Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021

OR

☐ **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)

Québec	**Not applicable**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1111 Dr. Frederik-Philips Boulevard, Suite 420
Montréal, Québec CA H4M 2X6
(514) 336-0444
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

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. ☒

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

As of November 4th, 2021, the registrant had 29,872,535 common shares, no par value per share, outstanding.

Table of Contents

“Milestone Pharmaceuticals” and the Milestone logo appearing in this Quarterly Report on Form 10-Q are unregistered trademarks of Milestone Pharmaceuticals Inc. All other trademarks, trade names and service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective owners. Solely for convenience, the trademarks and trade names in this Quarterly Report on Form 10-Q may be referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert their rights thereto.

This Quarterly Report on Form 10-Q contains references to United States dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars. References to “$” are to United States dollars and references to “C$” are to Canadian dollars.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future financial condition, future operations, projected costs, prospects, plans, objectives of management and expected market growth, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "design," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "positioned," "potential," "seek," "should," "target," "will," "would" and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, including risks described in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q, regarding, among other things:

- the initiation, timing, progress and results of our current and future clinical trials of etripamil, including our Phase 3 clinical trials of etripamil for the treatment of paroxysmal supraventricular tachycardia, our Phase 2 clinical trial of etripamil for the treatment of atrial fibrillation with rapid ventricular rate, and of our research and development programs;
- uncertain impacts that the COVID-19 pandemic may have on our business, strategy, clinical trial progress and research and development efforts;
- our plans to develop and commercialize etripamil and any future product candidates;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our ability to develop and, if approved by regulatory authorities, commercialize etripamil in China and Taiwan through our license agreement with Ji Xing Pharmaceuticals;
- our ability to establish collaborations or obtain additional funding;
- our ability to obtain regulatory approval of our current and future product candidates;
- our expectations regarding the potential market size and the rate and degree of market acceptance of etripamil and any future product candidates;
- our ability to fund our working capital requirements and expectations regarding the sufficiency of our capital resources;

- the implementation of our business model and strategic plans for our business, etripamil and any future product candidates;
- our intellectual property position and the duration of our patent rights;
- developments or disputes concerning our intellectual property or other proprietary rights;
- our expectations regarding government and third-party payer coverage and reimbursement;
- our ability to compete in the markets we serve;
- the impact of government laws and regulations;
- developments relating to our competitors and our industry; and
- other factors that may impact our financial results.

The foregoing list of risks is not exhaustive. Other sections of this Quarterly Report on Form 10-Q and the section titled "Risk Factors" previously disclosed in Part I, Item 1A. in our Annual Report on Form 10-K may include additional factors that could harm our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in, or implied by, any forward-looking statements.

In light of the significant uncertainties in these forward-looking statements, you should not rely upon forward-looking statements as predictions of future events. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report on Form 10-Q, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur at all. You should refer to the section titled "Risk Factors" previously disclosed in Part I, Item 1A. in our Annual Report on Form 10-K, filed with the SEC on March 29, 2021, for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. Except as required by law, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Milestone Pharmaceuticals Inc.
Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except share data)

	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 111,426	$ 72,310
Short-term investment (note 4)	15,000	70,000
Research and development tax credits receivable	275	725
Prepaid expenses	5,968	5,428
Other receivables	89	223
Total current assets	132,758	148,686
Operating lease assets	780	980
Property and equipment	238	308
Total assets	$ 133,776	$ 149,974
Liabilities, and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	$ 5,593	$ 5,914
Operating lease liabilities	254	245
Total current liabilities	5,847	6,159
Operating lease liabilities (net of current portion)	512	696
Total liabilities	6,359	6,855
Shareholders' Equity (note 6, note 7)		
Common shares, no par value, unlimited shares authorized 29,869,785 shares issued and outstanding as of September 30, 2021, 29,827,997 shares issued and outstanding as of December 31, 2020	251,766	251,682
Pre-funded warrants - 12,327,780 issued and outstanding as of September 30, 2021 and 11,417,034 as of December 31, 2020	52,927	48,007
Additional paid-in capital	13,793	8,530
Cumulative translation adjustment	(1,634)	(1,634)
Accumulated deficit	(189,435)	(163,466)
Total shareholders' equity	127,417	143,119
Total liabilities and shareholders' equity	$ 133,776	$ 149,974

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

Milestone Pharmaceuticals Inc.
Condensed Consolidated Statements of Loss (Unaudited)
(in thousands, except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue (note 3)	$ —	$ —	$ 15,000	$ —
Operating expenses				
Research and development, net of tax credits	9,733	8,228	27,755	28,722
General and administrative	2,961	2,952	8,612	8,611
Commercial	1,579	905	4,788	4,615
Loss from operations	(14,273)	(12,085)	(26,155)	(41,948)
Interest income, net	48	89	186	630
Loss before income taxes	(14,225)	(11,996)	(25,969)	(41,318)
Income tax benefit	—	17	—	17
Net loss	$ (14,225)	$ (11,979)	$ (25,969)	$ (41,301)
Weighted average number of shares and pre-funded warrants outstanding, basic & diluted	42,182,887	29,774,065	41,707,563	26,329,581
Net loss per share, basic and diluted (note 8)	$ (0.34)	$ (0.40)	$ (0.62)	$ (1.57)

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

Milestone Pharmaceuticals Inc.
Condensed Consolidated Statements of Shareholders' Equity (Unaudited)
(in thousands, except share data)

	Common Shares		Pre-funded warrants					
	Number of shares	Amount	Number of warrants	Amount	Additional paid-in capital	Cumulative translation adjustment	Accumulated deficit	Total
Balance as of June 30, 2020	24,692,953	$ 226,676	—	$ —	$ 5,795	$ (1,634)	$ (142,821)	$ 88,016
Transactions in three-month period ended September 30, 2020								
Net loss	—	—	—	—	—	—	(11,979)	(11,979)
Exercise of stock options	34,047	82	—	—	(34)	—	—	48
Share-based compensation	—	—	—	—	1,343	—	—	1,343
Pre-funded warrants - Private Placement	—	—	6,655,131	24,770	—	—	—	24,770
Balance as of September 30, 2020	24,727,000	$ 226,758	6,655,131	$ 24,770	$ 7,104	$ (1,634)	$ (154,800)	$ 102,198
Balance as of June 30, 2021	29,846,000	$ 251,716	12,327,780	$ 52,927	$ 11,795	$ (1,634)	$ (175,210)	$ 139,594
Transactions in three-month period ended September 30, 2021								
Net income	—	—	—	—	—	—	(14,225)	(14,225)
Exercise of stock options (note 7)	23,785	50	—	—	(26)	—	—	24
Private Placement (note 7)	—	—	—	—	—	—	—	—
Share-based compensation (note 7)	—	—	—	—	2,024	—	—	2,024
Balance as of September 30, 2021	29,869,785	$ 251,766	12,327,780	$ 52,927	$ 13,793	$ (1,634)	$ (189,435)	$ 127,417

	Common Shares		Pre-funded warrants					
	Number of shares	Amount	Number of warrants	Amount	Additional paid-in capital	Cumulative translation adjustment	Accumulated deficit	Total
Balance as of December 31, 2019	24,505,748	$ 226,245	—	$ —	$ 3,805	$ (1,634)	$ (113,499)	$ 114,917
Transactions in nine-month period ended September 30, 2020								
Net loss	—	—	—	—	—	—	(41,301)	(41,301)
Exercise of stock options	221,252	513	—	—	(216)	—	—	297
Share-based compensation	—	—	—	—	3,515	—	—	3,515
Pre-funded warrants - Private Placement	—	—	6,655,131	24,770	—	—	—	24,770
Balance as of September 30, 2020	24,727,000	$ 226,758	6,655,131	$ 24,770	$ 7,104	$ (1,634)	$ (154,800)	$ 102,198
Balance as of December 31, 2020	29,827,997	$ 251,682	11,417,034	$ 48,007	$ 8,530	$ (1,634)	$ (163,466)	$ 143,119
Transactions in nine-month period ended September 30, 2021								
Net income	—	—	—	—	—	—	(25,969)	(25,969)
Exercise of stock options (note 7)	41,788	84	—	—	(41)	—	—	43
Private Placement (note 7)	—	—	910,746	4,920	—	—	—	4,920
Share-based compensation (note 7)	—	—	—	—	5,304	—	—	5,304
Balance as of September 30, 2021	29,869,785	$ 251,766	12,327,780	$ 52,927	$ 13,793	$ (1,634)	$ (189,435)	$ 127,417

