RESVERLOGIX

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and April 30, 2020

Change in Fiscal Year-End

During 2020, Resverlogix Corp. changed its fiscal year end to December 31 (from April 30) to adopt reporting periods more commonly used by the Company's peers. Consequently, in this new fiscal year commencing January 1, 2021, Resverlogix Corp. is reporting unaudited first quarter interim financial results for the three months ended March 31, 2021 compared to the three months ended April 30, 2020.

Hereinafter, Resverlogix Corp.'s reporting will be based on the more common December 31 fiscal year-end, with fiscal quarters ending on the last day of March, June, September and December.

Condensed Interim Consolidated Statements of Financial Position

As at:

(unaudited)

In thousands of US dollars	Notes	March 31, 2021	December 31, 2020
Assets			
Current assets:			
Cash		$ 29	$ 87
Prepaid expenses and deposits		120	121
Investment tax credit receivable		87	70
Other assets		17	297
Clinical supplies		584	584
Due from related parties		375	778
Total current assets		1,212	1,937
Non-current assets:			
Property and equipment		200	220
Right-of-use assets	5	1,411	1,238
Intangible assets		3,381	2,896
Prepaid expenses and deposits		56	55
Deferred financing costs		58	57
Clinical supplies		4,302	4,303
Total non-current assets		9,408	8,769
Total assets		$ 10,620	$ 10,706
Liabilities			
Current liabilities:			
Trade and other payables		$ 7,582	$ 6,939
Promissory notes		239	157
Lease liabilities	5	744	554
Warrant liability	7 (e)	2,523	4,112
Total current liabilities		11,088	11,762
Non-current liabilities:			
Lease liabilities	5	835	839
Royalty preferred shares	6	37,900	38,000
Total liabilities		49,823	50,601
Shareholders' deficiency:			
Share capital	7 (a)	322,889	322,409
Contributed surplus		54,143	53,951
Warrants	7 (f)	1,050	1,050
Deficit		(417,285)	(417,305)
Total shareholders' deficiency		(39,203)	(39,895)
Total liabilities and shareholders' deficiency		$ 10,620	$ 10,706

Going concern (note 3) Commitments and contingencies (note 9) Subsequent events (note 10)

Signed on behalf of the Board:

Signed: "Kenneth Zuerblis" Director Signed: "Kelly McNeill" Director

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

Condensed Interim Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2021 and April 30, 2020

(unaudited)

In thousands of US dollars, except per share information	Notes	Three months ended March 31, 2021	Three months ended April 30, 2020
Expenses:			
Research and development, net of recoveries	8	$ 918	$ 14
Investment tax credits		(17)	9
Net research and development		901	23
General and administrative, net of recoveries	8	743	1,599
		1,644	1,622
Finance (income) costs:			
Gain on change in fair value of warrant liability	7 (e)	(1,618)	(3,557)
Gain on change in fair value of royalty preferred shares	6	(100)	(7,200)
Gain on change in fair value of derivative liability		-	(234)
Interest and accretion		22	755
Financing costs		2	11
Foreign exchange loss (gain)		26	(125)
Net finance (income) costs		(1,668)	(10,350)
Income before income taxes		(24)	(8,728)
Income taxes		4	7
Net and total comprehensive income		$ (20)	$ (8,721)
Net earnings per share *(note 7 (g))*			
Basic		$0.00	$ (0.04)
Diluted		0.00	(0.04)

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

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the three months ended March 31, 2021 and April 30, 2020

(unaudited)

