RESVERLOGIX

Consolidated Financial Statements

For the year ended December 31, 2021, for the eight month transitional fiscal year ended December 31, 2020 and the year ended April 30, 2020

Change in Fiscal Year-End

During 2020, Resverlogix Corp. changed its fiscal year end to December 31 (from April 30) to adopt reporting periods more commonly used by the Company's peers. Consequently, these consolidated financial statements are for the twelve months ended December 31, 2021 compared to the eight months ended December 31, 2020.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Resverlogix Corp. (the "Company") have been approved by the Board of Directors and have been prepared in accordance with International Financial Reporting Standards, which recognize the necessity of relying on some best estimates and informed judgements. The financial information contained in the management's discussion and analysis is consistent with the consolidated financial statements. The Company undertakes steps to ensure the information presented is accurate and conforms to applicable laws and standards, including:

- Management maintains accounting systems and related internal controls and supporting procedures to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and complete and accurate financial records are maintained to provide reliable information for the preparation of the consolidated financial statements in a timely manner.
- The Board of Directors oversees the management of the business and the affairs for the Company including ensuring management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.
- The Audit Committee of the Board of Directors, comprised of three members considered to be independent directors, has reviewed the consolidated financial statements with management and the external auditors.

KPMG LLP Chartered Professional Accountants, the Company's external auditors, who are appointed by the Company's shareholders, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.

(signed)
Donald J. McCaffrey
President and Chief Executive Officer

(signed)
A. Brad Cann
Chief Financial Officer

March 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Resverlogix Corp.

Opinion

We have audited the consolidated financial statements of Resverlogix Corp. (the "Company"), which comprise:

– the consolidated statements of financial position as at December 31, 2021, December 31, 2020 and April 30, 2020
– the consolidated statements of comprehensive loss (income) for the year ended December 31, 2021, the 8-month period ended December 31, 2020 and the year ended April 30, 2020
– the consolidated statements of changes in shareholders' equity (deficiency) for the year ended December 31, 2021, the 8-month period ended December 31, 2020 and the year ended April 30, 2020
– the consolidated statements of cash flows for the year ended December 31 ,2021, the 8-month period ended December 31, 2020 and the year ended April 30, 2020
– and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021, December 31, 2020 and April 30, 2020, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2021, the 8-month period ended December 31, 2020 and the year ended April 30 2020 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that 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 stated in Note 3 in the financial statements, these events or conditions, along with other matters as set forth in Note 3 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "***Material Uncertainty related to Going Concern"*** section of the auditors' report, we have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

Evaluation of the fair value of royalty preferred shares

Description of the matter

We draw attention to Notes 4, 5 and 12 to the financial statements. The Company records royalty preferred shares at fair value. The fair value of royalty preferred shares is $50.7 million as at December 31, 2021. Significant assumptions in determining the fair value of royalty preferred shares include the timing and amount of the Company's future cash flows generated from the sale of potential new products currently in clinical trials and the discount rate applied to these cash flows.

Why the matter is a key audit matter

We identified the evaluation of the fair value of royalty preferred shares as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of royalty preferred shares and the high degree of estimation uncertainty in determining the fair value of royalty preferred shares. In addition, significant auditor judgment and the involvement of professionals with specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair value of royalty preferred shares to minor changes to certain significant assumptions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter.

We evaluated the appropriateness of the timing and amount of future cash flows used within the royalty preferred shares valuation model by comparing them to publicly available data for comparable entities and certain published reports of national health organizations.

We assessed the status of the Company's clinical trials by interviewing the Company's clinical personnel and inspecting the Company's clinical trials submissions to regulatory authorities.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the discount rate by comparing inputs into the discount rate to publicly available data for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

– the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditors' report is Jason Grodziski.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 31, 2022

Consolidated Statements of Financial Position

As at:

In thousands of US dollars	Notes	December 31, 2021	December 31, 2020	April 30, 2020
Assets				
Current assets:				
Cash		$ 6	$ 87	$ 4
Prepaid expenses and deposits		167	121	342
Investment tax credit receivable		74	70	64
Other assets		17	297	365
Clinical supplies		2,453	584	1,553
Due from related parties	16	236	778	856
Total current assets		2,953	1,937	3,184
Non-current assets:				
Property and equipment	7	141	220	274
Right-of-use assets	9	898	1,238	1,686
Intangible assets	8	3,428	2,896	2,786
Prepaid expenses and deposits		56	55	51
Deferred financing costs		-	57	-
Clinical supplies		2,506	4,303	3,397
Total non-current assets		7,029	8,769	8,194
Total assets		$ 9,982	$ 10,706	$ 11,378
Liabilities				
Current liabilities:				
Trade and other payables		$ 8,703	$ 6,939	$ 7,880
Accrued interest	11	383	-	717
Promissory notes	10	127	157	223
Lease liabilities	9	632	554	711
Warrant liability	13 (e)	1,567	4,112	7,010
Debt	11	5,839	-	11,225
Derivative liability	11	169	-	927
Total current liabilities		17,420	11,762	28,693
Non-current liabilities:				
Lease liabilities	9	442	839	997
Other long-term liability	14	1,290	-	-
Royalty preferred shares	12	50,700	38,000	45,800
Total liabilities		69,852	50,601	75,490
Shareholders' deficiency:				
Share capital	13 (a)	326,885	322,409	305,637
Contributed surplus		55,321	53,951	47,709
Warrants	13 (f)	-	1,050	1,490
Deficit		(442,076)	(417,305)	(418,948)
Total shareholders' deficiency		(59,870)	(39,895)	(64,112)
Total liabilities and shareholders' deficiency		$ 9,982	$ 10,706	$ 11,378

