Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2020 and 2019

Condensed Interim Consolidated Statements of Financial Position

As at:

(unaudited)

In thousands of US dollars	Notes	October 31, 2020	April 30, 2020
Assets			
Current assets:			
Cash		$ 49	$ 4
Prepaid expenses and deposits		181	342
Investment tax credit receivable		67	64
Other assets		230	365
Clinical supplies		1,168	1,553
Due from related parties		649	856
Total current assets		2,344	3,184
Non-current assets:			
Property and equipment		233	274
Right-of-use assets		1,350	1,686
Intangible assets		2,825	2,786
Prepaid expenses and deposits		53	51
Clinical supplies		3,719	3,397
Total non-current assets		8,180	8,194
Total assets		$ 10,524	$ 11,378
Liabilities			
Current liabilities:			
Trade and other payables		$ 6,311	$ 7,880
Accrued interest		-	717
Promissory notes		233	223
Lease liabilities		583	711
Warrant liability	7 (e)	8,526	7,010
Debt	5	-	11,225
Derivative liability	5	-	927
Total current liabilities		15,653	28,693
Non-current liabilities:			
Lease liabilities		863	997
Royalty preferred shares	6	46,800	45,800
Total liabilities		63,316	75,490
Shareholders' deficiency:			
Share capital	5 and 7 (a)	321,549	305,637
Contributed surplus		53,185	47,709
Warrants	7 (f)	1,050	1,490
Deficit		(428,576)	(418,948)
Total shareholders' deficiency		(52,792)	(64,112)
Total liabilities and shareholders' deficiency		$ 10,524	$ 11,378

Going concern (note 3) Commitments and contingencies (note 9) Subsequent event (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 and six months ended October 31

(unaudited)

In thousands of US dollars	Notes	Three months ended October 31, 2020	Three months ended October 31, 2019	Six months ended October 31, 2020	Six months ended October 31, 2019
Expenses:					
Research and development, net of recoveries	8	$ 1,517	$ 6,278	$ 3,167	$ 14,076
Investment tax credits		-	(21)	-	(53)
Net research and development		1,517	6,257	3,167	14,023
General and administrative, net of recoveries	8	1,841	1,502	4,340	3,074
		3,358	7,759	7,507	17,097
Finance costs (income):					
Loss (gain) on change in fair value of warrant liability	7 (e)	2,116	(27,785)	472	(47,590)
(Gain) loss on change in fair value of royalty preferred shares	6	(2,200)	(81,400)	1,000	(76,100)
(Gain) loss on change in fair value of derivative liability	5	(420)	26	(1,082)	26
Loss on debt extinguishment	5	-	-	248	-
Interest, fees and accretion		554	666	1,337	1,693
Financing costs		(31)	33	(19)	219
Foreign exchange loss		41	25	158	12
Net finance costs (income)		60	(108,435)	2,114	(121,740)
Loss (income) before income taxes		3,418	(100,676)	9,621	(104,643)
Income taxes		2	10	7	18
Net and total comprehensive loss (income)		$ 3,420	$ (100,666)	$ 9,628	$ (104,625)
Net loss (earnings) per share *(note 7 (g))*					
Basic		$ 0.02	$ (0.48)	$ 0.04	$ (0.51)
Diluted		0.02	(0.46)	0.04	(0.48)

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 six months ended October 31

(unaudited)

In thousands of US dollars	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Deficiency
Balance, April 30, 2019	$ 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	437	(315)	-	-	122
Share issue cost	(781)	-	-	-	(781)
Common shares issued in connection with exercise of warrants	10,737	-	(2)	-	10,735
Share-based payment transactions	-	1,550	-	-	1,550
Net and total comprehensive income	-	-	-	104,625	104,625
Balance, October 31, 2019	$ 304,539	$ 44,352	$ 1,366	$ (432,348)	$ (82,091)
Balance, April 30, 2020	$ 305,637	$ 47,709	$ 1,490	$ (418,948)	$ (64,112)
Common shares issued in connection with private placements	2,232	-	-	-	2,232
Common shares issued in connection with debenture conversion and settlement of accrued interest	13,024	-	-	-	13,024
Common shares issued in connection with stock option and long term incentive plans	703	(402)	-	-	301
Share issue cost	(47)	-	-	-	(47)
Expiry of equity-classified warrants	-	440	(440)	-	-
Share-based payment transactions	-	5,438	-	-	5,438
Net and total comprehensive loss	-	-	-	(9,628)	(9,628)
Balance, October 31, 2020	$ 321,549	$ 53,185	$ 1,050	$ (428,576)	$ (52,792)

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 October 31

(unaudited)

