UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019.

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-38899

Milestone Pharmaceuticals Inc.

(Exact name of registrant as specified in its charter)

Quebec	**Not applicable**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1111 Dr. Frederik-Phillips Boulevard, Suite 420 **Montréal, Québec CA**	**H4M 2X6**
(Address of Principal Executive Offices)	(Zip Code)

Registrant’s telephone number, including area code **(514)-336-0444**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares	MIST	The Nasdaq Stock Market LLC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 for 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 x No o

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-accelerated filer x Smaller reporting company x Emerging growth company x

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value (approximate) of the registrant’s common equity held by non-affiliates based on the closing price of a share of the registrant’s common share for The Nasdaq Stock Market on June 30, 2019 (the last business day of the registrant’s most recently completed second fiscal quarter at the time of the original filing of the Form 10-K amended by this Form 10-K/A) was $217.5 million.

As of March 3, 2020, the total number of shares outstanding of the registrant’s Common Shares was 24,559,470 shares, net of treasury shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant’s definitive proxy statement, in connection with its Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission within 120 days after December 31, 2019, are incorporated by reference into Part III of this Annual Report on Form 10-K, as amended.

Explanatory Note

This Amendment No. 1 to the Annual Report on Form 10-K (the "Amendment No. 1") of Milestone Pharmaceuticals Inc. (the "Registrant") for the year ended December 31, 2019 as filed with the U.S. Securities and Exchange Commission on March 6, 2020 (the "Original Form 10-K"), is being filed to (i) replace the audit report included in Item 8 of the Original Form 10-K with the audit report included herein, in this Amendment No. 1, for which the only change to Item 8 of the Original Form 10-K is to remove certain additional information that was not required to be included in the audit report prepared in accordance with applicable U.S. securities law and the requirements of the Public Company Accounting Oversight Board ("PCAOB") that was previously filed with the Securities and Exchange Commission as part of the Original Form 10-K and (ii) to include a revised Consent of Independent Registered Public Accounting Firm in Exhibit 23.1. The report of our Independent Registered Public Accounting Firm, as included in this Amendment No. 1, does not modify the unqualified opinion previously expressed in the Original Form 10-K.

Except as described above, this Amendment No. 1 does not amend, modify or update the information in, or exhibits to, the Original Form 10-K, and we have not updated disclosures included therein to reflect any subsequent events. Information not affected by this Amendment No. 1 remains unchanged and reflects the disclosures made at the time of the filing of the Original Form 10-K. This Amendment No. 1 should be read in conjunction with the Original Form 10-K.

Additionally, in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, the Registrant is including with this Amendment No. 1 currently dated certifications as Exhibits 31.1, 31.2 and 32.1, and Item 15 of Part IV of the Original 10-K is accordingly replaced with the Item 15 included herein.

ITEM 8. FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Milestone Pharmaceuticals Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Milestone Pharmaceuticals Inc. and its subsidiary (together, the Company) as of December 31, 2019 and 2018, and the related consolidated statements of loss and comprehensive loss, of shareholders' equity (deficit) and convertible preferred shares and of cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its results of operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Montréal, Québec, Canada

March 5, 2020

We have served as the Company’s auditor since 2016.

Milestone Pharmaceuticals Inc.
Consolidated Balance Sheets
(in thousands of US dollars, except share data)

	December 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 119,818	$ 85,947
Short-term investments	—	29
Research and development tax credits receivable	578	290
Prepaid expenses	1,845	1,398
Other receivables	258	387
Total current assets	122,499	88,051
Operating lease right-of-use assets (note 3)	524	—
Property and equipment (note 4)	405	30
Total assets	$ 123,428	$ 88,081
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	$ 7,997	$ 4,477
Current portion of operating lease liabilities (note 3)	330	—
Income taxes payable	—	56
Total current liabilities	8,327	4,533
Operating lease liabilities (note 3)	184	—
Total liabilities	8,511	4,533
Convertible Preferred Shares (notes 1 and 6)	—	138,758
Shareholders' Equity (Deficit) (notes 1 and 7)		
Share capital		
Common shares, no par value, unlimited shares authorized, 24,505,748 shares issued and outstanding as of December 31, 2019, 596,787 shares issued and outstanding as of December 31, 2018	226,245	2,039
Additional paid-in capital	3,805	2,655
Cumulative translation adjustment	(1,634)	(1,634)
Accumulated deficit	(113,499)	(58,270)
Total shareholders' equity (deficit)	114,917	(55,210)
Total liabilities, convertible preferred shares and shareholders' equity (deficit)	$ 123,428	$ 88,081

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

Milestone Pharmaceuticals Inc.
Consolidated Statements of Loss and Comprehensive Loss
(in thousands of US dollars, except share and per share data)

	Years Ended December 31, 2019	Years Ended December 31, 2018
Operating expenses		
Research and development, net of tax credits (note 8)	$ 41,985	$ 16,849
General and administrative	7,004	3,052
Commercial	8,892	3,921
Loss from operations	(57,881)	(23,822)
Interest income, net of bank charges	2,596	711
Loss and comprehensive loss before income taxes	(55,285)	(23,111)
Income tax (recovery) expense (note 9)	(56)	74
Net loss and comprehensive loss for the period	$ (55,229)	$ (23,185)
Weighted average number of shares outstanding, basic and diluted (note 1)	15,784,750	319,202
Net loss per share, basic and diluted (note 8)	$ 3.50	$ 72.63

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

Milestone Pharmaceuticals Inc.
Consolidated Statements of Shareholders' Equity (Deficit) and Convertible Preferred Shares
(in thousands of US dollars, except share data)