In thousands of US dollars	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Deficiency
Balance, January 31, 2020	$ 304,908	$ 46,441	$ 1,490	$ (427,669)	$ (74,830)
Common shares issued in connection with private placements	489	-	-	-	489
Common shares issued in connection with stock option and long term incentive plans	253	(156)	-	-	97
Share issue cost	(13)	-	-	-	(13)
Share-based payment transactions	-	1,424	-	-	1,424
Net and total comprehensive income	-	-	-	8,721	8,721
Balance, April 30, 2020	$ 305,637	$ 47,709	$ 1,490	$ (418,948)	$ (64,112)
Balance, December 31, 2020	$ 322,409	$ 53,951	$ 1,050	$ (417,305)	$ (39,895)
Common shares issued in connection with private placements	258	-	-	-	258
Common shares issued in connection with long term incentive plan	237	(237)	-	-	-
Share issue cost	(15)	-	-	-	(15)
Share-based payment transactions	-	429	-	-	429
Net and total comprehensive income	-	-	-	20	20
Balance, March 31, 2021	$ 322,889	$ 54,143	$ 1,050	$ (417,285)	$ (39,203)

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

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and April 30, 2020

(unaudited)

In thousands of US dollars	March 31, 2021	April 30, 2020
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Net income	$ 20	$ 8,721
Items not involving cash:		
Equity-settled share-based payment transactions	429	1,424
Depreciation and amortization	272	257
Impairment of clinical supplies	-	(273)
Gain on change in fair value of warrant liability	(1,618)	(3,557)
Gain on change in fair value of royalty preferred shares	(100)	(7,200)
Gain on change in fair value of derivative liability	-	(234)
Unrealized foreign exchange	18	(87)
Interest, fees and accretion	22	755
Net current income taxes	4	7
Financing costs	2	11
Changes in non-cash working capital:		
Prepaid expenses and deposits	-	(54)
Investment tax credit receivable	(17)	127
Other assets	280	9
Clinical supplies	1	535
Due from related parties	403	103
Trade and other payables	94	(1,162)
Net cash used in operating activities	(190)	(618)
Cash flows provided by (used in) financing activities:		
Proceeds from equity units issued in connection with private placements	286	642
Share issuance costs	(15)	(13)
Financing costs	(2)	(11)
Repayment of lease liabilities	(194)	(184)
Proceeds from exercise of stock options	-	97
Proceeds from issuance of promissory notes	80	-
Changes in non-cash financing working capital	(23)	(6)
Net cash provided by financing activities	132	525
Cash flows used in investing activities:		
Intangible asset additions	(568)	(118)
Changes in non-cash investing working capital	568	49
Net cash used in investing activities	-	(69)
Effect of foreign currency translation on cash	-	(3)
Decrease in cash	(58)	(165)
Cash, beginning of period	87	169
Cash, end of period	$ 29	$ 4

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

1. General information

Resverlogix Corp. (the "Company") is a company domiciled in Canada. The annual consolidated financial statements comprise the Company and its wholly-owned subsidiary Resverlogix Inc. (together referred to as "Resverlogix" or the "Group"). Resverlogix Corp. is incorporated under the laws of Alberta. Resverlogix Inc. is incorporated under the laws of Delaware. The Company's head office is located at Suite 300, 4820 Richard Road S.W., Calgary, Alberta, T3E 6L1. The registered and records office is located at Suite 600, 815 - 8th Avenue S.W., Calgary, Alberta, T2P 3P2.

