



**Condensed Interim Consolidated Financial Statements**  
For the three and six months ended June 30, 2022 and 2021

## Notice of No Auditor Review of Unaudited Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Resverlogix Corp. (the “Company”) as at June 30, 2022 and for the period then ended have been prepared by and are the responsibility of the Company’s management. The Company’s Audit Committee and Board of Directors have reviewed and approved these unaudited condensed interim consolidated financial statements. In accordance with National Instrument 51 - 102, the Company discloses that its auditors have not reviewed the accompanying unaudited condensed interim consolidated financial statements for the periods ended June 30, 2022 and 2021.

## Condensed Interim Consolidated Statements of Financial Position

As at:

(unaudited)

<i>In thousands of US dollars</i>	Notes	June 30, 2022	December 31, 2021
<b>Assets</b>			
<b>Current assets:</b>			
Cash		\$ 42	\$ 6
Prepaid expenses and deposits		213	167
Investment tax credit receivable		111	74
Other assets		37	17
Clinical supplies		2,426	2,453
Due from related parties		341	236
<b>Total current assets</b>		<b>3,170</b>	<b>2,953</b>
<b>Non-current assets:</b>			
Property and equipment		102	141
Right-of-use assets		556	898
Intangible assets		3,506	3,428
Prepaid expenses and deposits		55	56
Clinical supplies		2,641	2,506
<b>Total non-current assets</b>		<b>6,860</b>	<b>7,029</b>
<b>Total assets</b>		<b>\$ 10,030</b>	<b>\$ 9,982</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Trade and other payables		\$ 13,487	\$ 8,703
Accrued interest	6	680	383
Promissory notes	5	563	127
Lease liabilities		448	632
Warrant liability	8 (e)	930	1,567
Debt	6	5,237	5,839
Derivative liability	6	655	169
<b>Total current liabilities</b>		<b>22,000</b>	<b>17,420</b>
<b>Non-current liabilities:</b>			
Lease liabilities		227	442
Other long-term liability	9	1,019	1,290
Royalty preferred shares	7	46,800	50,700
<b>Total liabilities</b>		<b>70,046</b>	<b>69,852</b>
<b>Shareholders' deficiency:</b>			
Share capital	8 (a)	328,409	326,885
Contributed surplus		56,386	55,321
Deficit		(444,811)	(442,076)
<b>Total shareholders' deficiency</b>		<b>(60,016)</b>	<b>(59,870)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 10,030</b>	<b>\$ 9,982</b>
Going concern (note 3)	Commitments and contingencies (note 10)	Subsequent event (note 11)	
Signed on behalf of the Board:			
Signed: <u>"Kenneth Zuerblis"</u>	Director	Signed: <u>"Kelly McNeill"</u>	Director

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

**Condensed Interim Consolidated Statements of Comprehensive Loss**  
**For the three and six months ended June 30**  
(unaudited)

<i>In thousands of US dollars</i>	Notes	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
<b>Expenses:</b>					
Research and development, net of recoveries	9	\$ 1,130	\$ 1,527	\$ 2,657	\$ 2,445
Investment tax credits		(19)	(20)	(39)	(37)
Net research and development		1,111	1,507	2,618	2,408
Pre-commercialization, general and administrative, net of recoveries	9	926	1,895	5,367	2,638
		2,037	3,402	7,985	5,046
<b>Finance (income) costs:</b>					
Gain on change in fair value of warrant liability	8 (e)	(1,721)	(1,024)	(2,302)	(2,642)
Gain on change in fair value of royalty preferred shares	7	(600)	(200)	(3,900)	(300)
Loss (gain) on change in fair value of derivative liability	6	109	(5)	4	(5)
Loss on payables extinguishment	8 (c)	10	146	10	146
Interest, fees and accretion		589	157	906	179
Financing costs		8	51	22	53
Foreign exchange (gain) loss		(33)	76	2	102
Net finance (income) costs		(1,638)	(799)	(5,258)	(2,467)
<b>Loss before income taxes</b>		<b>399</b>	<b>2,603</b>	<b>2,727</b>	<b>2,579</b>
Income taxes		4	6	8	10
<b>Net and total comprehensive loss</b>		<b>\$ 403</b>	<b>\$ 2,609</b>	<b>\$ 2,735</b>	<b>\$ 2,589</b>
<b>Net loss per share (note 8 (f))</b>					
Basic		\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.01
Diluted		0.00	0.01	0.01	0.01