	Common Shares		Convertible Preferred Shares: Class A1		Class A2		Class B		Class C		Class D1		Class D2					
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Additional paid-in capital	Cumulative translation adjustment	Accumulated deficit	Total
Balance as of December 31, 2017	239,990	$ 1,228	372,211	$ 2,027	2,443,914	$ 12,643	2,830,907	$ 17,198	3,786,878	27,236	—	—	—	—	$ 2,372	$ (1,634)	$ (35,085)	$ 25,985
Transactions in 2018																		
Net loss and comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(23,185)	(23,185)
Issuance of Class D1 preferred shares, net of share issuance costs	—	—	—	—	—	—	—	—	—	—	6,893,236	64,719	—	—	—	—	—	64,719
Issuance of Class D2 preferred shares, net of share issuance costs	—	—	—	—	—	—	—	—	—	—	—	—	1,223,656	14,935	—	—	14,935	
Exercise of stock options (note 7)	356,797	811	—	—	—	—	—	—	—	—	—	—	—	—	(350)	—	—	461
Share-based compensation (note 7)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	633	—	—	633
Balance at December 31, 2018	596,787	$ 2,039	372,211	$ 2,027	2,443,914	$ 12,643	2,830,907	$ 17,198	3,786,878	$ 27,236	6,893,236	64,719	1,223,656	14,935	$ 2,655	$ (1,634)	(58,270)	$ 83,548
Balance as of December 31, 2018	596,787	$ 2,039	372,211	$ 2,027	2,443,914	$ 12,643	2,830,907	$ 17,198	3,786,878	$ 27,236	6,893,236	64,719	1,223,656	14,935	$ 2,655	$ (1,634)	$ (58,270)	$ 83,548
Transactions in 2019																		
Net loss and comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(55,229)	(55,229)
Exercise of stock options (note 7)	33,159	85	—	—	—	—	—	—	—	—	—	—	—	—	(41)	—	—	44
Share-based compensation (note 7)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,191	—	—	1,191
Inital public offering (note 7)	6,325,000	85,363	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	85,363
Preferred share conversion (note 7)	17,550,802	138,758	(372,211)	(2,027)	(2,443,914)	(12,643)	(2,830,907)	(17,198)	(3,786,878)	(27,236)	(6,893,236)	(64,719)	(1,223,656)	(14,935)	—	—	—	—
Balance as of December 31, 2019	24,505,748	$ 226,245	—	$ —	—	$ —	—	$ —	—	$ —	—	$ —	—	$ —	$ 3,805	$ (1,634)	$ (113,499)	$ 114,917

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

Milestone Pharmaceuticals Inc.
Consolidated Statements of Cash Flows
(in thousands of US dollars)

	Year ended December 31, 2019	Year ended December 31, 2018
Cash flows from Operating activities		
Net loss for the year	$ (55,229)	$ (23,185)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of property and equipment (note 4)	38	10
Share-based compensation expense (note 7)	1,191	633
Changes in operating assets and liabilities:		
Other receivables	119	(271)
Research and development tax credits receivable	(288)	137
Prepaid expenses	(447)	(1,298)
Accounts payable and accrued liabilities	3,520	2,876
Income taxes payable (receivable)	(56)	52
Net cash used in operating activities	(51,152)	(21,046)
Investing activities		
Acquisition of property and equipment	(413)	(5)
Acquisition of short-term investments	(35,000)	(3,029)
Redemption of short-term investments	35,029	19,032
Net cash (used in) provided by investing activities	(384)	15,998
Financing activities		
Issuance of Class D1 preferred shares	—	64,719
Issuance of Class D2 preferred shares	—	14,935
Net proceeds from issuance of common shares in Initial Public Offering (note 7)	85,363	—
Issuance of common shares on exercise of share options (note 7)	44	461
Net cash provided by financing activities	85,407	80,115
Net increase in cash and cash equivalents during the year	33,871	75,067
Cash and cash equivalents — Beginning of year	85,947	10,880
Cash and cash equivalents — End of year	$ 119,818	$ 85,947

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

1 Organization and nature of operations

Milestone Pharmaceuticals Inc. (Milestone or the Company) is a biopharmaceutical company incorporated under the Business Corporations Act of Québec. Milestone is focused on the development and commercialization of innovative cardiovascular medicines. Milestone's lead product candidate, etripamil, is a novel, potent short-acting calcium channel blocker that the Company designed and is developing as a rapid-onset nasal spray to be self-administered by patients. The Company is developing etripamil to treat paroxysmal supraventricular tachycardia, atrial fibrillation, and other cardiovascular indications.

Reverse Share Split

On April 26, 2019, the Company's Board of Directors approved an amendment to the Company's articles of incorporation to effect a 1-for-5.3193 reverse share split of the Company's common shares, convertible preferred shares and the share options of the Company. Accordingly, all common shares, convertible preferred shares, share options and per share amounts in the consolidated financial statements have been retroactively adjusted for all periods presented to give effect to the reverse share split. The reverse share split was effected on April 26, 2019.

2 Summary of significant accounting policies

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and Milestone Pharmaceuticals USA, Inc. Milestone Pharmaceuticals USA, Inc. began its operations on March 3, 2017. All intercompany transactions and balances have been eliminated.

b) Basis of presentation and use of accounting estimates

These consolidated financial statements of the Company have been presented in United States dollars (USD) and have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), including the applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding financial reporting.

The preparation of consolidated financial statements in conformity with US GAAP requires the Company to make estimates and judgments that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes are reasonable under the circumstances, to determine the carrying values of assets and liabilities that are not readily apparent from other sources. Significant estimates and judgments include, but are not limited to, research and development tax credits recoverable, research and development expenses, and share based compensation. Accordingly, actual results may differ from those estimates and such differences may be material.

c) Segment information

The Company manages its operations as a single operating segment for the purposes of assessing performance and making operating decisions while focusing on the development and commercialization of innovative cardiovascular medicines.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible into cash with original maturities of three months or less at acquisition date.

e) Short term investments

Short term investments are recorded at fair value and are comprised of guaranteed investment certificates with a maturity greater than 90 days but less than one year and, as such, are classified as current assets.

f) Concentration of credit risk

Financial instruments which potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents and investment securities classified as held to maturity. The Company maintains deposits in federal financial institutions. Management believes that the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held. Additionally, the Company has adopted an investment policy that includes guidelines relative to credit quality, diversification of maturities and liquidity.

g) Currency Risk

The Company is exposed to currency risk due to financial instruments denominated in foreign currencies. The Company is exposed to the Canadian dollar currency risk and does not enter into arrangements to hedge its currency risk exposure.

h) Property and equipment

Property and equipment is stated at historical cost less accumulated amortization. Expenditures for maintenance and repairs are recorded to expense as incurred. The Company reviews its property and equipment whenever events or changes in circumstances indicate that the carrying value of certain assets might not be recoverable and recognizes an impairment loss when it is probable that an asset's realizable value is less than the carrying value. To date, no such impairment losses have been recorded. Amortization is calculated using the straight-line method over the following estimated useful lives of the assets:

Computer hardware and software	3 years
Office equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	3 years

i) Leases

Effective January 1, 2019, the Company adopted ASC 842, Leases (ASC 842), using the required modified retrospective approach and utilizing the effective date as its date of initial application. As a result, prior periods are presented in accordance with the previous guidance in ASC 840, Leases ("ASC 840").