In thousands of US dollars	2020	2019
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Net (loss) income	$ (9,628)	$ 104,625
Items not involving cash:		
Equity-settled share-based payment transactions	5,438	1,550
Depreciation and amortization	518	514
Change in fair value of warrant liability	472	(47,590)
Change in fair value of royalty preferred shares	1,000	(76,100)
Change in fair value of derivative liability	(1,082)	26
Loss on debt extinguishment	248	-
Unrealized foreign exchange	71	39
Interest, fees and accretion	1,337	1,693
Net current income taxes	7	18
Financing costs	(19)	219
Changes in non-cash working capital:		
Prepaid expenses and deposits	159	23
Investment tax credit receivable	(3)	(55)
Other assets	135	(773)
Clinical supplies	63	(1,348)
Due from related parties	207	(345)
Trade and other payables	(1,545)	1,462
	(2,622)	(16,042)
Interest received	-	23
Income tax paid	(15)	(14)
Net cash used in operating activities	(2,637)	(16,033)
Cash flows provided by (used in) financing activities:		
Proceeds from equity units issued in connection with private placements	3,055	-
Proceeds from equity units issued in connection with prospectus offering	-	11,444
Share issuance costs	(47)	(579)
Proceeds from convertible debenture and warrants	-	12,000
Debt issuance costs	(14)	(377)
Financing costs	(40)	(193)
Interest and fees paid	-	(670)
Repayment of debt	-	(15,137)
Deferred financing costs	-	(39)
Repayment of lease liabilities	(375)	(373)
Proceeds from exercise of stock options	301	122
Proceeds from exercise of warrants	-	2,843
Repayment of promissory note	-	(75)
Changes in non-cash financing working capital	1	(268)
Net cash provided by financing activities	2,881	8,698
Cash flows used in investing activities:		
Property and equipment additions	-	(13)
Intangible asset additions	(180)	(273)
Changes in non-cash investing working capital	(18)	38
Net cash used in investing activities	(198)	(248)
Effect of foreign currency translation on cash	(1)	64
Increase (decrease) in cash	45	(7,519)
Cash, beginning of period	4	7,689
Cash, end of period	$ 49	$ 170

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

1. General information

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

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

2. Basis of preparation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting*. These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on December 10, 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

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 October 31, 2020, the Company had $49 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 October 31, 2020, the Company was committed to pay $6.3 million of trade and other payables, $1.1 million for research and development over the next twelve months, and $0.6 million of lease liabilities over the next twelve months.

As described in Note 10, subsequent to October 31, 2020, the Company raised $0.6 million. The Company's cash as at October 31, 2020, in combination with the $0.6 million raised subsequent to October 31, 2020, is not sufficient to fund the Company's contractual commitments or the Company's planned business operations over the next year. As a result of the conversion of the Company's convertible debenture and related accrued interest into common shares during the period, the Company no longer has any secured debt. Nevertheless, the Company will have to raise additional capital to fund its contractual commitments and its planned business operations. The Company continues to pursue and/or examine several sources of additional capital including co-development, licensing, rights or other partnering arrangements, private placements and/or public offerings (equity and/or debt). However, there is no assurance that any of these measures will be successfully completed.

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

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

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

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

4. Significant accounting policies

The condensed interim consolidated financial statements should be read in conjunction with the Company's 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 six months ended October 31, 2020.

	Vision Leader Limited Convertible Debenture
Balance, April 30, 2020	$ 11,225
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, subsequent to amendment	324
Conversion of full principal amount of Convertible Debenture	(10,427)
Balance, October 31, 2020	$ -

Vision Leader Limited Convertible Debenture

	October 31, 2020	April 30, 2020
US$12.0 million (initial principal), 10% due September 26, 2021	$ -	$ 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	-	(436)
Carrying value of debt	$ -	$ 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 bore interest at 10% per annum, and initially matured on September 26, 2020. Prior to conversion, as described below, ORI was able to 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 was 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.

On October 13, 2020, the full principal amount of the $12.0 million Debenture and $1.2 million of accrued interest was converted to common shares, as described in Note 7 (a); the conversion price was CAD$1.08 per share. Accordingly, Vision Leader's security interest in the Company's assets was released and discharged. The carrying value of the Debenture and the fair value of the derivative liability were reclassified to equity at the conversion date.

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

5. Debt and derivative liability (continued)

The Debenture was a hybrid instrument consisting of a financial instrument, an embedded derivative, being the conversion option and attached liability-classified warrants. The embedded derivative was bifurcated from the host contract and accounted for separately as the economic characteristics and risks of the host contract and the embedded derivative were 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, 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, deducted from the face value of the Debenture, is accreted over the term of the Debenture. Subsequent to initial recognition, any change in fair value was recognized in profit or loss at each reporting date.