Resverlogix is developing apabetalone (RVX-208), a first-in-class, small molecule that is a selective BET (bromodomain and extra-terminal) inhibitor. BET bromodomain inhibition is an epigenetic mechanism that can regulate disease-causing genes. Apabetalone is a BET inhibitor selective for the second bromodomain ("BD2") within the BET proteins. This selective inhibition of apabetalone on BD2 produces a specific set of biological effects with potentially important benefits for patients with high-risk cardiovascular disease ("CVD"), diabetes mellitus ("DM"), chronic kidney disease, end-stage renal disease treated with hemodialysis, neurodegenerative disease, Fabry disease, peripheral artery disease, and other orphan diseases while maintaining a well described safety profile. Apabetalone is the only selective BET bromodomain inhibitor in human clinical trials. Apabetalone was recently studied in a Phase 3 trial, BETonMACE, in 13 countries worldwide, in high-risk CVD patients with type 2 DM and low high-density lipoprotein (HDL). The Company's Phase 3 trial, BETonMACE, did not meet its primary endpoint but generated encouraging positive results in key secondary endpoints and the Company intends to continue the development of apabetalone if the requisite funding can be secured. Based on the results of the BETonMACE study, the U.S. Food and Drug Administration ("FDA") granted Breakthrough Therapy Designation ("BTD") for apabetalone in combination with top standard of care, including high-intensity statins, for the secondary prevention of MACE in patients with type 2 DM and recent acute coronary syndrome ("ACS"). The achievement of BTD has the potential to expedite apabetalone's clinical development program through more intensive FDA guidance. The Company is considered to be in the development stage, as most of its efforts have been devoted to research and development and it has not earned any revenue to date.

2. Basis of preparation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting*. These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 14, 2021.

(b) Change in fiscal year-end

During 2020, all entities within the Group changed their fiscal year end to December 31 (from April 30) to adopt reporting periods more commonly used by peer companies. Consequently, in this new fiscal year commencing January 1, 2021, Resverlogix Corp. is reporting unaudited first quarter interim financial results for the three months ended March 31, 2021 compared to the three months ended April 30, 2020. Hereinafter, Resverlogix Corp.'s reporting will be based on the more common December 31 fiscal year-end, with fiscal quarters ending on the last day of March, June, September and December.

(c) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for liability classified warrants, liability classified royalty preferred shares and derivative liability, which are measured at fair value each reporting period.

(d) Measurement uncertainty

There is estimation uncertainty with regards to the possible impact of the COVID-19 outbreak on the financial results and condition of the Company over the next twelve months.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The introduction of vaccines has led to optimism; however, the situation continues to evolve (including the prevalence of virus variants). The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods. The COVID-19 outbreak may impact the Company's ability to raise additional capital and/or impact the Company's ability to continue its clinical trials.

2. Basis of preparation (continued)

(e) Functional and presentation currency

The functional currency of all entities within the Group is the US dollar, which is also the presentation currency. All financial information presented in dollars has been rounded to the nearest thousand except for per share amounts.

(f) Use of estimates and judgment

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in these condensed interim consolidated financial statements and notes. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgment used in the preparation of the condensed interim consolidated financial statements remain unchanged from those described in the Group's consolidated financial statements for the eight months ended December 31, 2020.

3. Going concern

The success of the Company is dependent on the continuation of its research and development activities, progressing the core technologies through clinical trials to commercialization or a strategic partnership, and its ability to obtain additional financing. It is not possible to predict the outcome of future research and development programs, the Company's ability to fund these programs in the future, or to secure a strategic partnership, or the commercialization of products by the Company. To date, the Company has not generated any product revenue.

The consolidated financial statements have been prepared pursuant to International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company has incurred significant losses to date, and with no assumption of revenues, is dependent on its ability to raise additional financial capital by continuing to demonstrate the successful progression of its research and development activities if it is to remain as a going concern.

As at March 31, 2021, the Company had $0.03 million of cash. The Company needs to raise additional capital to fund research, development and corporate activities over the next year or it may be forced to cease operations. As at March 31, 2021, the Company was committed to pay $7.6 million of trade and other payables, $0.6 million for research and development over the next twelve months, and $0.8 million of lease liabilities over the next twelve months. The Company also has other commitments as outlined in Note 9. In addition, expenditures over the next twelve months under cancellable agreements with a contract research organization that will be conducting the Company's Phase 2 COVID-19 trial were estimated to total approximately $2.5 million.