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement. Leases with a term greater than one year are recognized on the balance sheet as right-of-use assets and short-term and long-term lease liabilities, as applicable. The Company does not have financing leases.

Operating lease liabilities and their corresponding right-of-use assets are initially recorded based on the present value of lease payments over the expected remaining lease term. Certain adjustments to the right-of-use asset may be required for items such as incentives received. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rate to discount lease payments, which reflects the fixed rate at which the Company could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. Prospectively, the Company will adjust the right-of-use assets for straight-line rent expense or any incentives received and remeasure the lease liability at the net present value using the same incremental borrowing rate that was in effect as of the lease commencement or transition date.

The Company has elected not to recognize leases with an original term of one year or less on the balance sheet. The Company typically only includes an initial lease term in its assessment of a lease arrangement. Options to renew a lease are not included in the Company's assessment unless there is reasonable certainty that the Company will renew.

j) Share issuance costs

Share issuance costs applicable to the issuance of equity instruments are recorded as a reduction of the financing equity proceeds.

k) Research and development and investment tax credits

Research and development costs are charged against income in the period of expenditure. The Company's research and development costs consist primarily of salaries and fees paid to contract research organizations (CROs) and to contract manufacturing organizations (CMOs).

Clinical trial expenses include direct costs associated with CROs, direct CMO costs for the formulation and packaging of clinical trial material, as well as investigator and patient related costs at sites at which the Company's trials are being conducted. Direct costs associated with the Company's CROs and CMOs are generally payable on a time and materials basis, or when milestones are achieved. The invoicing from clinical trial sites can lag several months. The Company records expenses for its clinical trial activities performed by third parties based upon estimates of the percentage of work completed of the total work over the life of the individual study in accordance with agreements established with CROs and clinical trial sites. The Company determines the estimates through discussions with internal clinical personnel, CROs and CMOs as to the progress or stage of completion of trials or services and the agreed upon fee to be paid for such services based on facts and circumstances known to the Company as of each consolidated balance sheet date. The actual costs and timing of clinical trials are highly uncertain, subject of risks and may change depending upon a number of factors, including the Company's clinical development plan. If the actual timing of the performance of services of the level of effort varies from the estimate, the Company will adjust the accrual accordingly.

The Company recognizes the benefit of Canadian research and development tax credits as a reduction of research and development costs for fully refundable investment tax credits and as a reduction of income taxes for investment tax credits that can only be claimed against income taxes payable when there is reasonable assurance that the claim will be recovered.

l) Income taxes

The provision for income taxes is computed using the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recorded to reduce the carrying amount of deferred income tax assets when it is more likely than not that these assets will not be realized. Tax benefits related to tax positions not deemed to meet the "more-likely-than-not" threshold are not permitted to be recognized in the consolidated financial statements.

m) Foreign currency translation and transactions

The functional currency of the Company is the US dollar. Accordingly, transactions denominated in currencies other than the functional currency are measured and recorded in the functional currency at the exchange rate in effect on the date of the transactions. At each consolidated balance sheet date, monetary assets and liabilities denominated in currencies other than the functional currency are remeasured using the exchange rate in effect at that date. Non-monetary assets and liabilities and revenue and expense items denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the dates of the respective transactions. Any gains or losses arising on remeasurement are included in the consolidated statement of operations.

n) Share based compensation

The Company has a share based compensation plan which is described in detail in note 7 and records all share-based payments, including grants of employee share options, at their fair values. The fair value of share options granted to employees and non-employees is estimated at the date of grant using the Black-Scholes option pricing model. The Company recognizes share based compensation expense over the requisite service period of the individual grants, which equals the vesting period, using the straight-line method. Forfeitures, if any, are recorded as they occur. Any consideration paid by employees on exercising share options and the corresponding portion previously credited to contributed surplus are credited to share capital. The Black-Scholes option pricing model used by the Company to calculate option values was developed to estimate fair value.

The Company approved an employee share purchase plan in April 2019, which became effective on May 8, 2019 and is described in detail in note 7. The plan provides a means by which eligible employees of the company and certain designated companies may be given an opportunity to purchase common shares. the plan permits the company to grant a series of purchase rights to eligible employees under an employee stock purchase plan.

o) Redeemable convertible preferred shares

The Company classifies shares that are redeemable at a fixed or determinable price on a fixed or determinable date outside of permanent equity. The redeemable convertible preferred shares are classified outside of shareholders' deficit because the shares contain certain redemption features that are not solely within the control of the Company. The Company records convertible preferred shares at fair value upon issuance, net of any issuance costs or discounts.

p) Recent accounting pronouncement not yet adopted

In August 2018, the FASB issued Accounting Standard Update No. 2018-13, Changes to Disclosure Requirements for Fair Value Measurements (Topic 820) (ASU 2018-13), which improved the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 significantly changes the impairment model for most financial assets and certain other instruments. ASU 2016-13 will require immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets, which will generally result in earlier recognition of allowances for credit losses on loans and other financial instruments. ASU 2016-13 is effective for the Company's fiscal year beginning December 1, 2020 and subsequent interim periods. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

q) Recently adopted accounting pronouncements

On January 1, 2019, we adopted Accounting Standards Update No. 2016-02, Leases (Topic 842) (ASU 2016-02) using the modified retrospective transition approach by applying the new standard to all leases existing at the date of initial application. Results and disclosure requirements for reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts have not been adjusted and continue to be reported in accordance with our historical accounting under Topic 840. Adoption of this standard resulted in the recording of an operating lease right-of-use asset and corresponding operating lease liabilities of $0.3 million, for its headquarters located in Montréal (Québec), Canada. The Company's consolidated balance sheet beginning on January 1, 2019 are presented under the new guidance, while prior year amount was not adjusted and continue to be reported in accordance with previous guidance. This lease consisted of a 36-month period lease commencing December 1, 2017 and ending on November 30, 2020 for its office located in Montréal (Québec), Canada. It includes the possibility for the lessee to renew the term of the lease for a further 36-month period beginning December 1, 2020 and ending November 30, 2023. Operating lease right-of-use asset and operating lease liabilities are recognized upon the adoption date based on the present value of lease payments over the remaining lease term. The company was not reasonably certain of renewing the lease following the initial term and recognized the right-of-use asset and operating lease liabilities over the remaining lease term.