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**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**  
**For the six months ended June 30**  
(unaudited)

<i>In thousands of US dollars</i>	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Deficiency
<b>Balance, December 31, 2020</b>	\$ 322,409	\$ 53,951	\$ 1,050	\$ (417,305)	\$ (39,895)
Common shares issued in connection with private placements	1,821	-	-	-	1,821
Common shares issued in connection with long term incentive plan	1,219	(911)	-	-	308
Share issue cost	(58)	-	-	-	(58)
Expiry of equity-classified warrants	-	197	(197)	-	-
Share-based payment transactions	-	1,762	-	-	1,762
Net and total comprehensive loss	-	-	-	(2,589)	(2,589)
<b>Balance, June 30, 2021</b>	\$ 325,391	\$ 54,999	\$ 853	\$ (419,894)	\$ (38,651)
<b>Balance, December 31, 2021</b>	\$ 326,885	\$ 55,321	\$ -	\$ (442,076)	\$ (59,870)
Common shares issued in connection with private placements	801	-	-	-	801
Common shares issued in connection with long term incentive plan	644	(600)	-	-	44
Common shares issued in connection with exercise of warrants	92	-	-	-	92
Share issue cost	(13)	-	-	-	(13)
Share-based payment transactions	-	1,665	-	-	1,665
Net and total comprehensive loss	-	-	-	(2,735)	(2,735)
<b>Balance, June 30, 2022</b>	\$ 328,409	\$ 56,386	\$ -	\$ (444,811)	\$ (60,016)

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

**Condensed Interim Consolidated Statements of Cash Flows**  
**For the six months ended June 30**  
(unaudited)

<i>In thousands of US dollars</i>	2022	2021
<b>Cash provided by (used in):</b>		
<b>Cash flows provided by (used in) operating activities:</b>		
<b>Net loss</b>	\$ (2,735)	\$ (2,589)
<b>Items not involving cash:</b>		
Equity-settled share-based payment transactions	1,665	1,762
Depreciation and amortization	573	548
Gain on change in fair value of warrant liability	(2,302)	(2,642)
Gain on change in fair value of royalty preferred shares	(3,900)	(300)
Gain on change in fair value of derivative liability	4	(5)
Discount on other long-term liability	(503)	-
Loss on payables extinguishment	10	146
Unrealized foreign exchange	(18)	39
Interest, fees and accretion	906	179
Net current income taxes	8	10
Financing costs	22	53
<b>Changes in non-cash working capital:</b>		
Prepaid expenses and deposits	(45)	(284)
Investment tax credit receivable	(37)	32
Other assets	(20)	275
Clinical supplies	(108)	(27)
Due from related parties	(105)	157
Trade and other payables	4,293	(2,692)
	(2,292)	(5,338)
Income tax paid	(11)	(9)
<b>Net cash used in operating activities</b>	<b>(2,303)</b>	<b>(5,347)</b>
<b>Cash flows provided by (used in) financing activities:</b>		
Proceeds from equity units issued in connection with private placements	2,466	3,919
Share issuance costs	(13)	(58)
Proceeds from convertible debenture and warrants	-	6,000
Debt issuance costs	(6)	(40)
Financing costs	(22)	(53)
Repayment of lease liabilities	(414)	(341)
Proceeds from exercise of warrants	92	-
Restricted stock unit costs	-	(103)
Proceeds from issuance of promissory notes	442	80
Repayment of promissory note	-	(114)
Changes in non-cash financing working capital	32	(110)
<b>Net cash provided by financing activities</b>	<b>2,577</b>	<b>9,180</b>
<b>Cash flows used in investing activities:</b>		
Intangible asset additions	(270)	(642)
Changes in non-cash investing working capital	33	(59)
<b>Net cash used in investing activities</b>	<b>(237)</b>	<b>(701)</b>
Effect of foreign currency translation on cash	(1)	(19)
<b>Increase in cash</b>	<b>36</b>	<b>3,113</b>
<b>Cash, beginning of period</b>	<b>6</b>	<b>87</b>
<b>Cash, end of period</b>	<b>\$ 42</b>	<b>\$ 3,200</b>