As described in Note 10, subsequent to March 31, 2021, the Company raised $2.1 million pursuant to private placements, and raised $6.0 million pursuant to a convertible debenture. The Company's cash as at March 31, 2021, in combination with the combined $8.1 million raised subsequent to March 31, 2021, is not sufficient to fund the Company's contractual commitments or the Company's planned business operations over the next year. The Company will have to raise additional capital to fund its contractual commitments and its planned business operations. The Company continues to pursue and/or examine several sources of additional capital including co-development, licensing, rights or other partnering arrangements, private placements and/or public offerings (equity and/or debt). However, there is no assurance that any of these measures will be successfully completed.

These conditions result in a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. If the Company is not able to raise capital, the Company may be forced to cease operations.

The Company will also require additional capital to fund research, development and corporate activities beyond the next year. The Company will continue to explore alternatives to generate additional cash including raising additional equity and/or debt and/or partnering; however, there is no assurance that these initiatives will be successful.

These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities, and the reported expenses that might be necessary should the Company be unable to continue as a going concern. The COVID-19 outbreak may impact the Company's ability to raise additional capital and/or impact the Company's ability to continue its clinical trials.

(Tabular amounts in thousands of US dollars, except for number of shares)

4. Significant accounting policies

The condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the eight months ended December 31, 2020 prepared in accordance with IFRS applicable to those consolidated financial statements. The same accounting policies, presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the Company's consolidated financial statements for the eight month period ended December 31, 2020.

5. Leases

(a) As a lessee

(i) Right-of-use asset

	Office leases	Total
Cost		
Balance at December 31, 2020	$ 2,358	$ 2,358
Addition (extension of lease term)	342	342
Balance at March 31, 2021	$ 2,700	$ 2,700
Accumulated depreciation		
Balance at December 31, 2020	$ 1,120	$ 1,120
Depreciation	169	169
Balance at March 31, 2021	$ 1,289	$ 1,289
Net book value		
As at December 31, 2020	$ 1,238	$ 1,238
As at March 31, 2021	$ 1,411	$ 1,411

The $0.3 million right-of-use asset addition recognized in the three months ended March 31, 2021 relates to an extension of one of the Group's office leases. There was a corresponding $0.3 million increase to the lease liability.

(ii) Lease liabilities

The following is the Group's maturity analysis for office and laboratory premises contractual undiscounted cash flows and a summary of the discounted cash flows disclosed on the statement of financial position:

	March 31, 2021
Less than 1 year	$ 769
Between 1 and 5 years	929
More than 5 years	-
Total undiscounted lease payments as at March 31, 2021	$ 1,698

Lease liabilities in the statement of financial position at March 31, 2021:	
Current	$ 744
Non-current	835
Total	$ 1,579

During the three months ended March 31, 2021, total interest on lease liabilities recognized in finance costs was $0.02 million (three months ended April 30, 2020 – $0.03 million).

(b) As a lessor

Resverlogix has a license agreement and a sublease in place with Zenith Capital Corp. ("Zenith") for a laboratory and offices that Resverlogix shares with Zenith. The agreements have been classified as operating leases as Zenith does not have substantially all of the risks and rewards of the underlying assets. Zenith agreed to pay Resverlogix for its proportionate share of associated rent payments and operating costs of an estimated $0.2 million and $0.1 million, respectively, for the next twelve months. The cost recovery on rent payments has been recognized as recoveries to research and development and general and administrative expenses.

(Tabular amounts in thousands of US dollars, except for number of shares)

6. Royalty preferred shares

(i) Authorized:

Unlimited number of royalty preferred shares issuable in series with rights as determined by the Board of Directors at the time of issue.