The Company did not record an operating lease right-of-use asset and corresponding lease liability for leases with an initial term of twelve months or less and recognizes lease expense for these leases as incurred over the lease term. Upon adoption date, the Company had only one operating lease with a remaining term of less than 12 months for its offices located in Charlotte, NC, which had a termination date of July 31, 2019, and for which the Company was not reasonably certain of renewing the lease. The lease was extended for two months and terminated in September 2019.

The Company does not have a public credit rating and carries no debt. As such, several factors were considered in the determination of its incremental borrowing rate used in determining the present value of lease payments. The Company examined the Bloomberg credit ratings for similar companies; assumed equivalency between the Canadian and US markets for collateralized debt; factored in the cumulative dividend rate on convertible preferred shares; and used short-term rates based on the remaining lease term of 23 months upon the standard adoption on January 1, 2019 and on 36 months for the new lease agreement entered into in September 2019. This resulted in an incremental borrowing rate of 8%. Lease expenses are recognized on a straight-line basis over the lease term, which is accomplished by increasing the amortization of the right-of-use asset as interest expense on the lease liability declines over the lease term. The Company's lease arrangements do not have lease and non-lease components which are accounted for separately. The adoption of the accounting standard did not materially impact the Company's consolidated statement of operations or its consolidated statement of cash flow for the twelve months ended December 31, 2019.

3 Leases

On June 3, 2019, the Company entered into a new lease arrangement for a three-year term for its office located in Charlotte, NC. The Company recognized the operating lease right-of-use asset and operating lease liabilities at the lease commencement date on September 10, 2019. This resulted in an incremental borrowing rate of 8%. Lease expenses are recognized on a straight-line basis over the lease term, which is accomplished by increasing the amortization of the right-of-use asset as interest expense on the lease liability declines over the lease term. The company was not reasonably certain of renewing the lease following the initial term and recognized the right-of-use asset and operating lease liabilities over the 36-month period ending September 30, 2022.

The Company's two operating leases right-of-use assets are as follows as at December 31, 2019:

Right-of-use adoption date of January 1, 2019	$	321
New operating lease right-of-use asset		401
Amortization of right-of-use asset during the year ending December 31, 2019		(198)
	$	524

Operating lease expenses of $277 are included in general and administrative operating expenses in the consolidated statement loss and comprehensive loss, and within operating activities in the statement of cash flows for the twelve-month period ended December 31, 2019, and are comprised of two operating lease right-of-use assets and one operating lease of less than 12 months.

The following table summarizes the future minimum lease payments of right-of-use assets operating lease as at December 31, 2019:

January 1, 2020 to December 31, 2020	$	354
January 1, 2021 to December 31, 2021		117
January 1, 2022 to December 31, 2022		80
		551
Less interest		(37)
	$	514

As at December 31, 2018 in accordance with ASC 840, the Company had a lease commitment for its headquarters located in Montréal (Québec), Canada, expiring on November 30, 2020 with an option to renew for an additional three years and a commitment for its office located in Charlotte, North Carolina, which had a termination date of July 31, 2019. The minimum lease payments as at December 31, 2018 were as follows:

	Lease operating expenses	Lease base rent expenses	Total lease commitment
2019	$ 86	$ 130	$ 216
2020	79	85	164
	$ 165	$ 215	$ 380

Total rental expense under operating leases for the year ended December 31, 2018 was $232.

4 Property and equipment

Property and equipment consist of the following at December 31:

	2019	2018
Computer hardware and software	$ 22	$ 9
Office equipment	406	28
Leasehold improvements	26	4
Total	$ 454	$ 41
Less accumulated depreciation and amortization	(49)	(11)
Property and equipment, net	$ 405	$ 30

During the year ended December 31, 2019 and December 31, 2018, the Company did not record any write off. For the year ended December 31, 2019, amortization expense was $38 (in 2018, amortization expense was $10) and was included in research and development expense.

5 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprised the following as of December 31:

	2019	2018
Trade accounts payable	$ 4,376	$ 2,603
Accrued research and development liabilities	1,513	1,012
Other accrued liabilities	331	164
Accrued compensation and benefits payable	1,777	698
	$ 7,997	$ 4,477

6 Convertible preferred shares

In May 2019, the Company completed its initial public offering ("IPO"). Upon the closing of the IPO, all outstanding redeemable convertible preferred shares of Class A1, A2, B, C, D1 and D2 (collectively known as "Convertible Preferred Shares") converted into 17,550,802 common shares.

Prior to converting to common shares in May 2019, the Company's convertible preferred shares allowed the holders to redeem their shares upon a change in control in the Company. As a result, the Company classified its Convertible Preferred Shares as mezzanine equity. The Company charged specific incremental issuance costs incurred in the offering of Convertible Preferred Shares against the gross proceeds of the Convertible Preferred Shares.

Prior to May 2019, an authorized unlimited number of:

· Class A1 preferred shares, voting based on the number of common shares into which they could have been converted, annual non-cumulative dividend of 8% in preference to the holders of common shares calculated on their issue price. In addition, the Class A1 preferred shares were eligible to their pro rata shares, on an as-converted basis, to any dividend paid on common shares. The Class A1 preferred shares are subject to a weighted average antidilution adjustment in the event of a common share issuance at a price per share lower than C$5.3193

· Class A2 preferred shares, voting based on the number of common shares into which they could have been converted, preferential non-cumulative dividend of 8% *pari passu* with the Class B preferred shares and in preference to the holders of Class A1 preferred shares calculated on their issue price. In addition, the Class A2 preferred shares were eligible to their pro rata shares, on an as-converted basis, to any dividend paid on common shares. The Class A2 preferred shares were subject to a weighted average antidilution adjustment in the event of a common share issuance at a price per share lower than C$5.3193

· Class B preferred shares, voting based on the number of common shares into which they could have been converted, preferential non-cumulative dividend of 8% *pari passu* with the Class A2 preferred shares and in preference to the holders of Class A1 preferred shares calculated on their issue price. In addition, the Class B preferred shares were eligible to their pro rata shares, on an as-converted basis, to any dividend paid on common shares. The Class B preferred shares were subject to a weighted average antidilution adjustment in the event of a common share issuance at a price per share lower than $6.1172

· Class C preferred shares, voting based on the number of common shares into which they could have been converted, preferential non-cumulative dividend of 8% to the Class B and A2 preferred shares and in preference to the holders of Class A1 preferred shares calculated on their issue price. In addition, the Class B preferred shares were eligible to their pro rata shares, on an as-converted basis, to any dividend paid on common shares. The Class C preferred shares were subject to a weighted average antidilution adjustment in the event of a common share issuance at a price per share lower than $7.2619

· Class D1 preferred shares, voting based on the number of common shares into which they could have been converted, preferential non -cumulative dividend of 8% pari passu with the Class D2 preferred shares, and in preference to the holders of the Class C, Class B, Class A2 and Class A1 preferred shares calculated on their issue price. In addition, the Class D1 preferred shares were eligible to their pro rata shares, on an as-converted basis, to any non-cumulative dividend paid on common shares. The Class D1 preferred shares were subject to a weighted average antidilution adjustment in the event of a common share issuance at a price per share lower than $9.4295.