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

Milestone Pharmaceuticals Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Nine months ended September 30,	
	2021	**2020**
Cash flows used in operating activities		
Net loss	$ (25,969)	$ (41,301)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	70	72
Share-based compensation expense (note 7)	5,304	3,515
Changes in operating assets and liabilities:		
Other receivables	134	75
Research and development tax credits receivable	450	(244)
Prepaid expenses	(540)	(1,659)
Operating lease assets and liabilities	25	(83)
Accounts payable and accrued liabilities	(321)	(2,350)
Net cash used in operating activities	(20,847)	(41,975)
Cash provided by (used in) investing activities		
Acquisition of short-term investments	(15,000)	(60,000)
Redemption of short-term investments	70,000	4,000
Net cash provided by (used in) investing activities	55,000	(56,000)
Cash provided by financing activities		
Proceeds from exercise of options (note 7)	43	297
Proceeds from issuance of pre-funded warrants, net of issuance cost (note 6)	4,920	24,770
Cash provided by financing activities	4,963	25,067
Net increase (decrease) in cash and cash equivalents	39,116	(72,908)
Cash and cash equivalents – Beginning of period	72,310	119,818
Cash and cash equivalents – End of period	$ 111,426	$ 46,910

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

Milestone Pharmaceuticals Inc.
Notes to Condensed Consolidated Financial Statements
For The Three and Nine Months Ended September 30, 2021 and 2020 (Unaudited)
(in thousands, except where noted and for share and per share data)

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 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 administered by patients. The Company is developing etripamil to treat paroxysmal supraventricular tachycardia, atrial fibrillation, and other cardiovascular indications.

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. All intercompany transactions and balances have been eliminated.

b) Basis of presentation and use of accounting estimates and significant accounting policies

These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and on a basis consistent with those accounting principles followed by the Company and disclosed in note 2 of its most recent annual consolidated financial statements. Certain information, in particular the accompanying notes normally included in the annual financial statements prepared in accordance with US GAAP have been omitted or condensed. Accordingly, the unaudited interim condensed consolidated financial statements do not include all the information required for full annual financial statements, and therefore, should be read in conjunction with the annual consolidated financial statements and the notes thereto for the year ended December 31, 2020.

In the opinion of the Company's management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of its balance sheet as of September 30, 2021, and its statements of loss, shareholders' equity for the three and nine months ended September 30, 2021 and 2020 and its statement of cash flows for the nine months ended September 30, 2021.

The condensed consolidated balance sheet as of December 31, 2020, was derived from audited annual consolidated financial statements, but does not contain all the footnote disclosures required by accounting principles generally accepted in the United States of America.

These unaudited interim condensed consolidated financial statements are presented in US dollars, which is the Company's functional currency.

The preparation of unaudited interim condensed consolidated financial statements 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 unaudited interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the period. 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, progress of activities performed by the Contract Resource Organizations (CROs) and Contract Manufacturing Organizations (CMOs) which are used to calculate the research and development expense incurred, and share-based compensation. Accordingly, actual results may differ from those estimates and such differences may be material.

Milestone Pharmaceuticals Inc.
Notes to Condensed Consolidated Financial Statements
For The Three and Nine Months Ended September 30, 2021 and 2020 (Unaudited)
(in thousands, except where noted and for share and per share data)

The Company's significant accounting policies are described in Note 2—Summary of Significant Accounting Policies, in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020. There has been no material change to the significant accounting policies during the nine months ended September 30, 2021, except for the addition of the new policies described below.

Collaborative Arrangements

The Company considers the nature and contractual terms of arrangements and assesses whether an arrangement involves a joint operating activity pursuant to which the Company is an active participant and is exposed to significant risks and rewards dependent on the commercial success of the activity. If the Company is an active participant and is exposed to significant risks and rewards dependent on the commercial success of the activity, the Company accounts for such an arrangement as a collaborative arrangement under Accounting Standards Codification (ASC) 808, Collaborative Arrangements (ASC 808), which requires that certain transactions between the Company and collaborators be recorded in its consolidated statements of comprehensive loss on either a gross basis or net basis, depending on the characteristics of the collaborative relationship, and requires enhanced disclosure of collaborative relationships. The Company evaluates its collaboration agreements for proper classification in its consolidated statements of comprehensive loss based on the nature of the underlying activity. If payments to and from collaborative partners are not within the scope of other authoritative accounting literature, the consolidated statements of loss classification for the payments is based on a reasonable, rational analogy to authoritative accounting literature that is applied in a consistent manner. If the Company concludes that it has a customer relationship with one of its collaborators, the Company follows the guidance in Accounting Standards Codification (ASC) Topic 606, Revenue From Contracts With Customers (ASC 606).

Please refer to note 3, "Revenue" for additional details regarding the Company's License and Collaboration Agreement (the License Agreement) with Ji Xing Pharmaceuticals, Limited (Ji Xing).

Revenue from Contracts with Customers

In accordance with ASC 606, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for these goods and services. To achieve this core principle, the Company applies the following five steps: 1) identify the customer contract; 2) identify the contract's performance obligations; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when or as a performance obligation is satisfied. The Company evaluates all promised goods and services within a customer contract and determines which of such goods and services are separate performance obligations. This evaluation includes an assessment of whether the good or service is capable of being distinct and whether the good or service is separable from other promises in the contract. In assessing whether promised goods or services in licensing arrangements are distinct, the Company considers factors such as the stage of development of the underlying intellectual property and the capabilities of the customer to develop the intellectual property on their own or whether the required expertise is readily available. Licensing arrangements are analyzed to determine whether the promised goods or services, which often include licenses, research and development services and governance committee services, are distinct or whether they must be accounted for as part of a combined performance obligation. If the license is considered not to be distinct, the license would then be combined with other promised goods or services as a combined performance obligation. If the Company is involved in a governance committee, it assesses whether its involvement constitutes a separate performance obligation. When governance committee services are determined to be separate performance obligations, the Company determines the fair value to be allocated to this promised service. Certain contracts contain optional and additional items, which are considered marketing offers and are accounted for as separate contracts with the customer if such option is elected by the customer, unless the option provides a material right which would not be provided without entering into the contract. An option that is considered a material right is accounted for as a separate performance obligation. The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods and services to the customer. A contract may contain variable consideration, including potential payments for both milestone and research and development services. For certain potential milestone payments, the Company estimates the amount of variable consideration by using the most

likely amount method. In making this assessment, the Company evaluates factors such as the clinical, regulatory, commercial and other risks that must be overcome to achieve the milestone. Each reporting period the Company re-evaluates the probability of achievement of such variable consideration and any related constraints. Milestone will include variable consideration, without constraint, in the transaction price to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price among the performance obligations on a relative standalone selling price basis unless a portion of the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation.

The Company allocates the transaction price based on the estimated standalone selling price of the underlying performance obligations or in the case of certain variable consideration to one or more performance obligations. The Company must develop assumptions that require judgment to determine the stand-alone selling price for each performance obligation identified in the contract. The Company utilizes key assumptions to determine the stand-alone selling price, which may include other comparable transactions, pricing considered in negotiating the transaction and the estimated costs to complete the respective performance obligation. Certain variable consideration is allocated specifically to one or more performance obligations in a contract when the terms of the variable consideration relate to the satisfaction of the performance obligation and the resulting amounts allocated to each performance obligation are consistent with the amount the Company would expect to receive for each performance obligation.

When a performance obligation is satisfied, revenue is recognized for the amount of the transaction price, excluding estimates of variable consideration that are constrained, that is allocated to that performance obligation on a relative standalone selling price basis. Significant management judgment is required in determining the level of effort required under an arrangement and the period over which the Company is expected to complete its performance obligations under an arrangement.

