and COO of the Company in the twelve months ended May 31, 2014 and therefore no further costs in the current seven month period.

General and administrative expenses excluding salaries increased in the twelve months ended May 31, 2014 compared with the twelve months ended May 31, 2013 due to increased travel, consulting and corporate legal costs associated with a change in the strategic direction of the Company during the year, the addition of members of management and generally increased corporate and financing activities. In addition, there were increased costs for director fees primarily due to the strategic review and for patent costs due to new patents filed and a review of our existing patent portfolio.

Salary charges in the twelve months ended May 31, 2014 increased over the prior twelve month period due to costs associated with the appointment of additional members of management and bonuses granted on the date of employment as well as upon the closing of the December 2013 and April 2014 equity offerings as described above.

The severance cost for the former President and COO of the Company was paid in full in April 2014 and the details are described under 'Research and Development' above.

DSU costs increased as described under "Research and Development" above.

Stock based compensation expense was significantly higher in the twelve months ended May 31, 2014 compared with the twelve months ended May 31, 2013 due to option grants to new members of management, some of which vested immediately resulting in the entire fair value of the options being recognized in the current year compared with fewer option grants in the prior year periods which vested over a longer period of time. In addition stock options were granted in April 2014 to directors, officers and employees following the close of the equity financing described above.

Finance Expense

Finance expense totaled $58 thousand for the seven months ended December 31, 2014 compared with $259 thousand in the year ended May 31, 2014 and $6 thousand in the year ended May 31, 2013. Finance expense incurred in the seven months ended December 31, 2014 relates to the 10% convertible promissory notes described above. Finance expense incurred in the year ended May 31, 2014 relates to the 10% promissory notes issued in June 2013 described above and repaid in April 2014 as well as the 10% convertible promissory notes and non-convertible promissory notes issued in September 2013 described above. The non-convertible promissory notes were repaid in April 2014. Finance expense incurred in the year ended May 31, 2013 relates to interest accrued at a rate of 10% on the related party promissory notes repaid in June 2012. There were no interest-bearing liabilities outstanding at May 31, 2013.

Finance Income

Finance income totaled $279 thousand in the seven months ended December 31, 2014 compared with $76 thousand in the year ended May 31, 2014 and $30 thousand in the year ended May 31, 2013. Finance income represents interest earned on our cash and cash equivalent and short term investment balances and the increase in finance income during the seven months ended December 31, 2014 is the result of a higher average cash and cash equivalents balance throughout the period following the April 2014 public offering described above.

Net loss and total comprehensive loss for the year

Our net loss and total comprehensive loss for the seven months ended December 31, 2014 was $7.8 million ($0.67 per share post consolidation) compared with $10.6 million ($2.02 per share post consolidation) in the twelve months ended May 31, 2014 and $5.6 million ($1.58 per share post consolidation) in the twelve months ended May 31, 2013.

The increase in annualized net loss and comprehensive loss in the seven months ended December 31, 2014 is due to increased research and development costs associated with the initiation of the APTO-253 Phase Ib clinical trial described above. In addition, increased general and administrative costs associated with corporate activities during the seven month period were incurred, including related to our name change and rebranding initiatives, the NASDAQ listing and associated costs as well as increased patent costs and an increase in anticipated costs to terminate our current Toronto lease.

The increase in net loss and total comprehensive loss of $5.0 million in the twelve months ended May 31, 2014 compared with the twelve months ended May 31, 2013 is due primarily to an increase in general and administrative expenses of $5.1 million in the twelve months ended May 31, 2014 offset by lower research and development expenses of $302 thousand.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The selected financial information provided below is derived from the Company's unaudited quarterly financial statements for each of the last eight quarters prepared in accordance with IFRS.

(Amounts in thousands except for per common share data)	Three months ended Dec 31, 2014	Four months ended Sept 30, 2014	Q4 May 31, 2014	Q3 Feb 28, 2014	Q2 Nov 30, 2013	Q1 Aug 31, 2013	Q4 May 31, 2013	Q3 Feb 28, 2013
Revenue	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Research and development expense	1,093	1,311	1,012	597	791	615	860	889
General and administrative expense	2,588	3,000	3,195	1,771	1,938	451	462	491
Net loss	(3,584)	(4,187)	(4,221)	(2,433)	(2,798)	(1,101)	(1,318)	(1,371)
Basic and diluted net loss per share, (post-consolidation)	$ (0.31)	$ (0.36)	$ (0.49)	$ (0.48)	$ (0.77)	$ (0.31)	$ (0.37)	$ (0.39)
Cash (used in) operating activities	$ (2,779)	$ (3,938)	$ (3,928)	$ (2,191)	$ (1,484)	$ (933)	$ (904)	$ (1,273)

Research and development expenditures in quarters ended February 28, 2014, November 30, 2013 and August 31, 2013 are lower compared with the quarters ended May 31, 2013 and February 28, 2013 due to reduced activity on the APTO-253 clinical program as the Phase I solid tumor trial was completed and we focused on the strategic review and securing additional cash resources. In the quarter ended May 31, 2014, expenditures increased due to the allocation of severance costs related to the former President and COO of the Company to research and development of $326 thousand. In the four months ended September 30, 2014 and three months ended December 31, 2014 research and development activities increased as we prepared and subsequently launched the APTO-253 Phase Ib clinical trial.