(ii) Issued and outstanding:

Preferred shares	Number of preferred shares	Amount
Balance, December 31, 2020	75,202,620	$ 38,000
Revaluation of royalty preferred shares	-	(100)
Balance, March 31, 2021	75,202,620	$ 37,900

The holder of the royalty preferred shares is entitled to dividends in the amount of 6-12% of the Company's Net Revenue, as defined in the Company's articles. As at March 31, 2021, the Company had 75,202,620 royalty preferred shares outstanding, all of which were held by Zenith. Resverlogix and Zenith have a majority of their directors in common, and thus are considered related parties. For fair value measurement purposes, the royalty preferred shares liability has been categorized within level 3 of the fair value measurement hierarchy. The fair value of the royalty preferred shares is based on management's judgments, estimates and assumptions which include significant unobservable inputs including the timing and amounts of the Company's discounted future net cash flows. The estimate incorporates the following assumptions: a cumulative probability rate of generating forecasted future cash flows of 42% as at March 31, 2021 (December 31, 2020 – 42%) reflecting in each case, among other factors, the Company's clinical results, in particular the results of BETonMACE, and communication with the U.S. Food and Drug Administration ("FDA") and other regulatory bodies; a discount rate of 24.0% as at March 31, 2021 (December 31, 2020 – 23.3%); projected commencement of revenue beginning between mid-2025 and early 2026 (based on projected clinical development paths across various jurisdictions, which is based in part on securing the requisite funding from a partnership with a pharmaceutical company or other source(s) of capital by mid-2021) as at March 31, 2021 (December 31, 2020 – between mid-2025 and early 2026); and projected apabetalone market share percentages and projected product pricing. The fair value of our royalty preferred shares in the current period was affected by an increase to the discount rate, offset by the passage of time during the three months ended March 31, 2021 (to future cash flows based on the estimated timing and commencement of revenue).

The fair value of the royalty preferred shares is subject to significant volatility. Small changes in the aforementioned assumptions may have a significant impact on the fair value of the royalty preferred shares. For instance, holding all other assumptions constant: a 1% increase in the discount rate would result in a $3.0 million decrease in the fair value of the royalty preferred shares; assuming commencement of revenue one year later would result in a $9.6 million decrease in the fair value of the royalty preferred shares; and a 1% increase in the probability rate of generating forecasted future cash flows would result in a $1.1 million increase in the fair value of the royalty preferred shares.

(Tabular amounts in thousands of US dollars, except for number of shares)

7. Shareholders' equity (deficiency)

(a) Common shares

(i) Authorized:

Unlimited number of common shares

(ii) Issued and outstanding:

Common shares	Number of shares	Amount
Balance, December 31, 2020	234,962,452	$ 322,409
Issued in connection with private placements	382,022	258
Issued in connection with long term incentive plan	215,327	237
Share issue cost	-	(15)
Balance, March 31, 2021	235,559,801	$ 322,889

Private placements

In January 2021, the Company issued 51,634 equity units at CAD$1.00 per unit pursuant to a private placement for gross proceeds of $0.04 million (CAD$0.05 million). Each equity unit consisted of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of CAD$1.15 per underlying common share for a period of one year from the closing of the private placement.

In February and March 2021, the Company issued 330,388 equity units at CAD$0.94 per unit pursuant to a private placement for gross proceeds of $0.2 million (CAD$0.3 million). Each equity unit consisted of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of CAD$1.15 per underlying common share for a period of one year from the closing of the private placement.

(b) Stock options

The Company's amended stock option plan has been approved as a rolling 10% plan that allows for reservation of a number of common shares under the plan equal to 10% of the Company's issued and outstanding common shares on an undiluted basis. Additionally, the plan is a reloading plan, which allows for the number of common shares reserved for issuance related to the options under the plan to automatically become eligible to be reallocated pursuant to stock option based grants upon option expiry, cancellation or exercise. The Company may grant options to its directors, officers, employees and consultants. The majority of options fully vest over one to three years and have a five-year term. The options are settled by way of the issuance of equity instruments of the Company ("equity-settled").