For performance obligations consisting of licenses and other promises, the Company utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non- refundable, up-front fees. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition. If the license to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company will recognize revenue from non-refundable, up-front fees allocated to the license at the point in time when the license is transferred to the customer and the customer is able to use and benefit from the license.

c) Significant Risks and Uncertainties

The COVID-19 pandemic has had an impact on our business, operations and clinical development timelines. Government orders and restrictions in order to control the spread of the disease have impacted patient recruitment, enrollment and follow-up visits at clinical sites. With the global spread of the ongoing COVID-19 pandemic, the Company has implemented business continuity plans designed to address and mitigate the impact of the COVID-19 pandemic on its business. The Company anticipates that the COVID-19 pandemic will continue to have an impact on the development timelines for its clinical programs. The extent to which the COVID-19 pandemic continues to impact its business, its clinical development and regulatory efforts, its corporate development objectives and the value of and market for its common shares will depend on future developments that remain highly uncertain and cannot be predicted with confidence at this time, such as the evolution of new variants, the ultimate duration of the pandemic, travel restrictions, quarantines, social distancing and business closure requirements in the U.S., Europe and other countries, and the effectiveness of actions

taken globally to contain and treat the disease. The global economic slowdown, the overall disruption of global healthcare systems and the other risks and uncertainties associated with the pandemic could have a material adverse effect on the Company's business, financial condition, results of operations and growth prospects.

In addition, the Company is subject to other challenges and risks specific to its business and its ability to execute on its strategy, as well as risks and uncertainties common to companies in the pharmaceutical industry, including, without limitation, risks and uncertainties associated with: obtaining regulatory approval of its product candidate; delays or problems in the supply of its study drug or failure to comply with manufacturing regulations; identifying, acquiring or in-licensing product candidates; pharmaceutical product development and the inherent uncertainty of clinical success; and the challenges of protecting and enhancing its intellectual property rights; and complying with applicable regulatory requirements.

d) Recent Accounting Pronouncements

The Company has considered recent accounting pronouncements and concluded that they are either not applicable to the business or that the effect is not expected to be material to the unaudited condensed consolidated financial statements as a result of future adoption.

e) Sources of Liquidity and Funding Requirements

The Company has incurred operating losses and has experienced negative operating cash flows since its inception with the and anticipates to continue to incur losses for at least the next several years. As of September 30, 2021, the Company had cash, cash equivalents and short-term investments of $126.4 million and an accumulated deficit of $189.4 million.

On May 15, 2021, the Company entered into the License Agreement with Ji Xing, which is an entity affiliated with RTW Investments, LP, (RTW) a beneficial owner of approximately 14% of the Company's common shares. Under the License Agreement, the Company granted Ji Xing exclusive development and commercialization rights to any pharmaceutical product that uses a device to deliver the Company's proprietary calcium channel blocker known as etripamil by nasal spray for all prophylactic and therapeutic uses in humans in the following territories: People's Republic of China, including mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan (the Territory). Ji Xing will be responsible for development and regulatory activities in the Territory, and the Company will remain responsible for certain manufacturing activities in the Territory, subject to the supply agreement subsequently entered into by the Company and Ji Xing as contemplated by the License Agreement (the Supply Agreement). The Company received a non-refundable upfront cash payment of $15 million (see note 3) and the right to future payments of up to $107.5 million in total development and sales milestone payments. In addition, the Company is entitled to receive tiered royalty payments ranging from a percentage in the low double digits to the high double digits of Net Sales (as defined in the License Agreement) of all products sold in the Territory.

Milestone Pharmaceuticals Inc.
Notes to Condensed Consolidated Financial Statements
For The Three and Nine Months Ended September 30, 2021 and 2020 (Unaudited)
(in thousands, except where noted and for share and per share data)

3 Revenue

General

To date, the Company has not generated revenue from product sales. During the nine months ended September 30, 2021, the Company recognized collaboration revenue of $15 million, in the form of a non-refundable upfront cash payment in connection with the License Agreement, explained in more detail below.

In addition to the $15 million of non-refundable upfront cash payments already received, the Company has the potential to earn the following additional future milestone payments:

	Development Milestones	Sales Milestones
Ji Xing License and Collaboration Agreement	$ 15,500	$ 92,000
Total Potential Milestone Payments	$ 15,500	$ 92,000

Strategic partnerships

Ji Xing

Pursuant to the License Agreement, the Company granted Ji Xing exclusive development and commercialization rights to any pharmaceutical product that uses a device to deliver the Company's proprietary calcium channel blocker known as etripamil by nasal spray for all prophylactic and therapeutic uses in humans in the Territory.

Ji Xing will be responsible for development and regulatory activities in the Territory, and the Company will remain responsible for certain manufacturing activities in the Territory, subject to the Supply Agreement.

Milestone received a non-refundable upfront cash payment consisting of $15 million, and the right to receive up to $107.5 million in future milestone payments and royalties on any sales of etripamil in the Territory.

Management evaluated all of the promised goods or services within the contract and determined which such goods and services were separate performance obligations. The Company determined that the license granted was a separate performance obligation as Ji Xing can benefit from the license granted on its own after the transfer of the license, as it does not require any significant development, regulatory or commercialization activities from Milestone. Ji Xing is responsible for all development, regulatory and commercialization activities in the Territory, including the performance of clinical trials necessary for regulatory approval, and is responsible for all such related costs. Supply of the product can be provided by another entity, as Milestone currently uses a CMO for the production of etripamil without subsequent significant modification or customization by the Company, therefore the Company determined the obligation to supply product is a separate and distinct obligation. The Company concluded that the obligation for participation on the various governance committees was distinct as the services could be performed by an outside party, however it was determined to be immaterial after estimating the stand alone cost compared to the License Agreement as a whole. As a result, the Company concluded there were two material and distinct performance obligations to account for under ASC 606 at the inception of the License Agreement.

The Company determined that the transaction price consists of the $15 million non-refundable upfront cash payment and the constrained variable consideration of the development milestone payments. As the development milestones are contingent on occurrences out of the direct control of the Company, the estimate of the variable consideration is $0. Variable constraint does not apply to sales- or usage-based royalties derived from the licensing of Intellectual property; rather, consideration from such royalties is only recognized as revenue at the later of when the performance obligation is satisfied or when the uncertainty is resolved (e.g., when subsequent sales or usage occurs), therefore the sales and royalty milestones are not included in the transaction price. The Company will re-evaluate the transaction price at the end of each

(in thousands, except where noted and for share and per share data)

reporting period and as uncertain events are resolved, or other changes in circumstances occur, adjust its estimate of the transaction price if necessary. As of September 30, 2021, the Company has recognized the non-refundable upfront payment as collaboration revenue, for the reasons described in the preceding paragraph.

Concurrent with the License Agreement, Ji Xing acquired $5 million of pre-funded warrants (see note 6). The Company considered whether this equity investment should be evaluated as part of the transaction price, and concluded that as the fair value of the company's common shares on a per share basis was equal to the fair value of the pre-funded warrants at the date of the investment, there was no premium or discount on the shares that should be allocated and included in the transaction price. The Company accounted for the issuance of pre-funded warrants as equity and included in basic and diluted loss per share in the accompanying financial statements. See note 6 for additional details.

For any future subsequent purchases of product pursuant to the Supply Agreement, each order will be accounted for as a separate purchase and the order price will be allocated to the products based on the standalone selling price of the products. Under this methodology, the order price will be allocated to the single performance obligation to supply the products. As Milestone has not previously licensed a product for a territory, the residual approach was used by deducting the estimated stand-alone selling price of the other obligations from the total transaction price to determine the stand-alone selling price of the remaining goods and services, which consisted of the transfer of intellectual property pursuant to the license. Therefore, the remaining transaction price of $15 million was allocated to the technology transfer and recognized at a point in time when the technology has been transferred. The technology transfer was completed on June 22, 2021, and the $15 million was recognized at that point in time as collaboration revenue in the related statement of comprehensive loss.

4 Short-term investments

Short-term investments are comprised of term deposits issued in US currency. These short-term investments are in scope of ASC 320, Investments - Debt Securities, since the short-term investments maturity is greater than 90 days but less than one year, they are classified as held to maturity, recorded as current assets and are accounted for at amortized cost.

5 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised of the following:

	September 30, 2021	December 31, 2020
Trade accounts payable	$ 4,200	$ 4,641
Accrued compensation and benefits payable	1,016	957
Accrued research and development liabilities	38	152
Other accrued liabilities	339	164
	$ 5,593	$ 5,914

6 Shareholders' equity

Authorized share capital

The Company has authorized and issued common shares, voting and participating, without par value, of which unlimited shares were authorized and 29,869,785 shares were issued and outstanding as of September 30, 2021.

As of September 30, 2021, there were 822,100 common shares available for issuance under the Employee Stock Purchase Plans and no common shares have been issued under such plan.