The increased general and administrative expense in the three months ended November 30, 2013 is due to stock option grants during the quarter which vested immediately and resulted in higher than normal stock based compensation expense. In addition costs associated with hiring new executives during the quarter ended November 30, 2013 increased salary-related costs. In the three months ended February 28, 2014, general and administrative expenses were higher due to additional members of management and bonuses as well as increased travel, consulting and legal costs.

The increase in general and administrative expense in the three months ended May 31, 2014 is due to severance costs associated with the former President and COO of the Company ($762 thousand), bonus costs, and increased Board, consulting and legal fees associated with activities during the quarter. In the four months ended September 30, 2014, the general and administrative expense is higher due to a four-month vs. three-month period in relation to the change in the financial year of the Company discussed above as well as option grants during the quarter which increased option-related expenses. During the three months ended December 31, 2014, we incurred additional expenses related to our listing on NASDAQ and recognized an increase in expected costs to terminate our Toronto lease which led to higher general and administrative expenses in the quarter.

Cash used in operating activities fluctuates significantly due primarily to timing of payments and increases and decreases in the accounts payables and accrued liabilities balances. Cash used in operating activities in the quarters ended May 31, 2013 and August 31, 2013 were lower as we delayed making payments to suppliers in order to conserve cash resources. The increase in subsequent quarters is due to increased net loss as well as repayment of accounts payable and accrued liabilities.

THREE MONTHS ENDED DECEMBER 31, 2014 AND THREE MONTHS ENDED NOVEMBER 30, 2013 (UNAUDITED)

Our net loss and comprehensive loss for the three months ended December 31, 2014 increased to $3.6 million compared with $2.8 million in the three months ended November 30, 2013. The increase in net loss is the result of increased research and development activities of $302 thousand and increased general and administrative costs of $650 thousand in the three months ended December 31, 2014 compared with the three months ended November 30, 2013.

The increased research and development expense in the three months ended December 31, 2014 is primarily the result of the APTO-253 Phase Ib clinical trial which was initiated during the three month period. In the prior year period further clinical development was paused pending the acquisition of additional financing.

General and administrative expenses increased to $2.6 million in the three months ended December 31, 2014 compared with $1.9 million in the three months ended November 30, 2013. The increase is due primarily to our listing on NASDAQ and associated insurance costs as well as an increase in estimated costs to terminate our current Toronto lease recognized in the final quarter of 2014.

Cash used in operating activities in the three months ended December 31, 2014 increased to $2.8 million compared with $1.5 million in the three months ended November 30, 2013 which is primarily due to the increased loss in the current three month period.

USE OF PROCEEDS

The following table provides an update on the anticipated use of proceeds raised in the December 2013 and April 2014 equity offerings along with amounts actually expended.

(in thousands)	**Previously disclosed**	Additional Costs	Spent to Date	**Remaining to be spent**
Phase Ib clinical trial	**$ 1,750**	1,600	550	**$ 2,800**
Depending on the Phase Ib clinical trial of APTO-253 results, fund single agent expansion and drug combination focused Phase 2 Trials in both AML and MDS patients	**7,800**	-	nil	**7,800**
APTO-253 manufacturing program	**2,250**	-	675	**1,575**
Research and development programs	**2,000**	-	1,366	**634**
General and corporate purposes	**15,869**	-	7,393	**8,476**
	$ 29,669	1,600	9,984	**$ 21,285**

We currently anticipate that the direct costs associated with the Phase Ib trial will range between $3.05 million and $3.35 million as opposed to the previously disclosed amount of approximately $1.75-2.0 million. The variance is due to the addition of a separate dose escalation arm to the Phase Ib clinical trial with lymphoma and myeloma patients.

The Phase 2 trials will not be initiated until the results of the Phase Ib are available and only then if the results warrant further clinical investigation. It is currently anticipated that the remaining balances of the research and development programs and general and corporate costs will be allocated in accordance with the previously disclosed use of proceeds.

SUBSEQUENT EVENTS

On January 16, 2015, 108,000 stock options were granted to members of the Board of Directors and the Scientific Advisory Board of the Company at an exercise price of $6.77. The options vest over a three year term and have a contractual life of ten years.

On January 20, 2015, $50 thousand of the outstanding convertible promissory notes were converted into 13,888 common shares of the Company.

On February 12, 2015, 8,333 outstanding warrants were exercised into an equal number of common shares of the Company.

In addition, subsequent to the seven months ended December 31, 2014 up until the date hereof, 45,625 outstanding stock options were exercised into an equal number of common shares of the Company.

These transactions will be accounted for in the first quarter of 2015.

CRITICAL ACCOUNTING POLICIES

Critical Accounting Policies and Estimates
We periodically review our financial reporting and disclosure practices and accounting policies to ensure that they provide accurate and transparent information relative to the current economic and business environment. As part of this process, Aptose has reviewed its selection, application and communication of critical accounting policies and financial disclosures. Management has discussed the development and selection of the critical accounting policies with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the disclosure relating to critical accounting policies in this MD&A. Other important accounting policies are described in note 3 of the Financial Statements.