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

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## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(unaudited)

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

### 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 chronic disease including cardiovascular disease (“CVD”) and associated comorbidities, and COVID-19. Apabetalone is the only selective BET bromodomain inhibitor in human clinical trials. Apabetalone was 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 August 11, 2022.

#### (b) 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.

#### (c) Measurement uncertainty

There is estimation uncertainty with regards to the possible impact of the COVID-19 pandemic 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”, resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and social distancing, caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets experienced significant volatility and weakness. Governments and central banks reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The introduction of vaccines led to optimism and a significant easing of restrictions; however, the situation continues to evolve (including the prevalence of virus variants), and the duration and impact of the COVID-19 pandemic remains 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 pandemic may impact the Company’s ability to raise additional capital and/or impact the Company’s ability to continue its clinical trials.

#### (d) 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.

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## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(unaudited)

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

### 2. Basis of preparation (continued)

#### (e) 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 year ended December 31, 2021.

### 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 June 30, 2022, the Company had \$42 thousand 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 June 30, 2022, the Company was committed to pay \$13.5 million of current trade and other payables, \$1.4 million for research and development commitments, and \$0.5 million of lease liabilities over the next twelve months. The Company also has other commitments as outlined in Note 10. Furthermore, the Company's \$6.0 million secured convertible debenture with Shenzhen Hepalink Pharmaceutical Co., Ltd. ("Hepalink") is due on May 13, 2023 (refer to Note 6). As at June 30, 2022, the Group is also party to a commercialization partnership (refer to Note 9) where corresponding estimated (discretionary) pre-commercialization activities over the next twelve months total up to approximately \$10 million.

As described in Note 11, subsequent to June 30, 2022, the Company raised \$2.0 million. The Company's cash as at June 30, 2022, in combination with the \$2.0 million raised subsequent to June 30, 2022, 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, procurement 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.

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 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.

### 4. Significant accounting policies

The condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2021 prepared in accordance with IFRS applicable to those annual 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 year ended December 31, 2021.



## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(unaudited)

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

### 5. Promissory notes

The following table summarizes the changes in promissory notes outstanding.

	Liability amount
Outstanding, December 31, 2021	\$ 127
Additions (CAD\$0.6 million)	441
Revaluation of CAD denominated promissory notes	(5)
Outstanding, June 30, 2022	\$ 563

During the year ended April 30, 2018, an officer of the Company lent CAD\$0.2 million to the Company. During the year ended December 31, 2021, CAD\$0.1 million of the promissory notes due to the officer of the Company was repaid and an officer of the Company lent an additional CAD\$0.1 million to the Company. During the six months ended June 30, 2022, the Chief Executive Officer made CAD\$0.6 million of unsecured advances to the Company. A combined CAD\$0.7 million owed to an officer of the Company and the Chief Executive Officer remained outstanding as at June 30, 2022.

### 6. Debt and derivative liability

The following table summarizes the changes in debt during the six months ended June 30, 2022.

	Convertible Debenture
<b>Balance, December 31, 2021</b>	<b>\$ 5,839</b>
Accretion of transaction costs on Convertible Debenture, prior to maturity date extension	109
Modification gain for maturity date extension	(413)
Incremental fair value of derivative liability, at maturity date extension amendment	(482)
Incremental other debt issuance costs, at maturity date extension amendment	(5)
Accretion of transaction costs on Convertible Debenture, post maturity date extension	189
<b>Balance, June 30, 2022</b>	<b>\$ 5,237</b>

#### Secured Convertible Debenture

	June 30, 2022	December 31, 2021
US\$6.0 million (initial principal), 10% due May 13, 2023	\$ 6,000	\$ 6,000
Unamortized transaction costs, net of accretion	(40)	(16)
Discount on warrant liability derivative, net of accretion	(112)	(48)
Discount on conversion option derivative, net of accretion	(611)	(97)
Carrying value of debt	\$ 5,237	\$ 5,839

On May 13, 2021, the Company closed a US\$6.0 million secured convertible debenture (the "Debenture") with Shenzhen Hepalink Pharmaceutical Co., Ltd. ("Hepalink"). The Debenture bears interest at 10% per annum. Hepalink may elect to convert the principal amount of the Debenture 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.