· Class D2 preferred shares, voting based on the number of common shares into which they could have been converted, preferential non-cumulative dividend of 8% pari passu with the Class D1 preferred shares, and in preference to the holders of the Class C, Class B, Class A2 and Class A1 preferred shares calculated on their issue price. In addition, the Class D2 preferred shares were eligible to their pro rata shares, on an as-converted basis, to any non-cumulative dividend paid on common shares. The Class D2 preferred shares were subject to a weighted average antidilution adjustment in the event of a common share issuance at a price per share lower than $12.2583.

The Company early adopted the guidance on down round features from ASU 2017-11 with respect to the antidilution adjustments for the Class A1, Class A2, Class B, Class C, Class D1 and D2 preferred shares.

The Class A1, A2, B, C, D1 and D2 preferred shares would have automatically converted into common shares at the applicable conversion price upon (i) closing of a qualified initial public offering at a price per share based on a pre-money valuation of the Company of at least $250,000 and resulting in gross proceeds of at least $60,000, whereby the shares would be listed on one or more Recognized Stock Exchanges; and (ii) the election to convert by a majority of the Class A1, A2, B, C, D1 and D2 preferred shares. The conversion rate of Class A1, A2, B, C, D1 and D2 preferred shares into common shares at the time of conversion was 1:1.

The holders of the Company's Convertible Preferred Shares were entitled to receive non-cumulative dividends at the rate of 8% of the purchase price per annum in preference to any dividends to the holders of the common shares, payable as and if when declared by the Board of Directors. The holders of the Convertible Preferred Shares also were entitled to participate pro rata in any dividends paid to the holders of the common shares on an as-converted basis. The Board of Directors had not declared any dividends as of May 2019 when the Preferred Shares were converted and therefore no dividends were paid.

Upon the liquidation of the Company, the holders of Convertible Preferred Stock were entitled to receive, in preference to the holders of the common stock and in order of priority, an amount equal to $12.4472 per share for Series D2 Convertible Preferred Stock, $9.5747 per share for Series D1 Convertible Preferred Stock, $7.9258 per share for Series C Convertible Preferred Stock, $7.3406 per share for Series B Convertible Preferred Stock, $7.713 per share for Series A2 Convertible Preferred Stock and $8.83 per share for Series A1 Convertible Preferred Stock (the "Liquidation Preference"). Following payment in full to the holders of preferred shares of all amounts distributable to them, the remaining assets of the Company available for distribution to holders of the Company's share capital would have been distributed on a pro rata basis among (i) the holders of any preferred shares convertible into common shares of the Company on an as if converted basis; and (ii) the holders of the common shares.

The holders of 70% of Class A1, A2, B, C, D1 and D2 preferred shares, voting as a single class, could have required that the Company redeem the preferred shared at the earlier of a sale or an exclusive license of all or substantially all intellectual property of the Company or all of the assets and the fifth anniversary of the closing date of the Class D preferred shares. The redemption price would have been the higher of the liquidation preference or the fair market value of such preferred shares. Class A1 preferred shares could have been only redeemed once Class A2, B, C, D1 and D2 preferred shares were fully redeemed.

For the year ended December 31, 2018, the Company issued the following Convertible Preferred Shares:

a) On October 17, 2018, the Company issued 6,893,236 Class D1 preferred shares for gross proceeds of $65,000. The costs related with this share issuance were $281.

b) On October 17, 2018, the Company issued 1,223,656 Class D2 preferred shares for gross proceeds of $15,000. The costs related with this share issuance were $65.

No convertible preferred shares were issued for the year ended December 31, 2019. All preferred shares were converted to common share upon closing of the IPO in May 2019.

7 Shareholders' equity (deficit)

Authorized share capital

An unlimited number of common shares, voting and participating, without par value.

In May 2019, the Company completed its initial public offering ("IPO"), whereby the Company issued in total 6,325,000 common shares at a public offering price of $15.00 per share *(note 1)*. The gross proceeds received by the Company from the offering were $94.9 million. Upon the closing of the IPO, all outstanding shares of Class A1, A2, B, C, D1 and D2 preferred shares converted into 17,550,802 common shares.

The Company's board of directors adopted and its shareholders approved the 2019 Employee Share Purchase Plan ("ESPP") in April 2019, which became effective on May 8, 2019. The number of common shares initially reserved for issuance under the ESPP was 278,734 common shares. The number of shares reserved for issuance will automatically increase on January 1 of each calendar year, beginning on January 1, 2020 through January 1, 2029, by the lesser of (1) 1% of the total number of shares of the Company's share capital outstanding on the last day of the calendar month before the date of the automatic increase and (2) 487,837 shares; provided that before the date of any such increase, the Company's board of directors may determine that such increase will be less than the amount set forth in clauses (1) and

(2). As of December 31, 2019, no common shares have been issued under the ESPP. The first offering period has not yet been decided by the Company's board of directors.

During the year ended December 31, 2019, the Company issued a total of 33,162 common shares (in 2018, 356,797) for a total cash consideration of $44 (in 2018, $461) pursuant to the exercise of 33,162 stock options (in 2018, 356,797) at an average exercise price of $1.326 per option (in 2018, $1.287 per option). As a result, an amount of $41 (in 2018, $350) previously included in additional paid-in capital related to the exercised options has been credited to share capital and deducted from additional paid-in capital.