During the three months ended March 31, 2021, there was no change to the amount of stock options outstanding. The following table summarizes information about the options outstanding and exercisable at March 31, 2021.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.79	50,000	4.09	$ 0.79	50,000
$1.28 - $1.73	913,366	0.96	1.43	888,366
$3.01	25,000	2.91	3.01	16,667
	988,366	1.17	$ 1.43	955,033

The number of options exercisable at March 31, 2021 was 955,033 (April 30, 2020 – 948,700) with a weighted average exercise price of CAD$1.42 (April 30, 2020 – CAD$1.70).

(Tabular amounts in thousands of US dollars, except for number of shares)

7. Shareholders' equity (deficiency) (continued)

(c) Restricted stock units

The Company's long term incentive plan allows for the reservation of a number of common shares not to exceed 10% of the Company's issued and outstanding common shares on an undiluted basis less the number of common shares reserved under the Company's amended stock option plan. The Company may grant restricted stock units ("RSUs") to directors, officers, employees, and consultants. RSUs are settled on exercise through the issuance of common shares.

During the three months ended March 31, 2021, 5,500 RSUs were granted (three months ended April 30, 2020 – Nil). The RSUs vest over a period of zero to three years. The Company estimates the fair value of RSUs based on the market price of the underlying stock on the date of grant.

	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, December 31, 2020	11,816,636	$ 1.23
Granted	5,500	0.70
Exercised	(215,327)	1.10
Outstanding, March 31, 2021	11,606,809	$ 1.23

The number of RSUs exercisable at March 31, 2021 was 9,838,528 (April 30, 2020 – 2,308,344).

(d) Deferred share units

The Company's deferred share unit plan limits the maximum number of Common Shares issuable pursuant to outstanding deferred share units ("DSUs") at any time to 5% of the aggregate number of issued and outstanding Common Shares, provided that the combined maximum number of Common Shares issuable by the Company pursuant to outstanding DSUs and all of its other security based compensation arrangements may not exceed 10% of the Common Shares outstanding from time to time. The Company may grant DSUs to directors. DSUs are settled on exercise through the issuance of common shares.

During the three months ended March 31, 2021, there were no DSUs were granted (three months ended April 30, 2020 – 55,541). The DSUs fully vest at grant date. The Company estimates the fair value of DSUs based on the market price of the underlying stock on the date of grant.

	Number of deferred share units	Weighted average grant date fair value (USD)
Outstanding and exercisable, December 31, 2020 and March 31, 2021	516,907	$ 1.10

(e) Warrant liability

The following table summarizes the changes in liability-classified common share purchase warrants outstanding.

	Number of warrants	Weighted average exercise price (CAD)	Liability amount
Outstanding, December 31, 2020	36,570,943	$ 2.35	$ 4,112
Issued in connection with private placements	191,011	1.15	29
Expired	(67,050)	1.75	-
Revaluation of warrant liability	-	-	(1,618)
Outstanding, March 31, 2021	36,694,904	$ 2.35	$ 2,523

(Tabular amounts in thousands of US dollars, except for number of shares)

7. Shareholders' equity (deficiency) (continued)

(e) Warrant liability (continued)

The following table summarizes information about liability-classified warrants outstanding and exercisable at March 31, 2021.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
$0.74	600,000	3.76	$ 0.74
$1.00 - $1.64	15,114,339	0.57	1.41
$2.05 - $2.54	6,103,702	0.47	2.10
$3.00 - $3.21	11,077,927	0.62	3.09
$4.60	3,798,936	2.19	4.60
	36,694,904	0.79	$ 2.35

Under IFRS, the prescribed accounting treatment for warrants, with an exercise price denominated in a foreign currency, is to treat these warrants as a liability measured at fair value with subsequent changes in fair value each reporting period accounted for through profit or loss. The initial fair value of these warrants is determined using the Black Scholes option pricing model.

The Company's warrants are presented as a current liability on the consolidated statements of financial position. Each full warrant entitles the holder to purchase one common share of the Company. As these warrants are exercised, the fair value of the recorded warrant liability on the date of exercise is included in share capital along with the proceeds from the exercise. If these warrants expire, the related decrease in warrant liability is recognized in profit or loss, as part of the change in fair value of warrant liability.