(a) Valuation of contingent liabilities:
We utilize considerable judgment in the measurement and recognition of provisions and Aptose's exposure to contingent liabilities. Judgment is required to assess and determine the likelihood that any potential or pending litigation or any and all potential claims against us may be successful. We must estimate if an obligation is probable as well as quantify the possible economic cost of any claim or contingent liability. Such judgments and assumptions are inherently uncertain. The increase or decrease of one of these assumptions could materially increase or decrease the fair value of the liability and the associated expense.

(b) Valuation of tax accounts:
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Currently, we have deductible temporary differences which would create a deferred tax asset. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. To date, we have determined that none of our deferred tax assets should be recognized. Our deferred tax assets are mainly comprised of our net operating losses from prior years and prior year research and development expenses. These tax pools relate to entities that have a history of losses, have varying expiry dates, and may not be used to offset taxable income. As well, there are no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. The generation of future taxable income could result in the recognition of some portion or all of the remaining benefits, which could result in an improvement in our results of operations through the recovery of future income taxes.

(c) Valuation of share-based compensation and share purchase warrants:
Management measures the costs for share-based payments and share purchase warrants using market-based option valuation techniques. Assumptions are made and judgment is used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the share price, expected dividend yield, future employee turnover rates and future share option and share purchase warrant behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. The increase or decrease of one of these assumptions could materially increase or decrease the fair value of share-based payments and share purchase warrants issued and the associated expense.

ACCOUNTING PRONOUNCEMENTS ADOPTED DURING THE YEAR

Amendment to IAS 32, *Financial Instruments: Presentation* ("IAS 32"):
We adopted the amendments to IAS 32 during the seven months ended December 31, 2014. The amendment to IAS 32 clarifies the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendment clarifies that an entity has a legally enforceable right to set-off if that right is not contingent on a future event and is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The adoption of the amendments to IAS 32 did not have any impact on the Company's consolidated Financial Statements.

International Financial Reporting Interpretation Committee 21, *Levies* ("IFRIC 21"):

We adopted IFRIC 21 during the seven months ended December 31, 2014. IFRIC 21 addresses the issue of when to recognize a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statement preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. IFRIC 21 requires retrospective application. The adoption of IFRIC 21 did not have a material impact on the Company's Consolidated Financial Statements as the Company has not incurred levies.

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

IFRS 9, Financial Instruments ("IFRS 9"):
IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The Company intends to adopt IFRS 9 (2014) in its Consolidated Financial Statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Amendments to IAS 1
On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company intends to adopt these amendments in its Consolidated Financial Statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

RELATED PARTY TRANSACTIONS
See 'Financing Activities' for additional related party transactions and details.

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.

See note 13 to the Financial Statements for disclosures of key management personnel compensation and directors compensation.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET FINANCING
At December 31, 2014, we had contractual obligations requiring annual payments as follows:

(in thousands)	Less than 1 year	1-3 years	3-5 years	Total
Operating leases	$ 150	224	248	$ 622

The Company's facility lease in Toronto expires on March 31, 2015 and the office facility lease in San Diego expires in January 2020.

In January 2015, the Company entered into a new lease for laboratory facility space in San Diego and in February 2015 the Company entered into new lease facilities in Toronto for both office and laboratory space. The combined annual cost for these new locations is expected to be $300 thousand per year.

The Company's current facility lease in Toronto contains certain restoration commitments with which the Company will need to comply before the end of the lease on March 31, 2015. The Company has recorded a provision of $300 thousand related to its current estimate of the costs to complete this restoration work.

We hold a non-exclusive license from Genentech Inc. to certain patent rights to develop and sub-license a certain polypeptide. We do not expect to make any milestone or royalty payments under this agreement in the fiscal years ended December 31, 2015 or 2016, and cannot reasonably predict when such milestones and royalties will become payable, if at all.

As at December 31, 2014, we have not entered into any off-balance sheet arrangements.

Indemnification
On July 10, 2007, we completed a plan of arrangement and corporate reorganization. As part of the arrangement, we agreed to indemnify the other party and its directors, officers and employees from and against all damages, losses, expenses (including fines and penalties), other third party costs and legal expenses, to which any of them may be subject arising out of the arrangement.

We have recorded a liability of $50 thousand, which we believe to be a reasonable estimate of the fair value of the obligation for the indemnifications provided as at December 31, 2014. There have been no claims on this indemnification to date.

FINANCIAL INSTRUMENTS

(a) Financial instruments

We have classified our financial instruments as follows:

(in thousands)	December 31, 2014	May 31, 2014
Financial assets:		
Cash and cash equivalents, consisting of high interest savings accounts, measured at amortized cost	$ 14,365	$ 19,367
Investments, consisting of guaranteed investment certificates, measured at amortized cost.	16,180	11,019
Financial liabilities:		
Accounts payable, measured at amortized cost	256	649
Accrued liabilities, measured at amortized cost	1,662	1,283
Convertible promissory notes, measured at amortized cost	410	528

At December 31, 2014, there are no significant differences between the carrying values of these amounts and their estimated market values due to their short-term nature.

(b) Financial risk management

We have exposure to credit risk, liquidity risk and market risk. Our Board of Directors has the overall responsibility for the oversight of these risks and reviews our policies on an ongoing basis to ensure that these risks are appropriately managed.

(i) Credit risk

Credit risk is the risk of financial loss to us if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from our cash and cash equivalents. The carrying amount of the financial assets represents the maximum credit exposure.

