



Condensed Interim Consolidated Financial Statements  
For the three months ended July 31, 2020 and 2019

## Condensed Interim Consolidated Statements of Financial Position

As at:

(unaudited)

<i>In thousands of US dollars</i>	Notes	July 31, 2020	April 30, 2020
<b>Assets</b>			
<b>Current assets:</b>			
Cash		\$ 28	\$ 4
Prepaid expenses and deposits		198	342
Investment tax credit receivable		66	64
Other assets		288	365
Clinical supplies		1,218	1,553
Due from related parties		409	856
<b>Total current assets</b>		<b>2,207</b>	<b>3,184</b>
<b>Non-current assets:</b>			
Property and equipment		254	274
Right-of-use assets		1,518	1,686
Intangible assets		2,759	2,786
Prepaid expenses and deposits		52	51
Clinical supplies		3,732	3,397
<b>Total non-current assets</b>		<b>8,315</b>	<b>8,194</b>
<b>Total assets</b>		<b>\$ 10,522</b>	<b>\$ 11,378</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Trade and other payables		\$ 7,039	\$ 7,880
Accrued interest		1,019	717
Promissory notes		231	223
Lease liabilities		655	711
Warrant liability	7 (e)	5,739	7,010
Debt	5	-	11,225
Derivative liability	5	-	927
<b>Total current liabilities</b>		<b>14,683</b>	<b>28,693</b>
<b>Non-current liabilities:</b>			
Lease liabilities		948	997
Debt	5	10,144	-
Derivative liability	5	1,811	-
Royalty preferred shares	6	49,000	45,800
<b>Total liabilities</b>		<b>76,586</b>	<b>75,490</b>
<b>Shareholders' deficiency:</b>			
Share capital	7 (a)	306,441	305,637
Contributed surplus		51,601	47,709
Warrants	7 (f)	1,050	1,490
Deficit		(425,156)	(418,948)
<b>Total shareholders' deficiency</b>		<b>(66,064)</b>	<b>(64,112)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 10,522</b>	<b>\$ 11,378</b>

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 Loss (Income)

For the three months ended July 31

(unaudited)

<i>In thousands of US dollars</i>	Notes	2020	2019
<b>Expenses:</b>			
Research and development, net of recoveries	8	\$ 1,650	\$ 7,798
Investment tax credits		-	(32)
Net research and development		1,650	7,766
General and administrative, net of recoveries	8	2,499	1,572
		4,149	9,338
<b>Finance costs (income):</b>			
Gain on change in fair value of warrant liability	7 (e)	(1,644)	(19,805)
Loss on change in fair value of royalty preferred shares	6	3,200	5,300
Gain on change in fair value of derivative liability	5	(662)	-
Loss on debt extinguishment	5	248	-
Interest and accretion		783	1,027
Financing costs		12	186
Foreign exchange loss (gain)		117	(13)
Net finance costs (income)		2,054	(13,305)
<b>Loss (income) before income taxes</b>		<b>6,203</b>	<b>(3,967)</b>
Income taxes		5	8
<b>Net and total comprehensive loss (income)</b>		<b>\$ 6,208</b>	<b>\$ (3,959)</b>
<b>Net loss (earnings) per share (note 7 (g))</b>			
Basic and diluted		\$ 0.03	\$ (0.02)

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 July 31**  
(unaudited)

<i>In thousands of US dollars</i>	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Deficiency
<b>Balance, April 30, 2019</b>	\$ 284,905	\$ 43,117	\$ 1,229	\$ (536,973)	\$ (207,722)
Common shares issued in connection with public offering	9,241	-	139	-	9,380
Common shares issued in connection with stock option and long term incentive plans	283	(161)	-	-	122
Share issue cost	(781)	-	-	-	(781)
Common shares issued in connection with exercise of warrants	13	-	(2)	-	11
Share-based payment transactions	-	730	-	-	730
Net and total comprehensive income	-	-	-	3,959	3,959
<b>Balance, July 31, 2019</b>	\$ 293,661	\$ 43,686	\$ 1,366	\$ (533,014)	\$ (194,301)
<b>Balance, April 30, 2020</b>	\$ 305,637	\$ 47,709	\$ 1,490	\$ (418,948)	\$ (64,112)
Common shares issued in connection with private placements	188	-	-	-	188
Common shares issued in connection with stock option and long term incentive plans	626	(355)	-	-	271
Share issue cost	(10)	-	-	-	(10)
Expiry of equity-classified warrants	-	440	(440)	-	-
Share-based payment transactions	-	3,807	-	-	3,807
Net and total comprehensive loss	-	-	-	(6,208)	(6,208)
<b>Balance, July 31, 2020</b>	\$ 306,441	\$ 51,601	\$ 1,050	\$ (425,156)	\$ (66,064)