Additional paid-in capital

Milestone Pharmaceuticals Inc.
Notes to Condensed Consolidated Financial Statements
For The Three and Nine Months Ended September 30, 2021 and 2020 (Unaudited)
(in thousands, except where noted and for share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Opening balance	$ 11,795	$ 5,795	$ 8,530	$ 3,805
Share-based compensation expense	2,024	1,343	5,304	3,515
Exercise of stock options	(26)	(34)	(41)	(216)
Closing balance	$ 13,793	$ 7,104	$ 13,793	$ 7,104

Pre-funded warrants

On May 15, 2021, the Company entered into a securities purchase agreement to sell and issue in a private placement pre-funded warrants to purchase up to 910,746 of the Company's common shares, at a purchase price of $5.48 per pre-funded warrant pursuant to the License Agreement for aggregate net proceeds of $4.9 million (the Private Placement). The Private Placement closed on May 21, 2021. Each pre-funded warrant is exercisable for one of the Company's common shares at an exercise price of $0.01 per share, has no expiration date, and is immediately exercisable, subject to certain beneficial ownership limitations. The pre-funded warrants are classified and accounted for as equity.

7 Share Based Compensation

Under the Company's 2019 Equity Incentive Plan (the 2019 Plan) and the Company's Stock Option Plan (the 2011 Plan), unless otherwise decided by the Board of Directors, options vest and are exercisable as follows: 25% vest and are exercisable on the one year anniversary of the grant date and one thirty-sixth ($1/36^{th}$) of the remaining options vest and are exercisable each month thereafter, such that options are vested in full on four-year anniversary of the grant date.

On January 1, 2021, the number of the Company's common shares reserved for issuance under the 2019 Plan increased by 1,193,119 common shares. In addition, 72,186 options have been forfeited under the 2011 Plan after adoption of the 2019 Plan and became available for issuance under the 2019 Plan. As of September 30, 2021, there were 4,566,467 shares available for issuance under the 2019 Plan, of which 806,126 shares were available for future grants.

The total outstanding and exercisable options from the 2011 Plan and 2019 Plan as of September 30 were as follows:

	2021				2020			
	Number of shares			Weighted average exercise price	Number of shares			Weighted average exercise price
	2019 Plan	2011 Plan	Total		2019 Plan	2011 Plan	Total	
Outstanding at beginning of year - 2011 Plan	—	2,080,087	2,080,087	$ 2.15	—	2,364,526	2,364,526	$ 2.15
Outstanding at beginning of year - 2019 Plan	1,706,190	—	1,706,190	13.55	220,140	—	220,140	20.78
Granted - 2019 Plan	2,065,200	—	2,065,200	6.24	1,474,460	—	1,474,460	12.91
Exercised - 2011 Plan	—	(40,538)	(40,538)	0.97	—	(221,252)	(221,252)	1.34
Exercised - 2019 Plan	(1,250)	—	(1,250)	3.74	—	—	—	—
Forfeited - 2011 Plan	—	—	—	—	—	(28,478)	(28,478)	2.57
Forfeited - 2019 Plan	(13,882)	—	(13,882)	12.81	(37,913)	—	(37,913)	21.46
Cancelled - 2019 Plan	(1,167)	—	(1,167)	21.48	(2,997)	—	(2,997)	21.48
Outstanding at end of period	3,755,091	2,039,549	5,794,640	$ 6.94	1,653,690	2,114,796	3,768,486	$ 7.30
Outstanding at end of period - Weighted average exercise price	$ 9.53	$ 2.18			$ 13.78	$ 2.23		
Exercisable at end of period	938,433	1,764,146	2,702,579	$ 5.39	155,501	1,445,244	1,600,745	$ 2.77
Exercisable at end of period - Weighted average exercise price	$ 11.61	$ 2.08			$ 10.11	$ 1.99		

Milestone Pharmaceuticals Inc.
Notes to Condensed Consolidated Financial Statements
For The Three and Nine Months Ended September 30, 2021 and 2020 (Unaudited)
(in thousands, except where noted and for share and per share data)

The weighted average remaining contractual life was 8.0 and 8.2 years for outstanding options as of September 30, 2021 and 2020, respectively. The weighted average remaining contractual life was 6.9 and 7.2 years for vested options, as of September 30, 2021 and 2020, respectively.

There was $17,318 and $17,847 total unrecognized compensation cost related to non-vested share options as of September 30, 2021 and 2020, respectively. The share options are expected to be recognized over a remaining weighted average vesting period of 2.6 years and 2.4 years as of September 30, 2021 and 2020, respectively.

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' equity.

The non-vested options as of September 30 were as follows:

	2021				2020			
	Number of options			Weighted average	Number of options			Weighted average
	2019 Plan	2011 Plan	Total	fair value	2019 Plan	2011 Plan	Total	fair value
Non-vested share options at beginning of year - 2011 Plan	—	543,192	543,192	$ 1.81	—	1,152,300	1,152,300	$ 1.88
Non-vested share options at beginning of year - 2019 Plan	1,438,026	—	1,438,026	$ 10.28	218,975	—	218,975	$ 14.44
Granted - 2019 Plan	2,065,200	—	2,065,200	4.71	1,471,463	—	1,471,463	9.13
Vested, outstanding 2011 Plan	—	(267,789)	(267,789)	1.64	—	(454,270)	(454,270)	1.87
Vested, outstanding 2019 Plan	(672,686)	—	(672,686)	9.17	(154,336)	—	(154,336)	6.99
Forfeited - 2011 Plan	—	—	—	—	—	(28,478)	(28,478)	1.84
Forfeited - 2019 Plan	(13,882)	—	(13,882)	9.18	(37,913)	—	(37,913)	15.21
Non-vested share options at end of period	2,816,658	275,403	3,092,061	$ 6.07	1,498,189	669,552	2,167,741	$ 7.48
Non-vested share options at end of period - Weighted average fair value	$ 6.47	$ 1.98			$ 9.97	$ 1.90		

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:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Exercise price	$ 5.96	$ —	$ 6.24	$ 12.91
Share price	$ 5.96	$ —	$ 6.24	$ 12.91
Volatility	94 %	— %	94 %	84 %
Risk-free interest rate	0.94 %	— %	1.04 %	1.06 %
Expected life	6.08	—	6.01	5.89
Dividend	0 %	— %	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 U.S. 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.

Milestone Pharmaceuticals Inc.
Notes to Condensed Consolidated Financial Statements
For The Three and Nine Months Ended September 30, 2021 and 2020 (Unaudited)
(in thousands, except where noted and for share and per share data)

The Company recognized share-based compensation expense as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Administration	$ 863	$ 525	$ 2,186	$ 1,367
Research and development	821	580	2,226	1,495
Commercial activities	340	238	892	653
	$ 2,024	$ 1,343	$ 5,304	$ 3,515

7 Net loss per share

Basic net loss per common share is determined by dividing net loss applicable to common shareholders by the weighted average number of common shares and pre-funded warrants outstanding during the period.

For the three months and the nine months ended September 30, 2021 and 2020, the Company was in a net loss position. Dilutive net loss per common share is determined by dividing net loss applicable to common shareholders by the weighted average number of common shares and shares issuable upon exercise of pre-funded warrants outstanding during the period. The following potentially dilutive securities have been excluded from the computation of diluted weighted average shares outstanding as of September 30 as they would be anti-dilutive:

	2021	2020
Share options	5,794,640	3,768,486

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following information should be read in conjunction with the unaudited financial information and the notes thereto included in this Quarterly Report on Form 10-Q and the audited financial information and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the Securities and Exchange Commission, or SEC, on March 29, 2021. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in "Risk Factors" and in other parts of this Quarterly Report on Form 10-Q.

Overview

We are a biopharmaceutical company focused on the development and commercialization of innovative cardiovascular medicines. Our lead product candidate etripamil is a novel, potent and short-acting calcium channel blocker that we designed as a rapid-onset nasal spray to be self-administered by patients. We are developing etripamil to treat paroxysmal supraventricular tachycardia, or PSVT, atrial fibrillation with rapid ventricular rate, or AFib-RVR, and other cardiovascular indications.