We manage credit risk for our cash and cash equivalents by maintaining minimum standards of R1-low or A-low investments and we invest only in highly rated Canadian corporations with debt securities that are traded on active markets and are capable of prompt liquidation.

(ii) Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they come due. To the extent that we do not believe we have sufficient liquidity to meet our current obligations, the Board considers securing additional funds through equity, debt or partnering transactions. We manage our liquidity risk by continuously monitoring forecasts and actual cash flows. All of our financial liabilities are due within the current operating period.

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect our income or the value of our financial instruments.

We are subject to interest rate risk on our cash and cash equivalents however we do not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to interest rates on the investments, owing to the relative short-term nature of the investments. We do not have any material interest bearing liabilities subject to interest rate fluctuations.

Financial instruments potentially exposing us to foreign exchange risk consist principally of accounts payable and accrued liabilities. We hold minimal amounts of U.S. dollar denominated cash, purchasing on an as-needed basis to cover U.S. dollar denominated payments. At December 31, 2014, U.S. dollar denominated accounts payable and accrued liabilities amounted to $565 thousand (May 31, 2014 - $769 thousand). Assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in an increase or decrease in loss and comprehensive loss for the year of $57 thousand (May 31, 2014 - $77 thousand). Aptose does not have any forward exchange contracts to hedge this risk.

We do not invest in equity instruments of other corporations.

(c) Capital management

Our primary objective when managing capital is to ensure that we have sufficient cash resources to fund our development and commercialization activities and to maintain our ongoing operations. To secure the additional capital necessary to pursue these plans, we may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

We include cash and cash equivalents and short-term deposits in the definition of capital.

We are not subject to externally imposed capital requirements and there has been no change with respect to the overall capital management strategy during the seven months ended December 31, 2014.

OUTLOOK

Until one of our drug candidates receives regulatory approval and is successfully commercialized, Aptose will continue to incur operating losses. The magnitude of these operating losses will be largely affected by the timing and scope of future research and development, clinical trials and the Company's ability to raise additional and ongoing working capital and/or establish effective partnerships to share the costs of development and clinical trials.

RISK FACTORS

Investing in our securities involves a high degree of risk. Before making an investment decision with respect to our common shares, you should carefully consider the following risk factors, in addition to the other information included or incorporated by reference into the most recently filed annual information form, as well as our historical consolidated financial statements and related notes. Management has reviewed the operations of the Company in conjunction with the Board of Directors and identified the following risk factors which are monitored on a bi-annual basis and reviewed with the Board of Directors. The risks set out below are not the only risks we face. If any of the following risks occur, our business, financial condition, prospects or results of operations and cash flows would likely suffer. In that case, the trading price of our common shares could decline and you may lose all or part of the money you paid to buy our common shares.

We are an early stage development company.

We are at an early stage of development. In the past five years, none of our potential products has obtained regulatory approval for commercial use and sale in any country and as such, no significant revenues have resulted from product sales. Significant additional investment will be necessary to complete the development of any of our product candidates. Preclinical and clinical trial work must be completed before our potential products could be ready for use within the markets that we have identified. We may fail to develop any products, obtain regulatory approvals, enter clinical trials or commercialize any products. We do not know whether any of our potential product development efforts will prove to be effective, meet applicable regulatory standards, obtain the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or be accepted in the marketplace. We also do not know whether sales, license fees or related royalties will allow us to recoup any investment we make in the commercialization of our products.

The product candidates we are currently developing are not expected to be commercially viable for at least the next several years and we may encounter unforeseen difficulties or delays in commercializing our product candidates. In addition, our potential products may not be effective or may cause undesirable side effects.

Our product candidates require significant funding to reach regulatory approval assuming positive clinical results. For example, our lead product candidate APTO-253, has begun enrolment in a Phase I clinical trial in patients with relapsed or refractory hematologic malignancies. Additional funding or a partnership may be necessary to complete, if required, a Phase II or Phase III clinical trial. Such funding may be very difficult, or impossible to raise in the public or private markets or through partnerships. If funding or partnerships are not attainable, the development of these product candidates may be significantly delayed or stopped altogether. The announcement of a delay or discontinuation of development would likely have a negative impact on our share price.

We need to raise additional capital.

We have an ongoing need to raise additional capital. To obtain the necessary capital, we must rely on some or all of the following: additional share issues, debt issuances (including promissory notes), collaboration agreements or corporate partnerships and grants and tax credits to provide full or partial funding for our activities. Additional funding may not be available on terms that are acceptable to us or in amounts that will enable us to carry out our business plan.

Our need for capital may require us to:

- engage in equity financings that could result in significant dilution to existing investors;
- delay or reduce the scope of or eliminate one or more of our development programs;
- obtain funds through arrangements with collaborators or others that may require us to relinquish rights to technologies, product candidates or products that we would otherwise seek to develop or commercialize ourselves; or
- license rights to technologies, product candidates or products on terms that are less favourable to us than might otherwise be available;
- considerably reduce operations; or
- cease our operations.

We have a history of operating losses. We expect to incur net losses and we may never achieve or maintain profitability.

We have not been profitable since our inception in 1986. We reported net losses of $7.8 million in the 7 months ended December 31, 2014 and $10.6 million and $5.6 million for the fiscal years ended May 31, 2014 and 2013, respectively, and as of December 31, 2014, we had an accumulated deficit of $218 million.