#### Amendment/extension of Debenture

During the six months ended June 30, 2022, the maturity date of the Debenture, and the corresponding payment date of interest thereon, were both extended by one year from May 13, 2022 to May 13, 2023. The amendment was accounted for as a debt modification. A modification gain of \$0.4 million, related to the extension of the maturity date, was recognized within accretion on the statement of comprehensive loss. Incremental debt issuance costs of \$0.5 million (including \$0.5 million of incremental fair value for the derivative liability) were added to the carrying value of the convertible debenture.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(unaudited)

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

### 6. Debt and derivative liability (continued)

The secured convertible debenture is a hybrid instrument consisting of a financial instrument and an embedded derivative, being the conversion option. The embedded derivative is separated from the host contract and accounted for separately as the economic characteristics and risks of the host contract and the embedded derivative are not closely related. The Company also issued 300,000 warrants to Hepalink in connection with the Debenture. Each warrant is exercisable at a price of CAD\$0.93 per underlying common share for a period of four years from the grant date. An exercise of warrants with an exercise price denominated in a foreign currency will result in a variable amount of cash for a fixed number of shares; as such, the warrants are presented as a current liability. On initial recognition, the warrants were valued at \$0.1 million; this initial value of the warrant liability is accreted over the term of the Debenture.

The conversion option contains a variable conversion price and the conversion price is denominated in a foreign currency. As a result, conversion will result in a variable number of shares of the Company being issued at conversion; as such, the conversion feature has been classified as a derivative liability at fair value through profit or loss. It was valued at \$0.3 million at the date of issuance; this initial value of the conversion option derivative is accreted over the term of the Debenture. The conversion option was revalued at \$0.2 million as at December 31, 2021, and was revalued at \$0.7 million as at June 30, 2022. On initial recognition, on December 31, 2021, on the April 1, 2021 amendment date and on June 30, 2022, the embedded conversion option was measured at fair value by using an industry standard methodology for convertible securities. Subsequent to initial recognition, any change in fair value is recognized in profit or loss at each reporting date. During the six months ended June 30, 2022, a \$4 thousand loss was recognized for revaluing the derivative liability.

The following table summarizes the changes in derivative liability during the six months ended June 30, 2022.

	Derivative liability amount
<b>Balance, December 31, 2021</b>	<b>\$ 169</b>
Change in fair value of derivative liability, prior to maturity date extension	(105)
Incremental fair value of derivative liability, at maturity date extension amendment	482
Change in fair value of derivative liability, post maturity date extension	109
<b>Balance, June 30, 2022</b>	<b>\$ 655</b>

### 7. 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, 2021	75,202,620	\$ 50,700
Revaluation of royalty preferred shares	-	(3,900)
Balance, June 30, 2022	75,202,620	\$ 46,800

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 June 30, 2022, the Company had 75,202,620 royalty preferred shares outstanding, all of which were held by Zenith. Resverlogix and Zenith have several 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 estimated 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 June 30, 2022 (December 31, 2021 - 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 25.2% as at June 30, 2022 (December 31, 2021 - 23.7%); projected commencement of revenue beginning between mid 2026 and early 2027 (based on projected clinical development paths across

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(unaudited)

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

### 7. Royalty preferred shares (continued)

various jurisdictions, which is based in part on securing the requisite funding from a partnership or other source(s) of capital in 2022) as at June 30, 2022 (December 31, 2021 – between early 2026 and late 2026); and projected apabetalone market share percentages and projected product pricing. The estimated fair value of our royalty preferred shares in the current period was affected by the change in the projected commencement of revenue and an increase to the discount rate during the six months ended June 30, 2022, offset by the passage of time (to future cash flows based on the estimated timing and commencement of revenue).