The fair value of the warrants not listed is determined using the Black Scholes option pricing model at initial issue date and at each reporting period, unless the warrants are listed, in which case the initial trading value is used.

The changes in fair value of the unlisted liability-classified warrants were based on several factors including changes in the market price of our shares from CAD$0.94 on December 31, 2020 to CAD$0.86 on March 31, 2021 and from CAD$1.19 on January 31, 2020 to CAD$0.83 on April 30, 2020, the revaluation of 0.2 million new liability classified warrants issued in the current period, as well as decreases in the remaining terms of the various series of warrants, and changes in estimated future volatility of our common shares which represents a level 3 input in the fair value hierarchy. The fair value of the warrants is subject to significant volatility. Gains and losses resulting from the revaluation of warrant liability are non-cash and do not impact the Company's cash flows.

The weighted average fair value of the warrants issued during the three months ended March 31, 2021 was $0.17 per warrant (three months ended April 30, 2020 – $0.41 per warrant), using the Black-Scholes option pricing model and the following weighted average assumptions:

	Three months ended March 31, 2021	Three months ended April 30, 2020
	Issued in connection with private placements	Issued in connection with private placements
Number of warrants issued	191,011	429,369
Risk-free interest rate	0.1%	0.6%
Expected life	1.0 years	1.8 years
Expected volatility	76%	128%
Share price at grant date (CAD)	$0.93	$1.02

(Tabular amounts in thousands of US dollars, except for number of shares)

7. Shareholders' equity (deficiency) (continued)

(f) Equity-classified warrants

These warrants are classified as an equity instrument and accounted for under IFRS 2 – *Share-Based Payments* as they are a form of compensation for services rendered. Due to the equity classification, the warrants are not revalued each reporting period. During the three months ended March 31, 2021, there was no change to the amount of equity-classified warrants outstanding.

	Number of warrants	Weighted average exercise price (CAD)	Equity amount
Outstanding, December 31, 2020 and March 31, 2021	1,538,518	$ 1.92	$ 1,050

The following table summarizes information about the equity classified warrants outstanding and exercisable at March 31, 2021.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)
$1.62	1,342,593	0.67
$4.00	195,925	0.19
	1,538,518	0.61

(g) Per share amounts

The basic and diluted earnings per share have been calculated based on the weighted average shares outstanding:

	Three months ended March 31, 2021	Three months ended April 30, 2020
Weighted average common shares outstanding - basic	235,245,964	211,138,647
Effect of convertible debenture, warrants, stock options, RSUs and DSUs	11,619,123	8,615,811
Weighted average common shares outstanding - diluted	246,865,087	219,754,458

(Tabular amounts in thousands of US dollars, except for number of shares)

8. Expenses by nature

Presentation of expenses is based on the function of each expense. The following details provide a breakdown of the components of the research and development and general and administrative expenses classified by nature.

	Three months ended March 31, 2021	Three months ended April 30, 2020
Research and development expenses:		
Operating expenses, net of recoveries	$ 212	$ (1,354)
Personnel costs (short-term employee benefits)	397	433
Government assistance (COVID-19 payroll subsidy)	(34)	-
Impairment of clinical supplies	-	273
Share-based payment transactions	142	476
Amortization and depreciation	201	186
Total research and development expenses	$ 918	$ 14
General and administrative expenses:		
General expenses, net of recoveries	$ 3	$ 129
Personnel costs (short-term employee benefits)	442	451
Government assistance (COVID-19 payroll subsidy)	(60)	-
Share-based payment transactions	287	948
Amortization and depreciation	71	71
Total general and administrative expenses	$ 743	$ 1,599

During the three months ended April 30, 2020, the Company recognized a recovery of $1.6 million of Research and Development Operating expenses in connection with the settlement of amounts owing to a supplier.