Additional paid-in capital

	2019	2018
Opening balance	$ 2,655	$ 2,372
Share-based compensation expense	1,191	633
Exercise of stock options	(41)	(350)
Closing balance	$ 3,805	$ 2,655

Share-based compensation

The Company's board of directors adopted and its shareholders approved the 2019 Equity Incentive Plan (the "2019 Plan") in April 2019, which became effective on May 8, 2019 in connection with the IPO. Initially, the maximum number of the Company's common shares that may be issued under the 2019 Plan was 4,710,564 shares, which is the sum of (1) 1,923,501 new shares, plus (2) the number of shares (not to exceed 2,787,063 shares) (i) that remained available for the issuance of awards under the Company's Stock Option Plan (the "2011 Plan") at the time the 2019 Plan became effective, and (ii) any shares subject to outstanding options or other share awards that were granted under the 2011 Plan that terminate, expire or are otherwise forfeited, reacquired or withheld. In addition, the number of the Company's common shares reserved for issuance under the 2019 Plan will automatically increase on January 1 of each calendar year, starting on January 1, 2020 through January 1, 2029, in an amount equal to 4% of the total number of the Company's capital shares outstanding on the last day of the calendar month before the date of each automatic increase, or a lesser number of shares determined by the Company's board of directors. As of May 8, 2019, the Company's 2011 Plan was terminated and no further option grants will be made under the 2011 Plan.

On October 15, 2018, the Company amended for a third time and restated the share option plan (the 2011 Plan) whereby options to purchase common shares of the Company's shares may be granted to directors, officers, employees, consultants and members of the scientific advisory board. The 2011 Plan is administered by the Board of Directors. The Board of Directors determines the number of options to be granted, the vesting period and the exercise price of new options. It is the Company's policy to establish the exercise price at an amount that approximates the fair value of the underlying shares on the date of grant as determined by the Board of Directors.

Under the 2011 Plan, unless otherwise decided by the Board of Directors, options vest and are exercisable as follows: 25% are exercisable from the first anniversary of grant date and 2.0833% become available at the end of each month after the first anniversary of grant date.

The 2011 Plan was terminated as of May 8, 2019 and a total of 2,364,526 options are outstanding at December 31, 2019.

As of December 31, 2019, there were 2,316,933 options available for awards under the 2019 Plan, of which 287,138 options were granted and 66,998 forfeited, leaving 2,096,793 available for future grant. The outstanding and exercisable options at December 31 were as follows:

	2019				2018	
	Number of shares			Weighted average exercise price	Number of shares	Weighted average exercise price
	2019 Plan	2011 Plan	Total		2011 Plan	
Outstanding at beginning of period	—	2,295,045	2,295,045	$ 1.771	968,782	$ 1.133
Granted - 2011 Plan	—	116,742	116,742	9.417	1,695,258	2.037
Granted - 2019 Plan	287,138	—	287,138	19.948	—	—
Exercised - 2011	—	(33,162)	(33,162)	1.326	(356,797)	1.287
Forfeited - 2011	—	(14,099)	(14,099)	2.660	(12,198)	1.096
Forfeited - 2019	(66,998)	—	(66,998)	17.224	—	—
Outstanding - 12/31/2019	220,140	2,364,526	2,584,666	$ 3.755	2,295,045	$ 1.771
Outstanding - 12/31/2019 - Weighted average exercise price	$ 20.777	$ 2.151				
Exercisable at end of period	1,165	1,212,226	1,213,391	$ 1.652	588,817	$ 1.314
Exercisable at end of period - Weighted average exercise price	$ 17.780	$ 1.637				

As of December 31, 2019, the weighted average remaining contractual life was 7.8 years (for 2018, 8.6 years). The weighted average remaining contractual life was 7.0 years for vested options (for 2018, 6.6 years). For the year ended December 31, 2019, 14,099 options and 66,998 options were forfeited under the 2011 Plan and the 2019 Plan, respectively, amounting to a total of 81,097 options forfeited in 2019 (for 2018, 12,198).

Options granted are valued using the Black-Scholes option pricing model. Amortization of the fair value of the options over vesting years has been expensed and credited to additional paid-in capital in shareholders' deficit. The weighted average fair values of options granted in 2019 was $6.649 for the 2011 Plan and $13.912 for the 2019 plan (in 2018 for the 2011 Plan, $1.463). Share-based compensation expense recognized for the year ended December 31, 2019 was $1,191 (in 2018, $633).

As of December 31, 2019, there was $6,464 (for 2018, $2,402) of total unrecognized compensation cost, related to non-vested share options, which is expected to be recognized over a remaining weighted average vesting period of 2.6 years (for 2018, 3.1 years).

	2019				2018	
	Number of options			Weighted average fair value	Number of options	Weighted average fair value
	2019 Plan	2011 Plan	Total		2011 Plan	
Non-vested share options at beginning of period	—	1,706,303	1,706,303	$ 1.346	451,113	$ 1.027
Granted - 2011 Plan	—	116,742	116,742	6.649	1,695,258	1.463
Granted - 2019 Plan	287,138	—	287,138	13.912	—	—
Vested, outstanding	—	(656,646)	(656,646)	1.333	(427,870)	1.479
Vested, outstanding	(1,165)	—	(1,165)	12.160	—	—
Forfeited - 2011	—	(14,099)	(14,099)	1.906	(12,198)	1.064
Forfeited - 2019	(66,998)	—	(66,998)	12.221	—	—
Non-vested share options at end of period	218,975	1,152,300	1,371,275	$ 3.889	1,706,303	$ 1.346
Non-vested share options at end of period - Weighted average fair value	$ 14.439	$ 1.884				

The following table summarizes information with respect to share options outstanding as of December 31, 2019:

	Options outstanding				Options exercisable			
Exercise price	Number of options	Weighted average remaining contractual life (years)		Weighted average exercise price	Number of options	Weighted average remaining contractual life (years)		Weighted average exercise price
C$0.96	235,497	3.3	$	0.914	235,497	3.3	$	0.914
$1.12	261,913	6.3	$	1.117	207,319	6.2	$	1.117
$1.54	956,688	7.9	$	1.543	429,175	7.9	$	1.543
$1.91	82,772	8.6	$	1.915	40,122	9	$	2
$2.66	710,914	8.9	$	2.660	300,113	8.9	$	2.660
$9.42	116,742	9.2	$	9.415	—	—	$	—
$15.87	23,620	9.6	$	15.870	—	—	$	—
$17.78	42,000	9.9	$	17.780	1,165	9.9	$	17.780
$19.14	3,760	9.8	$	19.140	—	—	$	—
$21.28	3,760	9.7	$	21.280	—	—	$	—
$22.45	147,000	9.7	$	22.450	—	—	$	—
Total	**2,584,666**	**7.8**	**$**	**3.755**	**1,213,391**	**7.0**	**$**	**1.652**

The intrinsic value of all outstanding options as of December 31, 2019 was $32.7 million, based on the fair value of our common shares of $16.01 per share at December 31, 2019, of which approximately $17.4 million related to vested options and approximately $15.5 million related to unvested options.