The estimated 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 estimated 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 \$3.5 million decrease in the estimated fair value of the royalty preferred shares; assuming commencement of revenue one year later would result in a \$12.0 million decrease in the estimated 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 \$1.4 million increase in the estimated fair value of the royalty preferred shares.

### 8. 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, 2021	243,210,022	\$ 326,885
Issued in connection with private placement	7,217,646	801
Issued in connection with long term incentive plan	665,691	644
Issued in connection with warrant exercise	101,356	92
Share issue cost	-	(13)
Balance, June 30, 2022	251,194,715	\$ 328,409

#### Private placements

In March 2022, the Company issued 4,727,192 equity units at CAD\$0.48 per unit pursuant to a private placement for gross proceeds of \$1.8 million (CAD\$2.3 million). Each equity unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at a price of CAD\$0.50 per underlying common share for a period of either three or five years from the closing of the private placement.

In April 2022, the Company issued 400,000 equity units at CAD\$0.48 per unit pursuant to a private placement for gross proceeds of \$0.2 million (CAD\$0.2 million). Each equity unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at a price of CAD\$0.50 per underlying common share for a period of three years from the closing of the private placement.

In June 2022, the Company issued 2,090,454 equity units (including 1,923,787 equity units issued to a relative of the Chief Executive Officer / Chairman of the Company) at CAD\$0.30 per unit pursuant to a private placement for gross proceeds of \$0.5 million (CAD\$0.6 million). Each equity unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at a price of CAD\$0.30 per underlying common share for a period of three years from the closing of the private placement.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

### 8. Shareholders' equity (deficiency) (continued)

#### (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").

	Number of options	Weighted average exercise price (CAD)
Outstanding, December 31, 2021	625,000	\$ 1.14
Granted	740,000	0.58
Expired	(75,000)	0.66
Outstanding, June 30, 2022	1,290,000	\$ 0.85

The fair value of each option granted is estimated as of the grant date using the Black-Scholes option pricing model. The following weighted average assumptions were used in arriving at the weighted average fair values of \$0.24 per option associated with stock options granted during the six months ended June 30, 2022.

	Six months ended June 30, 2022
Risk-free interest rate	1.3%
Expected life	3.1 years
Expected volatility	88%
Share price at grant date	CAD\$0.56
Expected dividends	Nil

The following table summarizes information about the options outstanding and exercisable at June 30, 2022.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
\$0.50 - \$0.91	1,065,000	3.17	\$ 0.67	525,000
\$1.52	200,000	2.39	1.52	200,000
\$3.01	25,000	1.66	3.01	25,000
	1,290,000	3.02	\$ 0.85	750,000

The number of options exercisable at June 30, 2022 was 750,000 (December 31, 2021 – 366,667) with a weighted average exercise price of CAD\$0.96 (December 31, 2021 – CAD\$1.25).

#### (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 six months ended June 30, 2022, 2,887,700 RSUs were granted (2021 – 2,109,200 RSUs were granted). 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. During the six months ended June 30, 2022, 120,000 RSUs were granted to a vendor to settle trade payables of \$0.03 million; the grant date fair value (equal to the closing stock price on the grant date) of the 120,000 RSUs was

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(unaudited)

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

### 8. Shareholders' equity (deficiency) (continued)

#### (c) Restricted stock units (continued)

\$0.04 million (recognized in share capital), resulting in a loss on payables extinguishment of \$0.01 million (recognized in profit or loss).

	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, December 31, 2021	12,258,513	\$ 1.12
Granted	2,887,700	0.52
Exercised	(665,691)	0.97
Forfeited	(14,966)	0.80
Outstanding, June 30, 2022	14,465,556	\$ 1.00

The number of RSUs exercisable at June 30, 2022 was 14,047,224 (December 31, 2021 - 12,155,986).