During the three months ended April 30, 2020, the Company recognized a $0.3 million impairment loss on clinical supplies (drug capsules) that were no longer able to be utilized in the Company's research and development programs.

During the three months ended March 31, 2021, the Company received $0.1 million (CAD$0.1 million) of COVID-19 payroll subsidy government assistance from the Government of Canada (through the Industrial Research Assistance Program). The payroll subsidy was recognized as an offset to salary expense (allocated to research and development expenses and general and administrative expenses).

9. Commitments and contingencies

As at March 31, 2021, the Group is committed to expenditures over the next twelve months of $0.6 million (December 31, 2020 – $0.7 million) under various research and development contracts. As at March 31, 2021, the Group is also party to cancellable agreements with a contract research organization that will be conducting the Phase 2 COVID-19 trial. Corresponding estimated aggregate expenditures over the next twelve months total approximately $2.5 million (December 31, 2020 – Nil).

The July 2015 License Agreement between Resverlogix and Shenzhen Hepalink Pharmaceutical Co., Ltd. ("Hepalink") was amended effective May 1, 2020 such that Resverlogix agreed to pay up to CAD$8.0 million of clinical development costs associated with apabetalone, including a global Phase 3 clinical trial (which Resverlogix intends to perform in any event), in China, Hong Kong, Taiwan and Macau, and if the costs incurred by Resverlogix up to December 31, 2021 total less than CAD$8 million, then Resverlogix and Hepalink shall negotiate a mutually-agreeable timeframe regarding any difference, in principle by not later than June 30, 2022.

In July 2020, the Company entered into an agreement with a supplier to settle amounts owing by the Company, whereby the Company agreed to pay a reduced amount in three instalments of $200,000, $550,000 and $550,000 on August 1, 2020, September 1, 2020 and October 1, 2020 respectively. The Company paid the August 1, 2020 instalment and, subsequent to March 31, 2021 the Company paid an additional $400,000, but has not yet paid the remaining balance of $700,000. Until the Company pays the remaining $700,000, thereby satisfying its obligations pursuant to the agreement, it is possible that the supplier could assert that the Company is in default and could pursue any remedies that may be available to them.

9. Commitments and contingencies (continued)

During the three months ended March 31, 2021, the Company acquired certain intellectual property for a total of $1 million, payable in two upfront payments totaling $0.4 million (capitalized to Intangible Assets within the period) and a $0.6 million milestone payment.

10. Subsequent events

Private placements

Subsequent to March 31, 2021, the Company issued 3,083,587 equity units, 145,000 units were issued at a price of CAD$1.00 per unit each comprising of one common share and one-half common share purchase warrant, and 2,938,587 units at a price of CAD$0.85 per unit each comprising of one common share and one common share purchase warrant, for gross proceeds of $2.1 million (CAD$2.6 million). For the 145,000 units issued at CAD$1.00 per unit, each full warrant is exercisable at a price of CAD$1.15 per underlying common share for a period of one year from the closing of the private placement. For the 2,938,587 units issued at CAD$0.85 per unit, each warrant is exercisable at a price of CAD$1.00 per underlying common share for a period of three years from the closing of the private placement.

Convertible debenture

Subsequent to March 31, 2021, the Company closed a $6.0 million secured convertible debenture (the "Debenture") with a subsidiary of Hepalink. The Debenture bears interest at 10% per annum and matures on May 13, 2022. Hepalink may elect to convert the principal amount of the Debentures and accrued and unpaid interest thereon into common shares of the Company at a conversion price equal to the lesser of CAD$0.93 per share and the 5-day volume weighted average trading price of the common shares on the date of conversion. The Company granted Hepalink a security interest in all of its assets, including its patents and other intellectual property, as security for its obligations under the Debenture. In addition, Hepalink received 300,000 common share purchase warrants exercisable for a period of four years at a price of CAD$0.93 per share.