The fair value of share-based payment transaction is measured using Black-Scholes valuation model. This model also requires assumptions, including expected option life, volatility, risk-free interest rate and dividend yield, which greatly affect the calculated values.

The fair value of options granted was estimated using the Black-Scholes option pricing model, resulting in the following weighted average assumptions for the options granted for the years ended December 31, 2019 and 2018:

		2019		2018
Exercise price	$	16.900	$	2.037
Share price	$	16.900	$	2.037
Volatility		80%		82%
Risk-free interest rate		1.92%		2.84%
Expected life		6.21 years		6.25 years
Dividend		0%		0%

Expected volatility is determined using comparable companies for which the information is publicly available. The risk-free interest rate is determined based on the US sovereign rates benchmark in effect at the time of grant with a remaining term equal to the expected life of the option. Expected option life is determined based on the simplified method as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term. The simplified method is an average of the contractual term of the options and its ordinary vesting period. Dividend yield is based on the share option’s exercise price and expected annual dividend rate at the time of grant.

Share-based payment awards with performance targets attainable after the requisite service period are treated as performance conditions that affect vesting. No compensation expense is recorded related to an award for which the transfer to the employee is contingent on the attainment of a performance target until it becomes probable that the performance target will be met.

The Company recognized share-based compensation expense as follows at December 31, 2019 and 2018:

	2019	2018
Administration	$ 574	$ 209
Research and development	495	371
Commercial activities	122	53
	$ 1,191	$ 633

8 Net loss per share

Basic and diluted net loss per common share is determined by dividing net loss applicable to common shareholders by the weighted average number of common shares during the period. The outstanding convertible preferred shares and share-based compensation have been excluded from the calculation because their effects would be anti-dilutive. Therefore the weighted average number of shares used to calculate both basic and diluted loss per share are the same.

The following potentially dilutive securities have been excluded from the computation of diluted weighted average shares outstanding as of December 31, 2019 and 2018, as they would be anti-dilutive:

	2019	2018
Redeemable convertible preferred shares	—	17,550,802
Share options and unvested restricted share awards	2,584,666	2,295,045
	2,584,666	19,845,847

Amounts in the table above reflect the common share equivalents of the noted instruments.

9 Income taxes

A reconciliation between tax expense and the product of accounting income multiplied by the basic income tax rate for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Loss before income taxes	$ (55,285)	$ (23,111)
Basic income tax rate	26.30%	26.67%
Computed income tax recovery	(14,542)	(6,164)
Effect on income tax rate resulting from		
Accounting charges not deductible for tax purposes	23	12
Non-deductible share-based compensation	317	169
Share issue costs	(2,739)	
Unrecorded potential tax benefits of current period losses and other tax assets	16,829	6,183
Non-refundable investment tax credit used (earned) in the year	—	(145)
Valuation allowance for prior year adjustment	77	—
Other	(21)	19
Income tax expense (recovery)/expense reported in the consolidated statements of loss and comprehensive loss	$ (56)	$ 74

The Company has incurred Canadian federal and provincial net operating losses (NOLs) from inception. As of December 31, 2019, the Company has NOL carry-forwards of approximately $86,591 and $86,085, respectively, for Canadian federal and Québec purposes, available to reduce future taxable income, which expire beginning in 2027 through 2039. The Company also has scientific research and experimental development expenditures of approximately $9,377 and $11,127, respectively, for Canadian federal and Québec income tax purposes, which have not been deducted. These expenditures are available to reduce future taxable income and have an unlimited carry-forward period. Research and development tax credits and expenditures are subject to verification by the tax authorities, and, accordingly, these amounts may vary.

The Company has incurred NOLs for U.S. tax purposes. As of December 31, 2019, the Company has carry-forwards of approximately $12,439 related to U.S. NOLs that may be carried forward indefinitely and are available to reduce future taxable income.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The net deferred tax assets have not been recognized in these financial statements because the criteria for recognition of these assets were not met.

The Company’s deferred tax assets consist of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Net operating loss carry-forwards	25,965	12,209
Tax basis of property and equipment in excess of carrying values	103	93
Federal SR&ED investment tax credits	535	273
Taxation of federal SR&ED investment tax credits	(142)	(72)
Research and development expenditures	2,686	1,791
Financing costs	2,103	138
Others	16	21
Total gross deferred tax assets	31,266	14,453
Valuation allowance	(31,266)	(14,453)
Net deferred tax assets	—	—

The Company files income tax returns in Canada and in the United States. The Company is subject to Canada Revenue Agency and Revenu Québec examination for fiscal years 2014 to 2019 due to unexpired statute of limitation periods and is subject to US Federal and state income tax examination for fiscal years 2017 to 2019.

10 Government assistance

The Company incurred research and development expenditures that are eligible for investment tax credits. The investment tax credits recorded are based on management’s estimates of amounts expected to be recovered and are subject to audit by the taxation authorities. These amounts (expressed in thousands of US dollars) have been recorded as a reduction of research and development expenditures for an amount of $392 for the year ended December 31, 2019 (for 2018, $257).

11 Commitments

In the normal course of business, the Company enter into contracts with clinical research organizations, drug manufacturers and other vendors for preclinical and clinical research studies, research and development supplies and other services and products for operating purposes. These contracts generally provide for termination on notice, and therefore are cancellable contracts. Therefore, as at December 31, 2019 there are no contractual commitments.

12 Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates and the degree of volatility of those rates. The foreign currency risk is limited to the portion of the Company’s business transactions denominated in currency other than US dollars. The following table provides an indication of the Company's exposure to the Canadian dollar, which is expressed in US dollars as of December 31:

	2019	2018
Cash	$ 149	$ 246
Short-term investments	—	29
Accounts payable and accrued liabilities	1,680	538
Net financial position exposure	$ 1,531	$ 263

The Company does not enter into arrangements to hedge its currency risk exposure.

13 Fair value of financial instruments

Pursuant to the accounting guidance for fair value measurement and its subsequent updates, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the measurement date. The accounting guidance establishes a hierarchy for inputs used in measuring fair value that minimizes the use of unobservable inputs by requiring the use of observable market data when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on active market data. Unobservable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is broken down into the three input levels summarized below:

Level 1 — Valuations are based on quoted prices in active markets for identical assets or liabilities and readily accessible by the Company at the reporting date.