Etripamil - Pivotal Clinical Program in PSVT

PSVT is a rapid heart rate condition characterized by episodes of supraventricular tachycardia, or SVT, that start and stop without warning. Episodes of SVT are often experienced by patients with symptoms including palpitations, sweating, chest pressure or pain, shortness of breath, sudden onset of fatigue, lightheadedness or dizziness, fainting and anxiety. Calcium channel blockers have long been approved for the treatment of PSVT as well as other cardiac conditions. Calcium channel blockers available in oral form are frequently used prophylactically to control the frequency and duration of future episodes of SVT. For treatment of episodes of SVT, approved calcium channel blockers are administered intravenously under medical supervision, usually in the emergency department. The combination of convenient nasal-spray delivery, rapid-onset and short duration of action of etripamil has the potential to shift the current treatment paradigm for episodes of SVT away from the burdensome and costly emergency department setting. If approved, we believe that etripamil will be the first self-administered therapy for the rapid termination of episodes of SVT wherever and whenever they occur.

In March 2020, we reported topline results of the first part of the NODE-301 pivotal trial of etripamil for the treatment of PSVT, which is a placebo-controlled Phase 3 safety and efficacy trial. The first part of NODE-301, which enrolled a total of 431 patients across 65 sites in the United States and Canada, did not meet its primary endpoint of time to conversion of SVT to sinus rhythm compared to placebo over the five hour period in which patients wore a cardiac monitor following study drug administration.

In July 2020, we announced that we received guidance from the U.S. Food and Drug Administration, or FDA, on our proposal to alter the size and design of our ongoing RAPID trial as well as the overall program based on the data from the NODE-301 trial. The FDA indicated that the two trials, the RAPID trial and the completed NODE-301 trial, could potentially fulfill the efficacy requirement for our planned NDA for etripamil in patients with PSVT.

Under an updated statistical analysis plan, or SAP, the primary efficacy endpoint for both the RAPID and NODE-301 trials will be defined as time to conversion over the first 30 minutes, with a target p-value of less than 0.05 for each trial. This endpoint supports the desire of patients to rapidly address their PSVT symptoms during an episode and ideally avoid visiting the emergency department. Later and earlier time points will also be assessed as part of secondary analyses to fully characterize the efficacy profile of etripamil.

When employing the updated SAP retrospectively to the NODE-301 data, the analysis results in 54% of etripamil patients vs. 35% of placebo patients converted within 30 minutes (HR 1.87, p=0.02). We also discussed the clinical benefit of 54% conversion rate with the FDA. We believe, based on interactions with PSVT treating physicians and cardiovascular thought leaders, that a 50% conversion rate within 60 minutes is a clinically-meaningful outcome given the symptomatic nature of SVT episodes and the lack of approved at-home treatments.

Based on discussions with the FDA regarding maximizing the treatment effect of etripamil, the RAPID trial will allow for repeat administration of study drug (either 70 mg of etripamil or placebo) for patients who have not experienced symptom relief within ten minutes of the first study drug administration. This repeat dose regimen, which is similar to current PSVT treatment practices in the emergency department setting, is tailored to the pharmacokinetic profile of etripamil to deliver increased exposure over approximately the first 30 minutes following initial administration. We expect that the repeat administration could benefit a broader group of patients, including those with more persistent episodes.

The RAPID study, which was originally designed to collect double-blind data from randomized patients who had not yet experienced an SVT event after the NODE-301 study reached its target number of adjudicated SVT events, will be amended and expanded to serve as a pivotal efficacy and safety study should the RAPID study meet its primary objective. The study will include the 170 patients who are already enrolled, although many of those patients have been enrolled in the study for more than one year without reporting an SVT event. The study will be completed after a total of 180 confirmed SVT events are reached, including those that have already occurred in the study. Additional patients to be enrolled in the RAPID study will be randomized 1:1.

The FDA agreed that the single and repeat administrations of etripamil could be pooled and compared to placebo for the primary analysis, resulting in no increase in the study's sample size.

We initiated the RAPID study in the second half of 2020 and enrolled the first new patient in November of 2020. In the fourth quarter of 2020, we took initiatives to increase the number of clinical trial sites in North America but also planned for more clinical sites in European countries to diversify and better protect the study recruitment against COVID's geographical resurgences. The majority of planned clinical trial sites in Europe have been initiated and we plan to activate new clinical trial sites as new sites are identified and as local regulatory and institutional review board approvals are obtained. We continue to monitor enrollment as well as new clinical site activations and expect to report topline data in the second half of 2022.

Etripamil - Safety Studies in PSVT

NODE-302 is our Phase 3 open-label safety extension of the NODE-301 trial. Patients who completed NODE-301 could enroll in NODE-302 and receive up to an additional 11 doses of etripamil. NODE-302 is a multi- center, open label study designed to evaluate the safety of etripamil nasal spray when self-administered by patients without medical supervision for spontaneous episodes of SVT in an outpatient setting. Eligibility was also contingent on satisfying all inclusion and exclusion criteria, including not experiencing a serious adverse event related to the study drug or the study procedure that precludes the self-administration of etripamil. We completed NODE-302 in late 2020 with a data set of 245 episodes with 105 patients dosed at least once out of 169 patients enrolled. Trial results will contribute to the etripamil NDA safety database.

NODE-303 is a Phase 3, multi-center, open-label safety trial, evaluating the safety of etripamil when self-administered without medical supervision, and evaluating the treatment safety and efficacy of etripamil on multiple SVT episodes. We originally designed this trial to enroll enough patients to collect data on 1,000 patients taking etripamil in an at-home setting. With the expanded size of the RAPID trial, we expect the size of the NODE-303 study to be reduced. We will determine a more accurate sizing of the trial following future discussions with the FDA and other regulatory authorities. Based on a review of the NODE-301 safety data available in June 2019, the FDA and multiple European and Latin American regulatory authorities agreed to allow patient enrollment in NODE-303 without an in-office safety test dose, which is required in the NODE-301 trial, and in a broad patient population including patients taking concomitant beta blockers and calcium channel blockers. In a manner similar to that used in starting NODE-303 based on safety data from the NODE-301 trial, we have engaged in discussion with the FDA about introducing, in NODE-303, the etripamil repeat

dose regimen (70 mg etripamil administered ten minutes after the initial dose if symptoms persist) currently used in RAPID. Based on a review of the RAPID safety data available until March 2021, the FDA has agreed to allow future patients enrolled in NODE-303 to utilize the repeat dose regimen. We are in the process of implementing the repeat dose regimen in the study.

We have initiated and continue to expand patient access programs that have as their primary objective providing further access to etripamil to patients who have participated in the clinical development registration trials to treat future SVT episodes. These programs are tailored to meet the regulatory requirements in the territories in which the clinical sites are located.

Etripamil: Atrial Fibrillation with Rapid Ventricular Rate

As with PSVT, calcium channel blockers are also approved for use in intravenous form for the treatment of some episodes of atrial fibrillation in which patients experience rapid ventricular rates. We began enrollment in a Phase 2 proof-of-concept clinical trial, titled ReVeRA, in the first quarter of 2021 to evaluate the ability of etripamil to reduce ventricular rate in AFib-RVR episodes. The Phase 2 double blind, placebo controlled, proof-of-concept study is being conducted in Canada in collaboration with the Montreal Heart Institute and other research centers, and is expected to enroll approximately 50 patients randomized 1:1 to receive either 70 mg of etripamil nasal spray or placebo. The primary endpoint will assess reduction in ventricular rate, with key secondary endpoints including the time to achieve the maximum reduction in rate and the duration of the effect. The trial is being conducted in the hospital or emergency department setting under medical supervision. Due to the intricacies involved in recruiting and executing a study of this type in the emergency department setting, we expect this study to have a relatively lengthy recruitment timeline and anticipate reporting data from this study following disclosure of top line results of the RAPID trial.

Operations Overview

Since the commencement of our operations in 2003, we have devoted substantially all of our resources to performing research and development activities in support of our product development efforts, hiring personnel, raising capital to support and expand such activities, providing general and administrative support for these operations and, more recently preparing for commercialization. We operate our business using a significant outsourcing model. As such, our team is composed of a relatively smaller core of employees who direct a significantly larger number of team members who are outsourced in the forms of vendors and consultants to enable execution of our operational plans. We do not currently have any products approved for sale, and we continue to incur significant research and development and general administrative expenses related to our operations.

We had net loss of $14.3 million in the three months ended September 30, 2021 and a net loss of $26.0 million for the nine months ended September 30, 2021, we have incurred significant operating losses since our inception. As of September 30, 2021, we had an accumulated deficit of $189.4 million. We expect to continue to incur significant losses for the foreseeable future. We anticipate that a substantial portion of our capital resources and efforts in the foreseeable future will be focused on completing the necessary development activities required for obtaining regulatory approval and preparing for potential commercialization of our product candidates. We had $126.4 million of cash, cash equivalents and short-term investments at September 30, 2021.