Going concern (note 3) Commitments and contingencies (note 15) Subsequent event (note 18)

Signed on behalf of the Board:

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

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

Consolidated Statements of Comprehensive Loss (Income)

For the year ended December 31, 2021, the eight months ended December 31, 2020 and the year ended April 30, 2020

In thousands of US dollars	Notes	For the year ended December 31, 2021	For the eight months ended December 31, 2020	For the year ended April 30, 2020
Expenses:				
Research and development, net of recoveries	14	$ 4,589	$ 4,127	$ 15,869
Investment tax credits		(74)	-	(68)
Net research and development		4,515	4,127	15,801
Pre-commercialization, general and administrative, net of recoveries	14	11,332	5,281	6,776
Total expenses		15,847	9,408	22,577
Finance costs (income):				
Gain on change in fair value of warrant liability	13 (e)	(4,798)	(4,050)	(52,401)
Loss (gain) on change in fair value of royalty preferred shares	12	12,700	(7,800)	(91,600)
Gain on change in fair value of derivative liability	11	(85)	(1,082)	(68)
Loss on payables or debt extinguishment	13 (c)	161	248	-
Interest, fees and accretion		727	1,353	3,194
Financing costs		126	(9)	378
Foreign exchange loss (gain)		81	268	(132)
Net finance costs (income)		8,912	(11,072)	(140,629)
Loss (income) before income taxes		24,759	(1,664)	(118,052)
Income taxes	17	12	21	27
Net and total comprehensive loss (income)		$ 24,771	$ (1,643)	$ (118,025)
Net loss (earnings) per share *(note 13 (g))*				
Basic		$ 0.10	$ (0.01)	$ (0.57)
Diluted		0.10	(0.01)	(0.54)

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

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the year ended December 31, 2021, the eight months ended December 31, 2020 and the year ended April 30, 2020

In thousands of US dollars	Share Capital	Contributed Surplus	Warrants	Deficit	Total
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 private placements	845	-	-	-	845
Common shares issued in connection with stock option and long term incentive plans	707	(487)	-	-	220
Share issue cost	(798)	-	-	-	(798)
Common shares issued in connection with exercise of warrants	10,737	-	(2)	-	10,735
Revaluation of warrants for temporary exercise price adjustment	-	-	124	-	124
Share-based payment transactions	-	5,079	-	-	5,079
Net and total comprehensive income	-	-	-	118,025	118,025
Balance, April 30, 2020	$ 305,637	$ 47,709	$ 1,490	$ (418,948)	$ (64,112)
Common shares issued in connection with private placements	2,734	-	-	-	2,734
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, deferred share unit and long term incentive plans	1,074	(699)	-	-	375
Share issue cost	(60)	-	-	-	(60)
Expiry of equity-classified warrants	-	440	(440)	-	-
Share-based payment transactions	-	6,501	-	-	6,501
Net and total comprehensive income	-	-	-	1,643	1,643
Balance, December 31, 2020	$ 322,409	$ 53,951	$ 1,050	$ (417,305)	$ (39,895)
Common shares issued in connection with private placements	1,891	-	-	-	1,891
Common shares issued in connection with long term incentive plan	2,648	(2,302)	-	-	346
Share issue cost	(63)	-	-	-	(63)
Expiry of equity-classified warrants	-	1,050	(1,050)	-	-
Share-based payment transactions	-	2,622	-	-	2,622
Net and total comprehensive loss	-	-	-	(24,771)	(24,771)
Balance, December 31, 2021	$ 326,885	$ 55,321	$ -	$ (442,076)	$ (59,870)

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

Consolidated Statements of Cash Flows

For the year ended December 31, 2021, the eight months ended December 31, 2020 and the year ended April 30, 2020