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 July 31**  
(unaudited)

<i>In thousands of US dollars</i>	2020	2019
<b>Cash provided by (used in):</b>		
<b>Cash flows provided by (used in) operating activities:</b>		
<b>Net (loss) income</b>	\$ (6,208)	\$ 3,959
<b>Items not involving cash:</b>		
Equity-settled share-based payment transactions	3,807	730
Depreciation and amortization	257	258
Change in fair value of warrant liability	(1,644)	(19,805)
Change in fair value of royalty preferred shares	3,200	5,300
Change in fair value of derivative liability	(662)	-
Loss on debt extinguishment	248	-
Unrealized foreign exchange	62	36
Interest, fees and accretion	783	1,027
Net current income taxes	5	8
Financing costs	12	186
<b>Changes in non-cash working capital:</b>		
Prepaid expenses and deposits	142	(429)
Investment tax credit receivable	(2)	(33)
Other assets	77	(61)
Clinical supplies	-	(975)
Due from related parties	447	(223)
Trade and other payables	(867)	(50)
	<b>(343)</b>	<b>(10,072)</b>
Interest received	-	20
Income tax paid	(6)	-
<b>Net cash used in operating activities</b>	<b>(349)</b>	<b>(10,052)</b>
<b>Cash flows provided by (used in) financing activities:</b>		
Proceeds from equity units issued in connection with private placements	341	-
Proceeds from equity units issued in connection with prospectus offering	-	11,444
Share issuance costs	(10)	(579)
Debt issuance costs	(14)	-
Financing costs	(12)	(160)
Interest and fees paid	-	(362)
Deferred financing costs	-	(39)
Repayment of lease liabilities	(185)	(186)
Proceeds from exercise of stock options	271	122
Proceeds from exercise of warrants	-	11
Repayment of promissory note	-	(75)
Changes in non-cash financing working capital	26	(369)
<b>Net cash provided by financing activities</b>	<b>417</b>	<b>9,807</b>
<b>Cash flows used in investing activities:</b>		
Property and equipment additions	-	(13)
Intangible asset additions	(42)	(108)
Changes in non-cash investing working capital	(2)	(56)
<b>Net cash used in investing activities</b>	<b>(44)</b>	<b>(177)</b>
Effect of foreign currency translation on cash	-	89
<b>Increase (decrease) in cash</b>	<b>24</b>	<b>(333)</b>
<b>Cash, beginning of period</b>	<b>4</b>	<b>7,689</b>
<b>Cash, end of period</b>	<b>\$ 28</b>	<b>\$ 7,356</b>

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

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020 and 2019

(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 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 October 2, 2020.

#### (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 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 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.

#### (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.

#### (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

---

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020 and 2019

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

### 2. Basis of preparation

#### (e) Use of estimates and judgment (continued)

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 April 30, 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 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 July 31, 2020, the Company had \$28 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 July 31, 2020, the Company was committed to pay \$7.0 million of trade and other payables, \$1.4 million for research and development over the next twelve months, and \$0.7 million of lease liabilities over the next twelve months. Furthermore, the Company's \$12.0 million debenture with Vision Leader Limited is due on September 26, 2021 (refer to Note 5).

As described in Note 10, subsequent to July 31, 2020, the Company raised \$2.6 million. The Company's cash as at July 31, 2020, in combination with the \$2.6 million raised subsequent to July 31, 2020, is not sufficient to fund the Company's contractual commitments or the Company's planned business operations over the next year. Therefore, 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.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020 and 2019

(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 annual consolidated financial statements for the year ended April 30, 2020 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 April 30, 2020, except as noted below.