We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. Our net losses may fluctuate significantly from period to period, depending on the timing of our planned clinical trials and expenditures on other research and development activities, as well as completion of milestones related to the License Agreement. We expect our expenses will increase substantially over time as we:

- continue our ongoing and planned development of etripamil, including our Phase 3 clinical trials of etripamil for the treatment of PSVT and our Phase 2 proof-of-concept clinical trial of etripamil for the treatment of AFib-RVR;

- seek marketing approvals for etripamil for the treatment of PSVT, AFib-RVR and other cardiovascular indications;

- establish a sales, marketing, manufacturing and distribution capability, either directly or indirectly through third parties, to commercialize etripamil or any future product candidate for which we may obtain marketing approval;
- build a portfolio of product candidates through development, or the acquisition or in-license of drugs, product candidates or technologies;
- initiate preclinical studies and clinical trials for etripamil for any additional indications we may pursue, including the clinical trials for the treatment of atrial fibrillation with rapid ventricular rate as well as other areas of unmet medical need, and for any additional product candidates that we may pursue in the future;
- maintain, protect and expand our intellectual property portfolio;
- hire additional clinical, regulatory and scientific personnel;
- add operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts; and
- incur additional legal, accounting, insurance and other expenses associated with operating as a public company.

COVID-19 Business Update

The global economic slowdown, the overall disruption of global healthcare systems and the other risks and uncertainties associated with the pandemic could have a material adverse effect on our business, financial condition, results of operations and growth prospects. Our global workforce is utilizing a hybrid remote and office based model and this adjustment may adversely impact our business (see below for discussion on Clinical Development impacts). In addition, working at home policies could increase cybersecurity risk and communication disruptions. Governments have also implemented and continually adjusted restrictions as the spread and severity of the COVID-19 virus has impacted their territories. We continue to closely monitor the COVID-19 situation as we evolve our business continuity plans and response strategy.

Clinical Development

With respect to clinical development, we have taken measures to maintain patient safety and trial continuity and to preserve study integrity. For our clinical development programs, we have experienced disruptions or delays in our ability to initiate trial sites and enroll and assess patients, and such disruptions or delays may continue. Since the filing of our Annual Report on Form 10-K, the COVID-19 pandemic continues to impact patient enrollment rates in all of our clinical studies. While COVID resurgences around the world impact different geographies and clinical sites to varying degrees and at different times, the PSVT clinical program average overall enrollment rate has stabilized in 2021. During the first three quarters of 2021, the COVID-19 pandemic delayed the initiation of many proposed RAPID clinical trial sites as some health care institutions prioritized their resources for pandemic related activities with some precluding the initiation of new clinical trials or conduct of existing trials. It also delayed the initiation of enrollment for our ReVeRA trial of etripamil for AFib-RVR performed in the acute care hospital setting in Quebec, Canada, due to closures of clinical sites as well as to the increased stress that COVID-19 places on Emergency Departments logistics and staff. Given the uncertainty and differing and evolving restrictions applicable to clinical trial sites and participants, additional disruptions and delays are possible. We will continue to monitor the impact of COVID-19 on our planned clinical sites and patient enrollment activities. We could also see an impact on the ability to supply study drug, report trial results, or interact with regulators, ethics committees or other important agencies due to limitations in regulatory authority employee resources or otherwise. In addition, we rely on contract research organizations or other third parties to assist us with clinical trials, and we cannot guarantee that they will continue to perform their contractual duties in a timely and satisfactory manner as a result of the COVID-19 pandemic. If the COVID-19 pandemic continues and persists for an extended period of time, and if phased reopenings stall or are limited due to continued spread of COVID-19, including variants, we could experience further

significant disruptions to our clinical development timelines, which would adversely affect our business, financial condition, results of operations and growth prospects.

Corporate Development

On May 15, 2021, we entered into the License Agreement with Ji Xing Pharmaceuticals, Limited, or Ji Xing, which is an entity affiliated with RTW Investments, LP, or RTW, a beneficial owner of approximately 14% of our common shares. Under the Agreement, that we granted Ji Xing exclusive development and commercialization rights to any pharmaceutical product that uses a device to deliver our proprietary calcium channel blocker known as etripamil by nasal spray for all prophylactic and therapeutic uses in humans, or the Field, in the following territories: People's Republic of China, including mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan, or the Territory. Ji Xing will be responsible for development and regulatory activities in the Territory, and we will remain responsible for certain manufacturing activities in the Territory, subject to our and Ji Xing's entry into a supply agreement as contemplated by the License Agreement. We have formed a Joint Steering Committee to oversee the collaboration and have formed working teams which are progressing the development activities specific to the regulatory needs for the collaboration's territories. We received an upfront cash payment of $15 million and in the future could receive up to $107.5 million in total development and sales milestone payments. In addition, we will receive tiered royalty payments ranging from a percentage in the low double digits to the high double digits of Net Sales (as defined in the License Agreement) of all products sold in the Territory.

We continued to focus our efforts on the development of etripamil PSVT program, and have expanded our development activities with respect to our etripamil AFib-RVR program. We continue to explore regional strategic patnerships for etripamil and our existing programs as we endeavor to expand access for etripamil beyond our home territory of North America.

Additionally, we seek to maximize our commercial opportunities by acquiring or in-licensing product candidates for indications with significant unmet need with a focus on novel treatments for cardiovascular conditions.

Our operating plan may further change as a result of many factors currently unknown to us, and we may need to seek additional funds sooner than planned, through public or private equity or debt financings, third-party funding, marketing and distribution arrangements, as well as other collaborations, strategic alliances and licensing arrangements, or any combination of these approaches. Furthermore, the COVID-19 pandemic continues to evolve and has resulted in a significant disruption of global financial markets. It is not possible to reliably estimate the length and severity of this disruption. If the disruption persists and deepens, we could experience an inability to access additional capital, which could in the future negatively affect our operations.

Other Financial and Corporate Impacts

While we expect the COVID-19 pandemic to continue to affect our business operations and financial results, the extent of the impact on our clinical development and regulatory efforts, our corporate development objectives and the value of and market for our common shares, will depend on future developments that are highly uncertain and cannot be predicted with confidence at this time, such as the ultimate duration of the pandemic, travel restrictions, quarantines, social distancing and business closure requirements in the United States, Canada, Europe and other countries, and the effectiveness of actions taken globally to contain and treat the disease.

Components of Results of Operations

Revenues

We have not generated any revenues from product sales to date and we do not expect to generate revenues from product sales in the near future. Our revenues for the current year are from the license and collaboration agreement with Ji Xing and are comprised of a non-refundable upfront cash payment received in June 22, 2021. For additional information about our Collaboration Revenue, see “Note 2— Summary of Significant Accounting Policies, and Note 3 - Revenue.”

Research and Development

Research and development expenses consist primarily of salaries and fees paid to external service providers and also include personnel costs, including share-based compensation expense and other related compensation expenses. We expense research and development costs in the periods in which they are incurred. Costs for certain development activities are recognized based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors, collaborators and third-party service providers.

To date, substantially all of our research and development expenses have been related to the preclinical and clinical development of etripamil. As we advance etripamil or other product candidates for other indications, we expect to allocate our direct external research and development costs across each of the indications or product candidates. Further, while we expect our research and development costs for the development of etripamil in atrial fibrillation with rapid ventricular rate to increase for initiation of the ReVeRA clinical trial as we continue to expand this trial, we expect our research and development expenses related to the development of etripamil for PSVT to remain a very large majority of our total research and development expenses.

We expect our research and development expenses to increase as we continue the development of etripamil and prepare to pursue regulatory approval. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time-consuming and is subject to uncertainties and delays, including as a result of the ongoing COVID-19 pandemic. As a result of the uncertainties discussed above, we are unable to determine the duration and completion costs of our research and development projects or when and to what extent we will generate revenue from the commercialization and sale of our product candidates, if at all.

We recognize the benefit of Canadian research and development tax credits as a reduction of research and development costs for fully refundable investment tax credits.

General and Administrative

General and administrative expenses include personnel and related compensation costs, expenses for outside professional services, lease expense, insurance expense and other general administrative expenses. Personnel costs consist of salaries, bonuses, benefits, related payroll taxes and share-based compensation. Outside professional services consist of legal, accounting and audit services and other consulting fees.