We have not generated any significant revenue to date and it is possible that we will never have sufficient product sales revenue to achieve profitability. We expect to continue to incur losses for at least the next several years as we or our collaborators and licensees pursue clinical trials and research and development efforts. To become profitable, we, either alone or with our collaborators and licensees, must successfully develop, manufacture and market our current product candidate APTO-253 as well as continue to identify, develop, manufacture and market new product candidates. It is possible that we will never have significant product sales revenue or receive royalties on our licensed product candidates. If funding is insufficient at any time in the future, we may not be able to develop or commercialize our products, take advantage of business opportunities or respond to competitive pressures.

Clinical trials are long, expensive and uncertain processes and Health Canada or the United States Food and Drug Administration ("FDA") may ultimately not approve any of our product candidates. We may never develop any commercial drugs or other products that generate revenues.

In the past five years none of our product candidates has received regulatory approval for commercial use and sale in North America. We cannot market a pharmaceutical product in any jurisdiction until it has completed thorough preclinical testing and clinical trials in addition to that jurisdiction's extensive regulatory approval process. Approval in one country does not assure approval in another country. In general, significant research and development and clinical studies are required to demonstrate the safety and effectiveness of our product candidates before we can submit any regulatory applications.

Clinical trials are long, expensive and uncertain processes. Clinical trials may not be commenced or completed on schedule and Health Canada or the FDA or any other regulatory body may not ultimately approve our product candidates for commercial sale. The clinical trials of any of our drug candidates could be unsuccessful, which would prevent us from advancing, commercializing or partnering the drug.

Even if the results of our preclinical studies or clinical trials are initially positive, it is possible that we will obtain different results in the later stages of drug development or that results seen in clinical trials will not continue with longer term treatment. Positive results in Phase I clinical trials may not be repeated in larger Phase II or Phase III clinical trials.

Our preclinical studies and clinical trials may not generate positive results that will allow us to move towards the commercial use and sale of our product candidates. Furthermore, negative preclinical or clinical trial results may cause our business, financial condition, or results of operations to be materially adversely affected. For example, our lead product candidate APTO-253 has entered a Phase Ib testing in patients with relapsed or refractory hematologic malignancies for which there is a long development path ahead that will take many years to complete and is prone to the risks of failure inherent in drug development.

Preparing, submitting and advancing applications for regulatory approval is complex, expensive and time intensive and entails significant uncertainty. A commitment of substantial resources to conduct time-consuming research, preclinical studies and clinical trials is required if we are to complete development of our products.

Later stage clinical trials of our products require that we identify and enroll a large number of patients with the illness under investigation. We may not be able to enroll a sufficient number of appropriate patients to complete our clinical trials in a timely manner, particularly in smaller indications and indications where this is significant competition for patients. If we experience difficulty in enrolling a sufficient number of patients to conduct our clinical trials, we may need to delay or terminate ongoing clinical trials and will not accomplish objectives material to our success. Delays in planned patient enrolment or lower than anticipated event rates in our current clinical trials or future clinical trials also may result in increased costs, program delays, or both.

In addition, unacceptable toxicities or adverse side effects may occur at any time in the course of preclinical studies or human clinical trials or, if any product candidates are successfully developed and approved for marketing, during commercial use of any approved products. The appearance of any unacceptable toxicities or adverse side effects could interrupt, limit, delay or abort the development of any of our product candidates or, if previously approved, necessitate their withdrawal from the market. Furthermore, disease resistance or other unforeseen factors may limit the effectiveness of our potential products.

Our failure to develop safe, commercially viable drugs would substantially impair our ability to generate revenues and sustain our operations and would materially harm our business and adversely affect our share price.

We may not achieve our projected development goals in the time frames we announce and expect.

We set goals for, and make public statements regarding, the expected timing of the accomplishment of objectives material to our success, such as the commencement and completion of clinical trials, the partnership of our product candidates and our ability to secure the financing necessary to continue the development of our product candidates. The actual timing of these events can vary dramatically due to factors within and beyond our control, such as delays or failures in our clinical trials, the uncertainties inherent in the regulatory approval process, market conditions and interest by partners in our product candidates among other things. Our clinical trials may not be completed, and we may not make regulatory submissions or receive regulatory approvals as planned, or that we will secure partnerships for any of our product candidates. Any failure to achieve one or more of these milestones as planned would have a material adverse effect on our business, financial condition and results of operations.

As a result of intense competition and technological change in the biotechnical and pharmaceutical industries, the marketplace may not accept our products or product candidates, and we may not be able to compete successfully against other companies in our industry and achieve profitability.

Many of our competitors have:

- drug products that have already been approved or are in development, and operate large, well-funded research and development programs in the biotechnical and pharmaceutical fields;
- substantially greater financial, technical and management resources, stronger intellectual property positions and greater manufacturing, marketing and sales capabilities, areas in which we have limited or no experience; and
- significantly greater experience than we do in undertaking preclinical testing and clinical trials of new or improved pharmaceutical products and obtaining required regulatory approvals.

Consequently, our competitors may obtain Health Canada, FDA and other regulatory approvals for product candidates sooner and may be more successful in manufacturing and marketing their products than we or our collaborators are.