#### New standards and interpretations adopted

The Company has adopted the following new standard, with a date of initial application of May 1, 2020:

#### IFRS 3 – Business Combinations

The IASB issued an amended definition of the term 'business' within IFRS 3 – *Business Combinations*. Resverlogix adopted IFRS 3 for the annual period beginning on May 1, 2020. The Company has analyzed the impact of the change in definition of the term 'business' in IFRS 3. The amendment did not have a material impact on the consolidated financial statements.

### 5. Debt and derivative liability

The following table summarizes the changes in debt during the three months ended July 31, 2020.

	Vision Leader Limited Convertible Debenture
<b>Balance, April 30, 2020</b>	<b>\$ 11,225</b>
Accretion of transaction costs on Convertible Debenture, prior to amendment	411
Derecognition of remaining unamortized transaction costs at debt extinguishment, at amendment	364
Initial fair value of new derivative liability, at amendment	(1,897)
Accretion of transaction costs on Convertible Debenture, post amendment	41
<b>Balance, July 31, 2020</b>	<b>\$ 10,144</b>

#### Vision Leader Limited Convertible Debenture

	July 31, 2020	April 30, 2020
US\$12.0 million (initial principal), 10% due September 26, 2021	<b>\$ 12,000</b>	\$ 12,000
Unamortized transaction costs, net of accretion	-	(109)
Discount on warrant liability derivative, net of accretion	-	(230)
Discount on conversion option derivative, net of accretion	<b>(1,856)</b>	(436)
Carrying value of debt	<b>\$ 10,144</b>	\$ 11,225

On September 26, 2019, the Company closed a US\$12.0 million secured convertible debenture (the "Debenture") with Vision Leader Limited ("Vision Leader"), a wholly-owned subsidiary of ORI Star Fund LP ("ORI"). The Debenture bears interest at 10% per annum, and initially matured on September 26, 2020. ORI may elect to convert the Debenture into common shares of the Company at a conversion price equal to the lesser of CAD\$2.54 per share and the 5-day volume weighted average trading price of the common shares on the date of conversion. The Company granted Vision Leader a security interest in all of its assets, including its patents and other intellectual property, as security for its obligations under the Debenture. In connection with the Debenture, ORI is entitled to nominate a director to the Company's Board of Directors; on December 19, 2019, a nominee of ORI was appointed to the Board of Directors.

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 bifurcated 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 600,000 warrants to Vision Leader in connection with the Debenture. Each warrant is exercisable at a price of CAD\$2.54 per underlying common share with an expiry date of December 31, 2023. 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,



## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020 and 2019

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

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

the warrants are presented as a current liability. On initial recognition, the warrants were valued at \$0.5 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 \$1.0 million at the date of issuance; this initial value of the conversion option derivative is accreted over the term of the Debenture. Subsequent to initial recognition, any change in fair value is recognized in profit or loss at each reporting date.

#### Amendment/extension of Debenture

On July 21, 2020, the maturity date of the Debenture, and the corresponding payment date of interest thereon, were both extended by one year from September 26, 2020 to September 26, 2021. The amendment was accounted as a debt extinguishment and recognition of a new liability. The \$0.2 million of transaction fees related to the amendment (including \$0.2 million for the initial value of additional warrants described below), along with the derecognition of the remaining \$0.4 million unamortized transaction costs at the July 21, 2020 amendment date, offset by the derecognition of the \$0.4 million fair value of the derivative liability at the July 21, 2020 amendment date (prior to incorporating the extended maturity date) resulted in a net \$0.2 million loss on debt extinguishment being recorded on the statement of comprehensive loss.

In connection with the extension of the maturity date of the Debenture, Vision Leader was issued an additional 600,000 warrants, exercisable until December 31, 2024 at a price of CAD\$0.74 per underlying common share, as described in Note 7 (e). The initial \$0.2 million value of the warrant liability at the July 21, 2020 amendment date was expensed (to loss on debt extinguishment recorded on the statement of comprehensive loss).

The conversion option incorporating the extended maturity date was valued at \$1.9 million at the July 21, 2020 amendment date. On initial recognition at the July 21, 2020 amendment date and on July 31, 2020, the embedded conversion option was measured at fair value by third party valuation specialists using an industry standard methodology. During the three months ended July 31, 2020, a \$0.7 million gain was recognized for revaluing the derivative liability (including the periods prior to and after the amendment).