We expect to continue to incur expenses as a public company, including expenses related to compliance with the rules and regulations of the Securities and Exchange Commission, or SEC, and those of any national securities exchange on which our securities are traded, additional insurance expenses, investor relations activities, and other administrative and professional services.

Commercial

Commercial expenses consist primarily of personnel and related compensation costs, market and health economic research, and market development activities for PSVT and, to a lesser extent, AFib-RVR. The focus of these expenses is three-fold: first, we want to leverage rigorous primary and secondary research to fully understand our target disease states from the perspective of the patient, healthcare provider, and payer; second, we want to understand and document the burden of disease posed by PSVT and AFib-RVR from an epidemiology, healthcare resource use, and cost perspective; and third, we want to engage our target patient, physician, and payer stakeholders with evidence-based and compliant educational materials that serve to increase the awareness and understanding of the impact of PSVT and AFib-RVR on patients and the overall healthcare system.

Starting approximately six months to one year before we file our new drug application, or NDA with the FDA, we anticipate our commercial expenses will increase substantially as we invest in the infrastructure, personnel, and operational expenses required to launch our first product in the United States, if approved.

Interest Income

Interest income primarily consists of interest income from our cash equivalents and short-term investments.

Results of Operations

Comparison of the Three Months Ended September 30, 2021 and 2020

The following table summarizes our results of operations and changes:

	Three months ended September 30,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Operating expenses				
Research and development, net of tax credits	$ 9,733	$ 8,228	$ 1,505	18.3%
General and administrative	2,961	2,952	9	0.3%
Commercial	1,579	905	674	74.5%
Total operating expenses	14,273	12,085	2,188	18.1%
Loss from operations	(14,273)	(12,085)	(2,188)	18.1%
Interest income, net	48	89	(41)	(46.1)%
Loss before income taxes	(14,225)	(11,996)	(2,229)	18.6%
Income tax benefit	—	17	(17)	(100.0)%
Net loss	$ (14,225)	$ (11,979)	$ (2,246)	18.8%

Comparison of the Nine Months Ended September 30, 2021 and 2020

The following table summarizes our results of operations and changes:

	Nine months ended September 30,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Revenue	$ 15,000	—	$ 15,000	100.0%
Operating expenses				
Research and development, net of tax credits	$ 27,755	$ 28,722	$ (967)	(3.4)%
General and administrative	8,612	8,611	1	0.0%
Commercial	4,788	4,615	173	3.8%
Total operating expenses	41,155	41,948	(793)	(1.9)%
Loss from operations	(26,155)	(41,948)	15,793	(37.7)%
Interest income, net	186	630	(444)	(70.5)%
Loss before income taxes	(25,969)	(41,318)	15,349	(37.2)%
Income tax benefit	—	17	(17)	(100.0)%
Net loss	$ (25,969)	$ (41,301)	$ 15,332	(37.1)%

Collaboration Revenue

We generated revenue of $15 million from upfront payments under the License Agreement during the nine months ended September 30, 2021.

Research and Development Expenses

The following table shows our research and development expenses by type of activity for the three and nine months ended September 30, 2021 and 2020, respectively.

	Three months ended September 30,				Nine months ended September 30,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**	**2021**	**2020**	**$ Change**	**% Change**
Clinical	$ 8,081	$ 7,058	$ 1,023	14.5%	$ 22,545	$ 23,677	$ (1,132)	(4.8)%
Drug manufacturing and formulation	1,272	1,029	243	23.6%	3,926	3,769	157	4.2%
Regulatory and other costs	580	433	147	34.0%	1,662	1,746	(84)	(4.8)%
Less: R&D tax credits	(200)	(292)	92	(31.5)%	(378)	(470)	92	(19.6)%
Total R&D expenses	$ 9,733	$ 8,228	$ 1,505	18.3%	$ 27,755	$ 28,722	$ (967)	(3.4)%

Research and development expenses increased by $1.5 million, or 18.3%, for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The increase reflects higher clinical consulting fees and CRO costs due to advancing RAPID Phase 3 efficacy and safety trials in etripamil for the treatment of PSVT along with an increase in clinical personnel related costs.

Research and development expenses decreased by $1.0 million, or 3.4% for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The decrease was due to a reduction in clinical trial expenses of $2.3 million which was partially offset by an increase of $1.3 million in clinical personnel related costs which included a non-cash share-based compensation expense. Clinical trial spending during both period in 2021 and 2020 was primarily related to advancing our Phase 3 efficacy and safety trials in etripamil for the treatment of PSVT with the majority of the

decrease due to the fact that the first quarter of 2020 included additional costs related to the effort to complete the first part of the NODE-301 trial.

General and Administrative

General and administrative expenses had a de minimis change for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. For the nine months ended September 30, 2021, general and administrative expenses were similar to the nine months ended September 30, 2020.

Commercial

For the three months ended September 30, 2021, commercial expenses increased by $0.7 million, or 74.5%, compared to the three months ended September 30, 2020. We increased our investment in commercial activities during the three months ended September 30, 2021 in contrast to the three months ended September 30, 2020, a period during which we reduced our commercial spending in order to focus our efforts on an optimized clinical development pathway for etripamil after we issued topline results of the first part of the NODE-301 in March 2020.

Commercial expenses increased by $0.2 million, or 3.8%, for the nine months ended September 30, 2020, compared the same period in 2020. This change was due to an increased investment in commercialization activities.

Interest Income, net

Interest income, net, was $0.05 million and $0.1 million for the three months ended September 30, 2021 and 2020, respectively. Interest income, net, was $0.2 million and $0.6 million for the nine months ended September 30, 2021 and 2020, respectively. The reduction in interest income was due to lower interest rates earned on investments in 2021 when compared to 2020.

Liquidity and Capital Resources

Sources of Liquidity

We have incurred operating losses and experienced negative operating cash flows since our inception, and we anticipate continuing to incur losses for at least the next several years. As of September 30, 2021, we had cash, cash equivalents and short-term investments of $126.4 million and an accumulated deficit of $189.4 million.

Pursuant to the License Agreement, we and affiliates of RTW, or the Purchasers, entered into a securities purchase agreement pursuant to which we issued to the Purchasers, in a private placement, pre-funded warrants to purchase up to an aggregate of 910,746 of our common shares at a purchase price of $5.48 per pre-funded warrant, or the Private Placement. The gross proceeds to us from the Private Placement, excluding proceeds from the exercise price of the warrants, were approximately $4.9 million.

On July 29, 2020, we entered into an Open Market Sale Agreement℠, or the Sales Agreement, with Jefferies LLC, or Jefferies, with respect to an at-the-market offering program, or the ATM Program, under which we may issue and sell our common shares having an aggregate offering price of up to $50 million through Jefferies as our sales agent or principal. The common shares to be sold under the Sales Agreement, if any, will be offered and sold pursuant to our shelf registration statement on Form S-3 (File No. 333-239318), which was declared effective by the Securities and Exchange Commission on July 6, 2020. We have not sold shares under the ATM program as of the date of this filing.

We have evaluated whether material uncertainties exist relating to clinical trials, the COVID-19 pandemic and the impact on market conditions. The COVID-19 pandemic has had an impact on our business, operations and clinical development timelines. Government orders and restrictions in order to control the spread of the disease have impacted patient recruitment, enrollment and follow-up visits at clinical sites. At the date of the publication of our quarterly report, it is not possible to reliably estimate the length and severity of these developments. We expect that our current operating plan,

existing cash, cash equivalents, short-term investments and access to financing sources to be sufficient to fund our operations and determined that there are no events or conditions that may cast substantial doubt on our ability to continue as a going concern for at least the next 12 months from the date of this filing. Based on our cash, cash equivalents and short-term-investments as of September 30, 2021, including the upfront payment from Ji Xing and proceeds from the equity investment from the Purchasers, we expect to be able to support our ongoing operations into mid-2023.

Funding Requirements

We use our cash primarily to fund research and development expenditures. We expect our research and development expenses to increase as we continue the development of etripamil and prepare to pursue regulatory approval. We expect to incur an increase in general and administrative expenses, and a continued increase in expenses related to commercial activities in 2021 as we focus our efforts on the clinical pathway and potential commercialization of etripamil. We expect to incur increasing operating losses for the foreseeable future as we continue the clinical development of our product candidate. At this time, due to the inherently unpredictable nature of clinical development, we cannot reasonably estimate the costs we will incur and the timelines that will be required to complete development, obtain marketing approval, and commercialize etripamil or any future product candidates, if at all. For the same reasons, we are also unable to predict when, if ever, we will generate revenue from product sales or whether, or when, if ever, we may achieve profitability. Clinical and preclinical development timelines, the probability of success, and development costs can differ materially from expectations.