The conversion option contained a variable conversion price and the conversion price was denominated in a foreign currency. As a result, conversion would result in a variable number of shares of the Company being issued at conversion; as such, the conversion feature was 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, deducted from the face value of the Debenture, was accreted over the term of the Debenture. Subsequent to initial recognition, any change in fair value was 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 the October 13, 2020 conversion date discussed below, the embedded conversion option was measured at fair value by third party valuation specialists using an industry standard methodology. During the six months ended October 31, 2020, a $1.1 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 six months ended October 31, 2020.

	Derivative liability amount
Balance, April 30, 2020	$ 927
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, subsequent to amendment	(506)
Conversion of full amount of Convertible Debenture	(1,391)
Balance, October 31, 2020	$ -

(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	-	1,000
Balance, October 31, 2020	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 October 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 October 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 23.3% as at October 31, 2020 (April 30, 2020 – 23.2%); projected commencement of revenue beginning between mid 2024 and early 2025 (based on projected clinical development paths across various jurisdictions, which is based in part on securing the requisite funding from a partnership with a pharmaceutical company or other source(s) of capital by around the end of calendar 2020) as at October 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 our royalty preferred shares in the current period was affected by the passage of time during the six months ended October 31, 2020 to future cash flows based on the estimated timing and commencement of revenue.

The fair value of the royalty preferred shares is subject to significant volatility. Small changes in the aforementioned assumptions may have a significant impact on the fair value of the royalty preferred shares. For instance, holding all other assumptions constant: a 1% increase in the discount rate would result in a $3.6 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.

(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, 2020	211,770,122	$ 305,637
Issued in connection with private placements	5,266,965	2,232
Issued in connection with Debenture conversion and settlement of accrued interest	16,137,311	13,024
Issued in connection with stock option plan	519,066	406
Issued in connection with long term incentive plan	293,901	297
Share issue cost	-	(47)
Balance, October 31, 2020	233,987,365	$ 321,549

Private placements and Debenture conversion

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).

In August 2020, the Company issued 3,573,333 equity units at CAD$0.75 per unit pursuant to a private placement for gross proceeds of $2.0 million (CAD$2.7 million). Shenzhen Hepalink Pharmaceutical Co., Ltd. ("Hepalink") subscribed for all 3,573,333 units. Each equity unit consisted of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of CAD$1.00 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 CAD$0.80 per unit pursuant to a private placement for gross proceeds of $0.6 million (CAD$0.8 million). Each equity unit consisted of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of CAD$1.00 per underlying common share for a period of one year from the closing of the private placement.

The Company also issued 134,000 shares at CAD$1.00 per share for settlement of a $0.1 million debt (CAD$0.1 million).

On October 6, 2020, the Company announced that it has entered into a definitive stock purchase agreement for a private placement of 10,560,000 equity units at a price of CAD$1.25 per unit for gross proceeds of $10.0 million (CAD$13.2 million). Each unit will be comprised of one common share and one common share purchase warrant. Each warrant will be exercisable at a price of CAD$1.50 per share for a period of nine months from the closing of the offering. The units will be subject to a four-month hold period from closing. The private placement is subject to satisfaction of a foreign government's investment review, due diligence conditions, customary closing conditions for a transaction of this nature and receipt of all necessary regulatory and stock exchange approvals, and is anticipated to close on or before January 15, 2021. There can be no assurance that the private placement will be completed.

On October 13, 2020, the full principal amount of the $12.0 million Debenture and $1.2 million of accrued interest was converted into 14,598,983 common shares and 1,538,328 common shares, respectively. The $10.4 million carrying value of the Debenture, the $1.4 million fair value of the derivative liability, and the $1.2 million value of accrued interest settled were reclassified to equity at the conversion date.

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

7. 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, April 30, 2020	1,165,366	$ 1.69
Granted	775,000	0.78
Exercised	(519,066)	0.77
Expired	(307,934)	2.13
Outstanding, October 31, 2020	1,113,366	$ 1.36

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 $0.21 per option associated with stock options granted during the six months ended October 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 October 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	175,000	1.41	$ 0.76	175,000
$1.28 - $1.73	913,366	1.37	1.43	863,366
$3.01	25,000	3.33	3.01	8,334
	1,113,366	1.42	$ 1.36	1,046,700

The number of options exercisable at October 31, 2020 was 1,046,700 (2019 – 1,172,000) with a weighted average exercise price of CAD$1.32 (2019 – CAD$1.59). For stock options exercised in the six months ended October 31, 2020, the weighted average share price on exercise date was CAD$0.77/share (2019 – CAD$2.88/share).

(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 six months ended October 31, 2020, 6,672,207 RSUs were granted (2019 – 3,019,400 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, 2020	4,947,314	$ 2.13
Granted	6,672,207	0.59
Exercised	(293,901)	1.01
Outstanding, October 31, 2020	11,325,620	$ 1.25

The number of RSUs exercisable at October 31, 2020 was 8,444,607 (2019 – 1,682,478).