The following table summarizes the changes in derivative liability during the three months ended July 31, 2020.

	Derivative liability amount
<b>Balance, April 30, 2020</b>	<b>\$ 927</b>
Change in fair value of derivative liability, prior to amendment	(576)
Derecognition of derivative liability for debt extinguishment, at amendment	(351)
Initial fair value of new derivative liability, at amendment	1,897
Change in fair value of derivative liability, post amendment	(86)
<b>Balance, July 31, 2020</b>	<b>\$ 1,811</b>

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020 and 2019

(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, April 30, 2019	75,202,620	\$ 137,400
Revaluation of royalty preferred shares	-	(91,600)
Balance, April 30, 2020	75,202,620	45,800
Revaluation of royalty preferred shares	-	3,200
Balance, July 31, 2020	75,202,620	\$ 49,000

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 July 31, 2020, the Company had 75,202,620 royalty preferred shares outstanding, all of which were held by Zenith Capital Corp. ("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 risk adjusted future net cash flows. The estimate incorporates the following assumptions: a cumulative probability rate of generating forecasted future cash flows of 42% as at July 31, 2020 (April 30, 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 23.0% as at July 31, 2020 (April 30, 2020 - 23.2%); projected commencement of revenue beginning between early 2024 and late 2024 (based on projected clinical development paths across various jurisdictions, which is based in part on securing the requisite funding from a partnership by the latter part of 2020) as at July 31, 2020 (April 30, 2020 - between early 2024 and late 2024); and projected apabetalone market share percentages and projected product pricing.

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 \$3.8 million decrease in the fair value of the royalty preferred shares; assuming commencement of revenue one year later would result in a \$11.9 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 \$1.4 million increase in the fair value of the royalty preferred shares.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020 and 2019

(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, April 30, 2019	200,327,919	\$ 284,905
Issued in connection with public offering	3,798,936	9,241
Issued in connection with private placement	2,110,744	845
Issued in connection with warrant exercises	5,007,125	10,737
Issued in connection with stock option plan	382,230	400
Issued in connection with long term incentive plan	143,168	307
Share issue cost	-	(798)
Balance, April 30, 2020	211,770,122	305,637
Issued in connection with private placements	577,632	188
Issued in connection with stock option plan	469,066	357
Issued in connection with long term incentive plan	273,401	269
Share issue cost	-	(10)
Balance, July 31, 2020	213,090,221	\$ 306,441

#### Private placements

In May 2020, the Company issued 490,410 equity units at CAD\$0.85 per unit pursuant to a private placement for gross proceeds of \$0.3 million (CAD\$0.4 million). Each equity unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at a price of CAD\$1.00 per underlying common share for a period of two years from the closing of the private placement. The Company also issued 87,222 shares at CAD\$0.72 per share pursuant to a private placement for gross proceeds of \$0.05 million (CAD\$0.1 million).

#### Share issue costs

During the three months ended July 31, 2020, the Company recognized total share issue costs of \$0.01 million. During the three months ended July 31, 2019, the Company recognized total share issue costs of \$0.8 million, including \$0.1 million associated with warrants issued to the financial advisors involved with the June 2019 public offering, as described in Note 7 (f).

#### (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").

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020 and 2019

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

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

#### (b) Stock options (continued)

	Number of options	Weighted average exercise price (CAD)
Outstanding, April 30, 2019	1,623,466	\$ 1.42
Granted	375,000	1.32
Exercised	(382,230)	0.78
Expired	(375,870)	1.02
Forfeited	(75,000)	2.13
Outstanding, April 30, 2020	1,165,366	1.69
Granted	775,000	0.78
Exercised	(469,066)	0.79
Expired	(257,934)	2.39
Outstanding, July 31, 2020	1,213,366	\$ 1.31

The fair value of each option granted is estimated as of the grant date using the Black-Scholes option pricing model. During the three months ended July 31, 2019 no stock options were granted. The following weighted average assumptions were used in arriving at the weighted average fair values of \$0.21 per option associated with stock options granted during the three months ended July 31, 2020.