In addition, we have exclusive development and commercialization rights for etripamil for all indications that we may pursue outside the Territory under the License Agreement, and as such have the potential to license development and or commercialization rights for etripamil to other potential partners. We plan to establish commercialization and marketing capabilities using a direct sales force to commercialize etripamil in the United States. Outside of the United States and the Territory, we are considering commercialization strategies that may include collaborations with other companies. In the case of either in-licensing or out-licensing, we cannot forecast when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development and commercialization plans and capital requirements.

The timing and amount of our operating expenditures will depend largely on:

- the timing, progress and results of our ongoing and planned clinical trials and other development activities of etripamil in PSVT, AFib-RVR and other cardiovascular indications;
- the scope, progress, results and costs of preclinical development, laboratory testing and clinical trials of etripamil for additional indications or any future product candidates that we may pursue;
- our ability to establish collaborations on favorable terms, if at all;
- the ability of vendors and third-party service providers to accurately forecast expenses and deliver on expectations;
- the costs, timing and outcome of regulatory review of etripamil and any future product candidates;
- the costs and timing of future commercialization activities, including product manufacturing, marketing, sales and distribution, for etripamil and any future product candidates for which we receive marketing approval;
- the revenue, if any, received from commercial sales of etripamil and any future product candidates for which we receive marketing approval;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims; and

- the extent to which we acquire or in-license other product candidates and technologies.

Until such time, if ever, as we can generate substantial revenue from product sales, we expect to fund our operations and capital funding needs through equity and/or debt financing and existing collaborations. We may also consider entering into additional collaboration arrangements or selectively partnering for clinical development and commercialization. The sale of additional equity would result in additional dilution to our shareholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that restrict our operations or our ability to incur additional indebtedness or pay dividends, among other items. In addition, the COVID-19 pandemic continues to rapidly evolve and has already resulted in a significant disruption of global financial markets. If the disruption persists and deepens, we could experience an inability to access additional capital, which could in the future negatively affect our operations. If we are not able to secure adequate additional funding, we may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, and/or suspend or curtail planned programs. Any of these actions could materially and adversely affect our business, financial condition, results of operations and prospects.

Discussion of Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Nine months ended September 30,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Net cash (used in) provided by:				
Operating activities	$ (20,848)	$ (41,975)	21,127	(50.3)%
Investing activities	55,000	(56,000)	111,000	(198.2)%
Financing activities	4,964	25,067	(20,103)	(80.2)%
Net increase (decrease) in cash and cash equivalents during the period	$ 39,116	$ (72,908)	112,024	

Operating Activities

Net cash used in operating activities during the nine months ended September 30th, 2021 was $20.8 million, which consisted of a net loss of $26.0 million and a net change of $0.3 million in our operating assets and liabilities offset by non-cash charges of $5.4 million related to share-based compensation and depreciation expenses.

Net cash used in operating activities during the nine months ended September 30th, 2020 was $42.0 million, which consisted of a net loss of $41.3 million and a net change of $4.3 million in our operating assets and liabilities offset by non-cash charges of $3.6 million related to share-based compensation and depreciation expenses.

Investing Activities

In the nine months ended September 30, 2021, we redeemed $70.0 million of short-term investments and we acquired $15.0 million of short-term investments. In the nine months ended September 30, 2020, we redeemed $4.0 million of short-term investments and we acquired $60.0 million of short-term investments.

Financing Activities

In the nine months ended September 30, 2021, our financing activities provided $5.0 million, consisting of net proceeds from the Private Placement and a de minimis amount of proceeds from the exercise of share options. In the nine months ended September 30, 2020, our financing activities provided $25.1 million, consisting of net proceeds of $24.8 million from the Private Placement and proceeds of $0.3 million from the exercise of share options.

We have not entered into off-balance sheet arrangements.

Contractual Obligations

During the nine months ended September 30, 2021, there were no material changes to our contractual obligations and commitments described under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K, filed with the SEC on March 29, 2021.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our unaudited interim consolidated financial statements as of September 30, 2021, which have been prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP and on a basis consistent with those accounting principles followed by us and disclosed in Note 2 to our most recent annual audited consolidated financial statements.

The preparation of these unaudited interim condensed consolidated financial statements requires our management to make judgments and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value 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 these judgments and estimates under different assumptions or conditions and any such differences may be material. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

We anticipate that the COVID-19 pandemic will have an impact on the development timelines of our clinical programs. Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. As of the date of issuance of these financial statements, we are not aware of any specific event or circumstance that would require the update of our estimates, assumptions and judgments. These estimates may change as new events occur and additional information is obtained and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to our financial statements.

Other than as described under Note 2 of our unaudited interim condensed consolidated financial statements, there have been no material changes to our significant accounting policies from those described in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in our most recent annual consolidated financial statements.

Recent Accounting Pronouncements

Refer to Note 2, "Summary of Significant Accounting Policies", for a discussion of recent accounting pronouncements and to the notes to our audited consolidated financial statements as of December 31, 2020 appearing in our Annual Report on Form 10-K, filed with the SEC on March 29, 2021.

Emerging Growth Company Status

The Jumpstart Our Business Startups Act of 2012 permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have irrevocably elected to "opt out" of this provision and, as a result, we comply with new or revised accounting standards when they are required to be adopted by public companies that are not emerging growth companies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The primary objective of our investment activities is to preserve principal and liquidity while maximizing income without significantly increasing risk. We are exposed to market risks in the ordinary course of our business. These risks primarily relate to interest rate risks. We had cash, cash equivalents and short-term investments of $135.8 million as of September 30, 2021, which consist primarily of bank deposits and guaranteed investment certificates. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of our investment portfolio, we do not believe an immediate 10% increase or decrease in interest rates would have a material effect on the fair market value of our portfolio, and accordingly we do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

We undertake certain transactions in Canadian dollars and as such are subject to risk due to fluctuations in exchange rates. Canadian dollar denominated payables are paid at the converted rate as due. We do not use derivative instruments to hedge exposure to foreign exchange rate risk due to the low volume of transactions denominated in foreign currencies. On September 30, 2021, our net monetary exposure denominated in Canadian dollars was $0.04 million.

Our operating results and financial position are reported in U.S. dollars in our consolidated financial statements. The fluctuation of the Canadian dollar in relation to the U.S. dollar might, consequently, have an impact upon our loss and may also affect the value of our assets and the amount of shareholders' equity.

We do not believe that inflation and changing prices had a significant impact on our results of operations for any periods presented herein. We do not have a formal hedging program with respect to foreign currency. A 10% increase or decrease in current exchange rates would not have a material effect on our consolidated financial results.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2021. Based upon the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that our employees have worked remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

Inherent Limitations on Effectiveness of Controls.

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not currently a party to any material legal proceedings, and we are not aware of any pending or threatened legal proceeding against us that we believe could have an adverse effect on our business, operating results or financial condition.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A. in our Annual Report on Form 10-K, filed with the SEC on March 29, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Equity Securities

None

Item 3. Defaults Upon Senior Securities.

Not applicable

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

Not applicable

Item 6. Exhibits.

Exhibit Number		Description
3.1		Amended Articles of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company'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 of the Company (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-38899), filed with the SEC on May 15, 2019).
31.1		Certification of Principal Executive Officer 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.
31.2		Certification of Principal Financial Officer 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.
32.1*		Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS		Inline XBRL Instance Document
101.SCH		Inline XBRL Taxonomy Extension Schema Document
101.CAL		Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF		Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB		Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE		Inline XBRL Taxonomy Extension Presentation Linkbase Document
104		The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL.

* Furnished herewith and not deemed to be "filed" for purposes of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

\+ Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MILESTONE PHARMACEUTICALS INC.

Date: November 12, 2021

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

Date: November 12, 2021

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

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 Quarterly Report on Form 10-Q 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) 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 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

   (d) 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: November 12, 2021

/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 Quarterly Report on Form 10-Q 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) 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 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

   (d) 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: November 12, 2021

/s/ Amit Hasija
Amit Hasija
Chief Financial Officer
(Principal Financial Officer and Principal 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 Quarterly Report on Form 10-Q for the period ended September 30, 2021, 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: November 12, 2021

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