Our competitor's existing and future products, therapies and technological approaches will compete directly with the products we seek to develop. Current and prospective competing products may be more effective than our existing and future products insofar as they may provide greater therapeutic benefits for a specific problem or may offer easier delivery or comparable performance at a lower cost.

Any product candidate that we develop and that obtains regulatory approval must then compete for market acceptance and market share. Our products may not gain market acceptance among physicians, patients, healthcare payers, insurers, the medical community and other stakeholders. Further, any products we develop may become obsolete before we recover any expenses we incurred in connection with the development of these products. As a result, we may never achieve profitability.

If we fail to attract and retain key employees, the development and commercialization of our products may be adversely affected.

We depend on the principal members of our scientific and management staff. If we lose any of these persons, our ability to develop products and become profitable could suffer. The risk of being unable to retain key personnel may be increased by the fact that we have not executed long-term employment contracts with our employees, except for our senior executives. Our future success will also depend in large part on our ability to attract and retain other highly qualified scientific and management personnel. We face competition for personnel from other companies, academic institutions, government entities and other organizations.

We may be unable to obtain patents to protect our technologies from other companies with competitive products, and patents of other companies could prevent us from manufacturing, developing or marketing our products.

Patent protection

The patent positions of pharmaceutical and biotechnology companies are uncertain and involve complex legal and factual questions. The United States Patent and Trademark Office and many other patent offices in the world have not established a consistent policy regarding the breadth of claims that they will allow in biotechnology patents.

Allowable patentable subject matter and the scope of patent protection obtainable may differ between jurisdictions. If a patent office allows broad claims, the number and cost of patent interference proceedings in the United States, or analogous proceedings in other jurisdictions and the risk of infringement litigation may increase. If it allows narrow claims, the risk of infringement may decrease, but the value of our rights under our patents, licenses and patent applications may also decrease.

The scope of the claims in a patent application can be significantly modified during prosecution before the patent is issued. Consequently, we cannot know whether our pending applications will result in the issuance of patents or, if any patents are issued, whether they will provide us with significant proprietary protection or will be circumvented, invalidated or found to be unenforceable.

Publication of discoveries in scientific or patent literature often lags behind actual discoveries. Patent applications filed in the United States generally will be published 18 months after the filing date unless the applicant certifies that the invention will not be the subject of a foreign patent application. In many other jurisdictions, such as Canada, patent applications are published 18 months from the priority date. We may not be aware of such literature. Accordingly, we cannot be certain that the named inventors of our products and processes were the first to invent that product or process or that we were the first to pursue patent coverage for our inventions.

In addition, U.S. patent laws may change which could prevent or limit us from filing patent applications or patent claims in the United States to protect our products and technologies or limit the exclusivity periods that are available to patent holders for U.S. patents. For example, the Leahy-Smith America Invents Act (the “Leahy-Smith Act”) was signed into law in 2011 and includes a number of significant changes to U.S. patent law. These include changes to transition from a “first-to-invent” system to a “first-to-file” system and to the way issued patents are challenged. These changes may favour larger and more established companies that have more resources to devote to patent application filing and prosecution. It is not clear what, if any, impact the Leahy-Smith Act will ultimately have on the cost of prosecuting our patent applications in the United States, our ability to obtain patents in the United States based on our discoveries and our ability to enforce or defend our U.S. issued patents.

Enforcement of intellectual property rights

Protection of the rights revealed in published patent applications can be complex, costly and uncertain. Our commercial success depends in part on our ability to maintain and enforce our proprietary rights. If third parties engage in activities that infringe our proprietary rights, our management’s focus will be diverted and we may incur significant costs in asserting our rights. We may not be successful in asserting our proprietary rights, which could result in our patents being held invalid or a court holding that the third party is not infringing, either of which would harm our competitive position.

Others may design around our patented technology. We may have to participate in interference proceedings declared by the United States Patent and Trademark Office, European opposition proceedings, or other analogous proceedings in other parts of the world to determine priority of invention and the validity of patent rights granted or applied for, which could result in substantial cost and delay, even if the eventual outcome is favourable to us. Our pending patent applications, even if issued, may not be held valid or enforceable.

Trade secrets

We also rely on trade secrets, know-how and confidentiality provisions in our agreements with our collaborators, employees and consultants to protect our intellectual property. However, these and other parties may not comply with the terms of their agreements with us, and we might be unable to adequately enforce our rights or obtain adequate compensation for the damages caused by unauthorized disclosure or use of our trade secrets or know how. Our trade secrets or those of our collaborators also may be independently discovered by others.

Our products and product candidates may infringe the intellectual property rights of others, or others may infringe on our intellectual property rights which could increase our costs.

Our success also depends on avoiding infringement of the proprietary technologies of others. In particular, there may be certain issued patents and patent applications claiming subject matter which we or our collaborators may be required to license in order to research, develop or commercialize APTO-253, our lead product candidate. In addition, third parties may assert infringement or other intellectual property claims against us. An adverse outcome in these proceedings could subject us to significant liabilities to third-parties, require disputed rights to be licensed from third-parties or require us to cease or modify our use of the technology. If we are required to license third-party technology, a license under such patents and patent applications may not be available on acceptable terms or at all. Further, we may incur substantial costs defending ourselves in lawsuits against charges of patent infringement or other unlawful use of another's proprietary technology. We may also need to bring claims against others who we believe are infringing our rights in order to become or remain competitive and successful. Any such claims can be time consuming and expensive to pursue.