	2020
Risk-free interest rate	0.5%
Expected life	1.2 years
Expected volatility	141%
Share price at grant date	CAD\$0.79
Expected dividends	Nil

The following table summarizes information about the options outstanding and exercisable at July 31, 2020.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
\$0.75 - \$0.79	275,000	1.93	\$ 0.77	275,000
\$1.28 - \$1.73	913,366	1.63	1.43	863,366
\$3.01	25,000	3.58	3.01	8,334
	1,213,366	1.74	\$ 1.31	1,146,700

The number of options exercisable at July 31, 2020 was 1,146,700 (2019 - 1,322,000) with a weighted average exercise price of CAD\$1.28 (2019 - CAD\$1.49). For stock options exercised in the three months ended July 31, 2020, the weighted average share price on exercise date was CAD\$0.77/share (2019 - CAD\$2.88/share).

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020 and 2019

(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.

During the three months ended July 31, 2020, 6,612,207 RSUs were granted (2019 - 334,400 RSUs). 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, April 30, 2019	2,409,547	\$ 2.26
Granted	3,019,400	2.04
Exercised	(143,168)	2.15
Forfeited	(338,465)	2.24
Outstanding, April 30, 2020	4,947,314	2.13
Granted	6,612,207	0.59
Exercised	(273,401)	0.99
Outstanding, July 31, 2020	11,286,120	\$ 1.25

The number of RSUs exercisable at July 31, 2020 was 5,994,850 (2019 - 1,689,447).

#### (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.

During the three months ended July 31, 2020, 57,190 DSUs were granted (2019 - Nil). 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, April 30, 2019	155,001	\$ 2.52
Granted	139,085	0.83
Outstanding and exercisable, April 30, 2020	294,086	1.72
Granted	57,190	0.55
Outstanding and exercisable, July 31, 2020	351,276	\$ 1.53

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020 and 2019

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

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

#### (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, April 30, 2019	33,395,486	\$ 2.07	\$ 63,526
Issued in connection with public offering	3,798,936	4.60	2,203
Issued in connection with private placements	1,681,375	1.38	1,049
Issued in connection with convertible debenture	600,000	2.54	525
Exercised	(5,000,000)	0.75	(7,892)
Expired	(182,457)	2.00	-
Revaluation of warrant liability	-	-	(52,401)
Outstanding, April 30, 2020	34,293,340	2.52	7,010
Issued in connection with private placement	490,410	1.00	152
Issued in connection with convertible debenture amendment	600,000	0.74	221
Expired	(1,422,005)	2.67	-
Revaluation of warrant liability	-	-	(1,644)
Outstanding, July 31, 2020	33,961,745	\$ 2.46	\$ 5,739

The following table summarizes information about liability-classified warrants outstanding and exercisable at July 31, 2020.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
\$0.74 - \$0.74	600,000	4.42	\$ 0.74
\$1.00 - \$1.75	12,381,180	1.26	1.49
\$2.05 - \$2.67	6,103,702	1.14	2.10
\$3.00 - \$3.21	11,077,927	1.29	3.09
\$4.60 - \$4.60	3,798,936	2.85	4.60
	33,961,745	1.48	\$ 2.46

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 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 to CAD\$0.74 on July 31, 2020 from CAD\$0.83 on April 30, 2020, and to CAD\$3.10 on July 31, 2019 from CAD\$4.01 on April 30, 2019, the revaluation of 1.1 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 our cash flows.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020 and 2019

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

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

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

The weighted average fair value of the warrants issued during the three months ended July 31, 2020 was \$0.36 per warrant, using the Black-Scholes option pricing model and the following weighted average assumptions for the separate issuances:

	2020	2020
	Issued in connection with private placement	Issued in connection with debenture amendment
Number of warrants issued	490,410	600,000
Risk-free interest rate	0.3%	0.7%
Expected life	2.0 years	4.5 years
Expected volatility	121%	87%
Share price at grant date (CAD)	\$0.86	\$0.76

During the three months ended July 31, 2019, 3,798,936 liability-classified warrants were issued (and listed for trading) in connection with the prospectus offering discussed in Note 7 (a). The market value of these listed warrants represents a Level 1 input in the fair value hierarchy, and is used to value these warrants at each reporting period. As at July 31, 2020, the fair value of these listed warrants was CAD\$0.18 per warrant for a total value of \$0.5 million.