#### (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 six months ended June 30, 2022, 407,355 DSUs were granted (2021 - 154,468). 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, 2021	926,570	\$ 0.83
Granted	407,355	0.27
Outstanding and exercisable, June 30, 2022	1,333,925	\$ 0.66

#### (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, 2021	16,562,588	\$ 2.39	\$ 1,567
Issued in connection with private placements	7,217,646	0.44	1,665
Exercised	(101,356)	1.15	-
Expired	(4,713,703)	2.73	-
Revaluation of warrant liability	-	-	(2,302)
Outstanding, June 30, 2022	18,965,175	\$ 1.57	\$ 930

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(unaudited)

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

### 8. Shareholders' equity (deficiency) (continued)

#### (e) Warrant liability (continued)

The following table summarizes information about liability-classified warrants outstanding and exercisable at June 30, 2022.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
\$0.30 - \$0.93	8,117,646	3.56	\$ 0.48
\$1.00 - \$1.40	6,448,593	1.59	1.08
\$2.54	600,000	1.50	2.54
\$4.60	3,798,936	0.94	4.60
	18,965,175	2.30	\$ 1.57

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 the Company's shares from CAD\$0.51 on December 31, 2021 to CAD\$0.25 on June 30, 2022 and from CAD\$0.94 on December 31, 2020 to CAD\$0.84 on June 30, 2021, the revaluation of 7.2 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 six months ended June 30, 2022 was \$0.24 per warrant (2021 - \$0.44 per warrant), using the Black-Scholes option pricing model and the following weighted average assumptions:

	Six months ended June 30, 2022		Six months ended June 30, 2021	
	Issued in connection with private placements	Issued in connection with private placements	Issued in connection with private placements	Issued in connection with debenture
Number of warrants issued	7,217,646	5,384,598	300,000	
Risk-free interest rate	2.6%	0.5%	1.2%	
Expected life	3.9 years	2.9 years	4.0 years	
Expected volatility	102%	106%	100%	
Share price at grant date (CAD)	\$0.43	\$0.89	\$0.86	

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(unaudited)

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

### 8. Shareholders' equity (deficiency) (continued)

#### (f) Per share amounts

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Weighted average common shares outstanding - basic and diluted	<b>249,515,015</b>	238,966,584	<b>246,612,653</b>	237,116,552

The effect of any potential exercise of convertible debenture, warrants, stock options, restricted stock units, and deferred share units outstanding is excluded from the calculation of diluted loss per share in periods where the effect would be anti-dilutive.

### 9. 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 June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<b>Research and development expenses:</b>				
Operating expenses, net of recoveries	\$ 277	\$ 475	\$ 893	\$ 687
Personnel costs (short-term employee benefits)	388	418	786	815
Government assistance (COVID-19 payroll subsidy)	-	-	-	(34)
Share-based payment transactions	245	427	538	569
Amortization and depreciation	220	207	440	408
Total research and development expenses	\$ 1,130	\$ 1,527	\$ 2,657	\$ 2,445
<b>Pre-commercialization, general and administrative expenses:</b>				
Pre-commercialization expenses, net of discounts	\$ (163)	\$ -	\$ 2,890	\$ -
General expenses, net of recoveries	264	302	513	305
Personnel costs (short-term employee benefits)	356	618	704	1,060
Government assistance (COVID-19 payroll subsidy)	-	-	-	(60)
Share-based payment transactions	402	906	1,127	1,193
Amortization and depreciation	67	69	133	140
Total general and administrative expenses	\$ 926	\$ 1,895	\$ 5,367	\$ 2,638

During the six months ended June 30, 2021, the Company received \$0.1 million (CAD\$0.1 million) of COVID-19 payroll subsidy government assistance from the National Research Council of Canada Industrial Research Assistance Program's Innovation Assistance Program. The payroll subsidy was recognized as an offset to salary expense (allocated to research and development expenses and general and administrative expenses).