Level 2 — Valuations based on inputs other than the quoted prices in active markets that are observable either directly or indirectly in active markets.

Level 3 — Valuations based on unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions.

The Company's fair value hierarchy for all its financial assets (by major security type measured at fair value on a recurring basis) for the year ending December 31, 2019 is nil, as there was no financial instruments measured at fair value on a recurring basis as of that date. For the year ended December 31, 2018, the Company held a Guaranteed investment certificates at Level 1 with a fair value of $29.

Part IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Financial Statements

See Index to Consolidated Financial Statements on page 88 of this Original Report on Form 10-K, which is incorporated into this item by reference.

(a)(2) Financial Statement Schedules

All financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(b) Exhibits

The following list of exhibits includes exhibits submitted with this Amendment No. 1 as filed with the SEC and others incorporated by reference to other filings.

(a)Exhibits.

The exhibits listed below are filed as part of this registration statement.

EXHIBIT NUMBER	DESCRIPTION
3.1	Amended Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-38899), filed with the SEC on May 15, 2019).
3.2	Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-38899), filed with the SEC on May 15, 2019).
4.1	Form of Common Share Certificate (incorporated herein by reference to Exhibit 4.1 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-230846), filed with the SEC on April 29, 2019).
4.2	Third Amended and Restated Registration Rights Agreement, by and among the Company and certain of its shareholders, dated October 15, 2018 (incorporated herein by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-230846), filed with the SEC on April 12, 2019).
4.3	Description of Securities Registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (incorporated herein by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K (File No. 001-38899), filed with the SEC on March 6, 2020).
10.1+	Third Amended and Restated Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-230846), filed with the SEC on April 12, 2019).

10.2+	Form of Award and Grant Notices under the Third Amended and Restated Stock Option Plan (incorporated herein by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-230846), filed with the SEC on April 12, 2019).
10.3+	2019 Equity Incentive Plan (incorporated herein by reference to Exhibit 4.8 to the Registrant's Registration Statement on Form S-8 (File No. 333-231347), filed with the SEC on May 9, 2019).
10.4+	Form of U.S. Stock Option Grant Notice and Stock Option Agreement under the 2019 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.4 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-230846), filed with the SEC on April 29, 2019).
10.5+	Form of U.S. Restricted Stock Unit Grant Notice and Restricted Stock Unit Award Agreement under the 2019 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.5 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-230846), filed with the SEC on April 29, 2019).
10.6+	Form of Canadian Stock Option Grant Notice and Option Agreement under the 2019 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.6 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-230846), filed with the SEC on April 29, 2019).
10.7+	Form of Canadian Restricted Stock Unit Grant Notice and Restricted Stock Unit Award Agreement under the 2019 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.7 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-230846), filed with the SEC on April 29, 2019).
10.8+	2019 Employee Share Purchase Plan (incorporated herein by reference to Exhibit 4.13 to the Registrant's Registration Statement on Form S-8 (File No. 333-231347), filed with the SEC on May 9, 2019).
10.9+	Amended and Restated Employment Agreement between Joseph Oliveto and Milestone Pharmaceuticals USA, Inc. (incorporated herein by reference to Exhibit 10.9 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-230846), filed with the SEC on April 29, 2019).
10.10+	Employment Agreement between Amit Hasija and Milestone Pharmaceuticals USA, Inc. (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-38899), filed with the SEC on September 9, 2019).
10.11+	Amended and Restated Employment Agreement between Francis Plat and Milestone Pharmaceuticals Inc. (incorporated herein by reference to Exhibit 10.11 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-230846), filed with the SEC on April 29, 2019).
10.12+	Amended and Restated Employment Agreement between Lorenz Muller and Milestone Pharmaceuticals USA, Inc. (incorporated herein by reference to Exhibit 10.12 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-230846), filed with the SEC on April 29, 2019).
10.13+	Employment Agreement between Timothy L. Maness and Milestone Pharmaceuticals USA, Inc. (incorporated herein by reference to Exhibit 10.13 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-230846), filed with the SEC on April 29, 2019).
10.14+	Form of Indemnity Agreement (incorporated herein by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 (File No. 333-230846), filed with the SEC on April 12, 2019).
23.1	Consent of PricewaterhouseCoopers LLP, an Independent Registered Public Accounting Firm.
24.1	Power of Attorney (included on the signature page to the Original Form 10-K).
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1^	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rules 13a-14(b) and 15d-14(b) promulgated under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to section 906 of The Sarbanes-Oxley Act of 2002

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

+Indicates a management contract or compensatory plan

^ These certifications are being furnished solely to accompany this Annual Report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Milestone Pharmaceuticals Inc.

Dated: October 23, 2020

/s/ Joseph Oliveto
Joseph Oliveto
Chief Executive Officer

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-231347 and 333-236971) and Form S-3 (Nos. 333-239318, 333-249623 and 333-248198) of Milestone Pharmaceuticals Inc. of our report dated March 5, 2020 relating to the consolidated financial statements, which appears in Milestone Pharmaceuticals Inc.'s Annual Report on Form 10-K/A for the year ended December 31, 2019.

/s/ PricewaterhouseCoopers LLP
Montréal, Québec, Canada
October 23, 2020

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph Oliveto, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Milestone Pharmaceuticals Inc.;

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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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)) for the registrant 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 registrant, 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) Evaluated the effectiveness of the registrant'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

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: October 23, 2020

/s/ Joseph Oliveto
Joseph Oliveto
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Amit Hasija, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Milestone Pharmaceuticals Inc.;

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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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)) for the registrant 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 registrant, 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) Evaluated the effectiveness of the registrant'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

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: October 23, 2020

/s/ Amit Hasija
Amit Hasija
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Joseph Oliveto, Chief Executive Officer of Milestone Pharmaceuticals Inc. (the “Company”), and Amit Hasija, Chief Financial Officer of the Company, each hereby certifies that, to the best of his or her knowledge:

1. The Company’s Annual Report on Form 10-K/A for the period ended December 31, 2019, to which this Certification is attached as Exhibit 32.1 (the “Periodic Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 23, 2020

/s/ Joseph Oliveto	/s/ Amit Hasija
Joseph Oliveto	Amit Hasija
Chief Executive Officer	Chief Financial Officer
(Principal Executive Officer)	(Principal Financial and Accounting Officer)