#### (f) Equity-classified warrants

On June 7, 2019, the Company issued 195,925 warrants to financial advisors involved with the June 7, 2019 prospectus offering described in Note 7 (a). 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. Each warrant issued on June 7, 2019 is exercisable at a price of CAD\$4.00 for a period of two years.

The following table summarizes the changes in equity classified warrants outstanding.

	Number of warrants	Weighted average exercise price (CAD)	Equity amount
Outstanding, April 30, 2019	1,681,468	\$ 1.83	\$ 1,229
Issued in connection with prospectus offering	195,925	4.00	139
Exercised	(7,125)	2.05	(2)
Revaluation of warrants for temporary exercise price adjustment	-	-	124
Outstanding, April 30, 2020	1,870,268	2.06	1,490
Expired	(331,750)	2.67	(440)
Outstanding, July 31, 2020	1,538,518	\$ 1.92	\$ 1,050

For equity-classified warrants exercised in the three months ended July 31, 2019, the weighted average share price on exercise date was CAD\$2.98/share.

The following table summarizes information about the equity classified warrants outstanding and exercisable at July 31, 2020.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)
\$1.62	1,342,593	1.34
\$4.00	195,925	0.85
	1,538,518	1.27

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020 and 2019

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

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

#### (f) Equity-classified warrants (continued)

There were no equity-classified warrants issued during the three months ended July 31, 2020. The weighted average fair value of the equity-classified warrants issued during the three months ended July 31, 2020 was \$0.82 per warrant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2020
Risk-free interest rate	1.5%
Expected life	2.0 years
Expected volatility	75%

#### (g) Per share amounts

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

	2020	2019
Weighted average common shares outstanding - basic	212,490,321	202,709,664
Effect of convertible debenture, warrants, stock options, RSUs and DSUs	-	15,499,737
Weighted average common shares outstanding - diluted	212,490,321	218,209,401

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.

### 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.

	2020	2019
<b>Research and development expenses:</b>		
Operating expenses	\$ 379	\$ 6,879
Personnel costs (short-term employee benefits) (net of settlement of liabilities related to cash-based compensation (recognized in prior periods) with restricted stock unit grants in the current period)	(78)	467
Government assistance (COVID-19 payroll subsidy)	(61)	-
Share-based payment transaction costs	1,224	266
Amortization and depreciation	186	186
Total research and development expenses	\$ 1,650	\$ 7,798
<b>General and administrative expenses:</b>		
General expenses	\$ 267	\$ 573
Personnel costs (short-term employee benefits) (net of settlement of liabilities related to cash-based compensation (recognized in prior periods) with restricted stock unit grants in the current period)	(315)	463
Government assistance (COVID-19 payroll subsidy)	(107)	-
Share-based payment transaction costs	2,583	464
Amortization and depreciation	71	72
Total general and administrative expenses	\$ 2,499	\$ 1,572

During the three months ended July 31, 2020, the Company received \$0.2 million (CAD\$0.2 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). There are no unfulfilled conditions attached to this government assistance.



---

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020 and 2019

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

### 9. Commitments and contingencies

As at July 31, 2020, the Group is committed to expenditures over the next twelve months of \$1.4 million (April 30, 2020 – \$1.2 million) under various research and development contracts.

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, but has not yet made the two remaining instalment payments. Until the Company pays the remaining two payments, 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 it.

### 10. Subsequent events

#### Private placements

In August 2020, the Company issued 3,573,333 equity units at a price of CAD\$0.75 per unit for gross proceeds of \$2.0 million (CAD\$2.7 million). Hepalink subscribed for all 3,573,333 units. Each equity unit consists of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of CAD\$1.00 per underlying common share for a period of one year from the closing of the private placement.

In September 2020, the Company issued 982,000 equity units at a price of CAD\$0.80 per unit for gross proceeds of \$0.6 million (CAD\$0.8 million). Each equity unit consists of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of CAD\$1.00 per underlying common share for a period of one year from the closing of the private placement.