#### Partnership with EVERSANA

In June 2021, the Company entered into a partnership with EVERSANA Life Science Services, LLC ("EVERSANA"). EVERSANA is supporting the planned commercialization of apabetalone for the treatment of COVID-19 in the United States and Canada as Emergency Use Authorization and/or a New Drug Application or equivalent if issued or approved in these two countries. EVERSANA is providing fully integrated commercialization services including market access, agency services, clinical and commercial field teams, medical science liaisons, channel management, patient services, health economics and outcomes research, and compliance.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(unaudited)

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

### 9. Expenses by nature (continued)

In April 2022, the Company and EVERSANA expanded its partnership to include cardiovascular and pulmonary arterial hypertension indications (the "Amendment"). In connection with the Amendment, if the Company and EVERSANA have not launched a product by July 1, 2022, the Company will make monthly payments to EVERSANA, commencing in July 2022, equal to 50% of the deferred fees for the corresponding month twelve months prior. The Company has not yet made any such payments.

During the six months ended June 30, 2022, EVERSANA completed pre-commercialization activities in the amount of \$3.4 million, with 25% (and up to 50% in the future) of the fees earned (\$0.8 million) being deferred. A total discount of \$0.5 million on the pre-commercialization fees incurred in the six months ended June 30, 2022 has been recognized as an offset to the long-term deferred fees liability and to pre-commercialization expenses to reflect the financing component of the deferred fees. The April 2022 Amendment described above was accounted for with a reclassification of 50% of the deferred fees to current Trade and other payables (as the fees will become due within the twelve months following) and an extinguishment of the unamortized discounts incurred prior to April 2022 (\$0.6 million), resulting in \$0.6 million of unamortized discounts being recognized within accretion in the period. A new discount of \$0.3 million was recognized to reflect the financing component of the remaining 50% of deferred fees still classified as Other long-term liability. The discount will be accreted over the term that is projected until settlement. \$1.3 million of deferred fees (\$1.0 million, net of the \$0.3 million discount) is included as Other long-term liability on the statement of financial position and are due when the Company generates subsequent COVID-19-related sales of apabetalone. EVERSANA shall also be entitled to profit sharing in the amount of 3.0 - 4.5% of apabetalone sales associated with COVID-19 in the United States and Canada during the five-year term of the partnership (commencing upon commercial launch). Estimated (discretionary) pre-commercialization activities over the next twelve months total up to approximately \$10 million (December 31, 2021 - between \$8.6 million and \$12.2 million).

### 10. Commitments and contingencies

As at June 30, 2022, the Group is committed to expenditures over the next twelve months of \$1.4 million (December 31, 2021 - \$1.6 million) under various research and development contracts. As at June 30, 2022, the Group is also party to cancellable agreements with a contract research organization that conducted the Phase 2 COVID-19 trial, however, in May 2022, the Group terminated any and all agreements with this organization, effective in July 2022.

As at June 30, 2022, the Group is party to a commercialization partnership (refer to Note 9) where corresponding estimated (discretionary) pre-commercialization activities over the next twelve months total up to approximately \$10 million (December 31, 2021 - between \$8.6 million and \$12.2 million).

The July 2015 License Agreement between Resverlogix and Hepalink was amended effective June 17, 2022 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 after May 1, 2020 and up to December 31, 2023 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, 2024.

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 has paid an additional \$825,000, but has not yet paid the remaining balance of \$275,000. Until the Company pays the remaining \$275,000, 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.

The Company has not complied fully with the payment terms associated with certain amounts owing to certain vendors. Until the Company fully satisfies its obligations, it is possible that the vendors could assert that the Company is in default and could pursue any remedies available to them.

In 2021, the Company acquired certain intellectual property for: (a) \$400,000 paid in cash and (b) a \$600,000 milestone payment payable upon submission of a New Drug Application for apabetalone to the US Food and Drug Administration.



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## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(unaudited)

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

### 11. Subsequent event

#### Private placement

Subsequent to June 30, 2022, the Company issued 10,486,416 equity units at CAD\$0.24 per unit pursuant to a private placement for gross proceeds of \$2.0 million (CAD\$2.5 million). Each equity unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at a price of CAD\$0.30 per underlying common share for a period of five years from the closing of the private placement.