If product liability, clinical trial liability or environmental liability claims are brought against us or we are unable to obtain or maintain product liability, clinical trial or environmental liability insurance, we may incur substantial liabilities that could reduce our financial resources.

The clinical testing and commercial use of pharmaceutical products involves significant exposure to product liability, clinical trial liability, environmental liability and other risks that are inherent in the testing, manufacturing and marketing of our products. These liabilities, if realized, could have a material adverse effect on the Company's business, results of operations and financial condition.

We have obtained limited product liability insurance coverage for our clinical trials on humans; however, our insurance coverage may be insufficient to protect us against all product liability damages. Regardless of merit or eventual outcome, liability claims may result in decreased demand for a future product, injury to reputation, withdrawal of clinical trial volunteers, loss of revenue, costs of litigation, distraction of management and substantial monetary awards to plaintiffs. Additionally, if we are required to pay a product liability claim, we may not have sufficient financial resources to complete development or commercialization of any of our product candidates and our business and results of operations will be adversely affected. In general, insurance will not protect us against some of our own actions, such as negligence.

As the Company's development activities progress towards the commercialization of product candidates, our liability coverage may not be adequate, and the Company may not be able to obtain adequate product liability insurance coverage at a reasonable cost, if at all. Even if the Company obtains product liability insurance, its financial position may be materially adversely affected by a product liability claim. A product liability claim could also significantly harm the Company's reputation and delay market acceptance of its product candidates. Additionally, product recalls may be issued at the direction of the FDA, other government agencies or other companies having regulatory control for pharmaceutical sales. If a product recall occurs in the future, such a recall could adversely affect our business, financial condition or reputation.

We may be unable to obtain partnerships for our product candidates, which could curtail future development and negatively affect our share price. In addition, our partners might not satisfy their contractual responsibilities or devote sufficient resources to our partnership.

Our strategy for the research, development and commercialization of our products requires entering into various arrangements with corporate collaborators, licensors, licensees and others, and our commercial success is dependent upon these outside parties performing their respective contractual responsibilities. The amount and timing of resources that such third parties will devote to these activities may not be within our control. These third parties may not perform their obligations as expected and our collaborators may not devote adequate resources to our programs. In addition, we could become involved in disputes with our collaborators, which could result in a delay or termination of the related development programs or result in litigation. We intend to seek additional collaborative arrangements to develop and commercialize some of our products. We may not be able to negotiate collaborative arrangements on favourable terms, or at all, in the future, and our current or future collaborative arrangements may not be successful.

If we cannot negotiate collaboration, license or partnering agreements, we may never achieve profitability and we may not be able to continue to develop our product candidates. Phase II and Phase III clinical trials for APTO-253 would require significant amounts of funding and such funding may not be available to us.

Exchange rate risk

We may be exposed to fluctuations of the Canadian dollar against certain other currencies because we publish our financial statements and hold our investments in Canadian dollars, while we incur many of our expenses in foreign currencies, primarily the United States dollar. Fluctuations in the value of currencies could cause us to incur currency exchange losses. We do not currently employ a hedging strategy against exchange rate risk. We cannot assert with any assurance that we will not suffer losses as a result of unfavorable fluctuations in the exchange rates between the Canadian dollar, the United States dollar and other currencies.

We have agreed to indemnify our predecessor corporation and its directors, officers and employees.

In connection with the reorganization that we undertook in July 2007, we have agreed to indemnify our predecessor corporation, and its directors, officers and employees from and against all damages, losses, expenses (including fines and penalties), other third party costs and legal expenses, to which any of them may be subject arising out of any matter occurring:

- prior to, at or after the effective time of the arrangement transaction, and directly or indirectly relating to any of the assets of our predecesor corporation transferred to us pursuant to the arrangement transaction (including losses for income, sales, excise and other taxes arising in connection with the transfer of any such asset) or conduct of the business prior to the effective time of the arrangement;

- prior to, at or after the effective time as a result of any and all interests, rights, liabilities and other matters relating to the assets transferred by our predecesor corporation to us under the arrangement; and

- prior to or at the effective time and directly or indirectly relating to, with certain exceptions, any of the activities of our predecesor corporation or the arrangement.

This indemnification obligation could result in significant liability to us. To date no amount has been claimed on this indemnification obligation. Should a claim arise under this indemnification obligation it could result in significant liability to the Company which could have a negative impact on our liquidity, financial position, and ability to obtain future funding among other things.

We have no manufacturing capabilities and face supply risks. We depend on third-parties, including a number of sole suppliers, for manufacturing and storage of our product candidates used in our clinical trials. Product introductions may be delayed or suspended if the manufacture of our products is interrupted or discontinued.

Other than limited quantities for research purposes, we do not have manufacturing facilities to produce supplies of APTO-253 or any of our other product candidates to support clinical trials or commercial launch of these products, if they are approved. We are dependent on third parties for manufacturing and storage of our product candidates. If the supply of necessary components is interrupted, components from alternative suppliers may not be available in sufficient volumes or at acceptable quality levels within required timeframes, if at all, to meet the needs of the Company. An inability to contract for a sufficient supply of our product candidates on acceptable terms, or delays or difficulties in the manufacturing process or our relationships with our manufacturers, may lead to us not having sufficient product to conduct or complete our clinical trials or support preparations for the commercial launch of our product candidates, if approved. This may lead to substantial lost revenue opportunity and contract liability to third parties.