(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 six months ended October 31, 2020, 117,726 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, 2020	294,086	$ 1.72
Granted	117,726	0.67
Outstanding and exercisable, October 31, 2020	411,812	$ 1.42

(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, 2020	34,293,340	$ 2.52	$ 7,010
Issued in connection with private placements	2,768,077	1.00	823
Issued in connection with convertible debenture amendment	600,000	0.74	221
Expired	(1,422,005)	2.67	-
Revaluation of warrant liability	-	-	472
Outstanding, October 31, 2020	36,239,412	$ 2.36	$ 8,526

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

7. Shareholders' equity (deficiency) (continued)

(e) Warrant liability (continued)

The following table summarizes information about liability-classified warrants outstanding and exercisable at October 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	4.17	$ 0.74
$1.00 - $1.75	14,658,847	0.98	1.42
$2.05 - $2.67	6,103,702	0.88	2.10
$3.00 - $3.21	11,077,927	1.04	3.09
$4.60 - $4.60	3,798,936	2.60	4.60
	36,239,412	1.20	$ 2.36

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$1.04 on October 31, 2020 from CAD$0.83 on April 30, 2020, and to CAD$1.19 on October 31, 2019 from CAD$4.01 on April 30, 2019, the revaluation of 3.4 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.

The weighted average fair value of the warrants issued during the six months ended October 31, 2020 was $0.34 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 placements	Issued in connection with debenture amendment
Number of warrants issued	2,768,077	600,000
Risk-free interest rate	0.2%	0.7%
Expected life	1.2 years	4.5 years
Expected volatility	145%	87%
Share price at grant date (CAD)	$0.86	$0.76

During the six months ended October 31, 2019, 3,798,936 liability-classified warrants were issued (and listed for trading) in connection with the prospectus offering. 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 October 31, 2020, the fair value of these listed warrants was CAD$0.25 per warrant for a total value of $0.7 million.

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

7. Shareholders' equity (deficiency) (continued)

(f) Equity-classified warrants

These warrants are classified as an equity instrument and accounted for under IFRS 2 – *Share-Based Payments* as they are a form of compensation for services rendered. Due to the equity classification, the warrants are not revalued each reporting period.

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

	Number of warrants	Weighted average exercise price (CAD)	Equity amount
Outstanding, April 30, 2020	1,870,268	$ 2.06	$ 1,490
Expired	(331,750)	2.67	(440)
Outstanding, October 31, 2020	1,538,518	$ 1.92	$ 1,050

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

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)
$1.62	1,342,593	1.08
$4.00	195,925	0.60
	1,538,518	1.02

(g) Per share amounts

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

	Three months ended October 31,		Six months ended October 31,	
	2020	2019	2020	2019
Weighted average common shares outstanding - basic	218,601,454	208,816,954	215,562,584	205,755,795
Effect of warrants, stock options, RSUs, and DSUs	-	11,934,902	-	11,934,902
Weighted average common shares outstanding - diluted	218,601,454	220,751,856	215,562,584	217,690,697

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.

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

8. Expenses by nature

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

	Three months ended October 31,		Six months ended October 31,	
	2020	2019	2020	2019
Research and development expenses:				
Operating expenses	$ 344	$ 4,986	$ 722	$ 11,865
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)	390	465	313	932
Government assistance (COVID-19 payroll subsidy)	-	-	(61)	-
Impairment of clinical supplies	72	346	72	346
Share-based payment transactions	521	296	1,745	562
Amortization and depreciation	190	185	376	371
Total research and development expenses	$ 1,517	$ 6,278	$ 3,167	$ 14,076
General and administrative expenses:				
General expenses	$ 225	$ 446	$ 492	$ 1,020
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)	435	461	120	923
Government assistance (COVID-19 payroll subsidy)	-	-	(107)	-
Share-based payment transactions	1,110	524	3,693	988
Amortization and depreciation	71	71	142	143
Total general and administrative expenses	$ 1,841	$ 1,502	$ 4,340	$ 3,074

During the six months ended October 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.

9. Commitments and contingencies

As at October 31, 2020, the Group is committed to expenditures over the next twelve months of $1.1 million (April 30, 2020 – $1.2 million) under various research and development contracts.

The July 2015 License Agreement between Resverlogix and 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 them.

10. Subsequent event

Private placement

Subsequent to October 31, 2020, the Company issued 663,062 equity units at a price of CAD$1.20 per unit for gross proceeds of $0.6 million (CAD$0.8 million). Each equity unit consisted of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of CAD$1.35 per underlying common share for a period of one year from the closing of the private placement.