Extensive Government Regulation

Government regulation is a significant factor in the development, production and marketing of the Company's products. Research and development, testing, manufacture, marketing and sales of pharmaceutical products or related products are subject to extensive regulatory oversight, often in multiple jurisdictions, which may cause significant additional costs and/or delays in bringing products to market, and in turn, may cause significant losses to investors. The regulations applicable to the Company's product candidates may change. Even if granted, regulatory approvals may include significant limitations on the uses for which products can be marketed or may be conditioned on the conduct of post-marketing surveillance studies. Failure to comply with applicable regulatory requirements can, among other things, result in warning letters, the imposition of civil penalties or other monetary payments, delay in approving or refusal to approve a product candidate, suspension or withdrawal of regulatory approval, product recall or seizure, operating restrictions, interruptions of clinical trials or manufacturing, injunctions or criminal prosecution. In addition, regulatory agencies many not approve the labeling claims that are necessary or desirable for the successful commercialization of the Company's product candidates.

Requirements for regulatory approval vary widely from country to country. Whether or not approved in Canada or the United States, regulatory authorities in other countries must approve a product prior to the commencement of marketing the product in those countries. The time required to obtain any such approval may be longer or shorter than in Canada or the United States. Approved drugs, as well as their manufacturers, are subject to continuing and ongoing review, and discovery of problems with these products or the failure to adhere to manufacturing or quality control requirements may result in regulatory restrictions being imposed.

Risks Related to Our Common Shares

Our share price has been and may continue to be volatile and an investment in our common shares could suffer a decline in value.

You should consider an investment in our common shares as risky and invest only if you can withstand a significant loss and wide fluctuations in the market value of your investment. We receive only limited attention by securities analysts and frequently experience an imbalance between supply and demand for our common shares. The market price of our common shares has been highly volatile and is likely to continue to be volatile. This leads to a heightened risk of securities litigation pertaining to such volatility. Factors affecting our common share price include but are not limited to:

- our ability to raise additional capital;
- the progress of our clinical trials:
- our ability to obtain partners and collaborators to assist with the future development of our products;
- general market conditions;
- announcements of technological innovations or new product candidates by us, our collaborators or our competitors;
- published reports by securities analysts;
- developments in patent or other intellectual property rights;
- the cash and short term investments held by us and our ability to secure future financing;
- public concern as to the safety and efficacy of drugs that we and our competitors develop; and
- shareholder interest in our common shares.

Future sales of our common shares by us or by our existing shareholders could cause our share price to fall.

The issuance of common shares by us could result in significant dilution in the equity interest of existing shareholders and adversely affect the market price of our common shares. Sales by existing shareholders of a large number of our common shares in the public market and the issuance of shares issued in connection with strategic alliances, or the perception that such additional sales could occur, could cause the market price of our common shares to decline and have an undesirable impact on our ability to raise capital.

We are susceptible to stress in the global economy and therefore, our business may be affected by the current and future global financial condition.

If the increased level of volatility and market turmoil that have marked recent years continue, our operations, business, financial condition and the trading price of our common shares could be materially adversely affected. Furthermore, general economic conditions may have a great impact on us, including our ability to raise capital, our commercialization opportunities and our ability to establish and maintain arrangements with others for research, manufacturing, product development and sales.

There is no assurance that an active trading market in our common shares will be sustained.

Our common shares are listed for trading on NASDAQ and the TSX. However, there can be no assurance that an active trading market in our common shares on either NASDAQ or the TSX will be sustained or that we will be able to maintain our listings.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company has implemented a system of internal controls that it believes adequately protects the assets of the Company and is appropriate for the nature of its business and the size of its operations. Our internal control system was designed to provide reasonable assurance that all transactions are accurately recorded, that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our assets are safeguarded. These internal controls include disclosure controls and procedures designed to ensure that information required to be disclosed by the Company is accumulated and communicated as appropriate to allow timely decisions regarding required disclosure.

Internal control over financial reporting means a process designed by or under the supervision of the Chief Executive Officer and the Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by the IASB. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

There were no changes in our internal control over financial reporting that occurred during the seven months ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting

As of December 31, 2014, the Company's management has assessed the effectiveness of our internal control over financial reporting and disclosure controls and procedures using the Committee of Sponsoring Organizations of the Treadway Commission's 1992 framework. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that these controls and procedures are effective.

UPDATED SHARE INFORMATION

As at March 3, 2015, the Company had 11,755,219 common shares issued and outstanding. In addition, as of March 3, 2015 there were 1,448,888 common shares issuable upon the exercise of outstanding stock options, 107,640 shares issuable upon the conversion of outstanding promissory notes and 200,625 common shares issuable upon the exercise of common share purchase warrants. Of these warrants 88,438 are priced at $5.40 and expire in August 2016, 39,000 are priced at $3.00 and expire in June 2015 and 73,198 are priced at $6.60 and expire in December 2015.

ADDITIONAL INFORMATION

Additional information relating to Aptose, including Aptose' December 31, 2014 annual report on form 20-F and other disclosure documents, are available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov/edgar.shtml.