In thousands of US dollars	For the year ended December 31, 2021	For the eight months ended December 31, 2020	For the year ended April 30, 2020
Cash provided by (used in):			
Cash flows provided by (used in) operating activities:			
Net (loss) income	$ (24,771)	$ 1,643	$ 118,025
Items not involving cash:			
Equity-settled share-based payment transactions	2,622	5,135	5,079
Depreciation and amortization	1,106	694	1,026
Impairment of clinical supplies	-	(72)	(619)
Gain on change in fair value of warrant liability	(4,798)	(4,050)	(52,401)
Loss (gain) on change in fair value of royalty preferred shares	12,700	(7,800)	(91,600)
Gain on change in fair value of derivative liability	(85)	(1,082)	(68)
Loss on payables or debt extinguishment	161	248	-
Discount on Other long-term liability	(476)	-	-
Unrealized foreign exchange loss (gain)	16	136	(56)
Interest, fees and accretion	727	1,353	3,194
Net current income taxes	12	21	27
Financing costs	126	(9)	378
Changes in non-cash working capital:			
Prepaid expenses and deposits	(47)	217	313
Investment tax credit receivable	(4)	(6)	49
Other assets	280	68	(152)
Clinical supplies	(72)	135	(569)
Due from related parties	542	78	9
Trade and other payables	3,946	373	18
	(8,015)	(2,918)	(17,347)
Interest received	-	-	24
Income tax paid	(9)	(16)	(20)
Net cash used in operating activities	(8,024)	(2,934)	(17,343)
Cash flows provided by (used in) financing activities:			
Proceeds from equity issued in connection with private placements	4,017	3,665	1,894
Proceeds from equity issued in connection with prospectus offering	-	-	11,444
Share issuance costs and deferred financing costs	(76)	(118)	(634)
Proceeds from convertible debenture and warrants	6,000	-	12,000
Debt issuance costs	(40)	(14)	(396)
Financing costs	(55)	(49)	(227)
Interest and fees paid	-	-	(670)
Repayment of debt	-	-	(15,137)
Repayment of lease liabilities	(757)	(502)	(745)
Proceeds from exercise of stock options	-	374	220
Proceeds from exercise of warrants	-	-	2,843
Restricted stock unit costs	(103)	-	-
Proceeds from issuance of promissory note	80	-	-
Repayment of promissory notes	(114)	(83)	(75)
Changes in non-cash financing working capital	(145)	27	(343)
Net cash provided by financing activities	8,807	3,300	10,174
Cash flows used in investing activities:			
Property and equipment additions	-	-	(13)
Intangible asset additions	(877)	(302)	(487)
Changes in non-cash investing working capital	44	18	(76)
Net cash used in investing activities	(833)	(284)	(576)
Effect of foreign currency translation on cash	(31)	1	60
(Decrease) increase in cash	(81)	83	(7,685)
Cash, beginning of period	87	4	7,689
Cash, end of period	$ 6	$ 87	$ 4

The accompanying notes are an integral part of these 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 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 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 31, 2022.

(b) Change in fiscal year-end

During 2020, all entities within the Group changed their fiscal year end to December 31 (from April 30) to adopt reporting periods more commonly used by peer companies. Consequently, these consolidated financial statements are for the twelve months ended December 31, 2021 compared to the eight months ended December 31, 2020 and the twelve months ended April 30, 2020.

(c) Basis of measurement

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

(d) Measurement uncertainty

There is estimation uncertainty with regards to the possible impact of the COVID-19 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.

(e) Functional and presentation currency

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

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 December 31, 2021, the Company had $6 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 December 31, 2021, the Company was committed to pay $8.7 million of current trade and other payables, $1.6 million for research and development commitments, and $0.7 million of lease liabilities over the next twelve months. The Company also has other commitments as outlined in Note 15. Furthermore, the Company's $6.0 million secured convertible debenture with Shenzhen Hepalink Pharmaceutical Co., Ltd. ("Hepalink") is due on May 13, 2022 (refer to Note 11). In addition, expenditures over the next twelve months under cancellable agreements with a contract research organization that is conducting the Company's Phase 2 COVID-19 trial were estimated to total approximately $2.1 million. As at December 31, 2021, the Group is also party to a commercialization partnership (refer to Note 14) where corresponding estimated pre-commercialization activities over the next twelve months total approximately between $8.6 million and $12.2 million.

As described in Note 18, subsequent to December 31, 2021, the Company raised $1.8 million. The Company's cash as at December 31, 2021, in combination with the $1.8 million raised subsequent to December 31, 2021, is not sufficient to fund the Company's contractual commitments or the Company's planned business operations over the next year. The Company will have to raise additional capital to fund its contractual commitments and its planned business operations. The Company continues to pursue and/or examine several sources of additional capital including co-development, licensing, rights or other partnering arrangements, 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 accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated. The accounting policies have been applied consistently by the Company's subsidiary.

Consolidation

The consolidated financial statements include the accounts of Resverlogix Corp. and its wholly-owned subsidiary. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. The Company achieves control when it is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Company considers its voting and contractual rights and all other relevant facts and circumstances in assessing whether it has the power to direct the relevant activities of an entity.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference

4. Significant accounting policies (continued)

Foreign currency transactions (continued)

between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

Financial instruments

Classification and measurement of financial assets and financial liabilities

Financial assets

Financial assets are initially measured at fair value. In the case of a financial asset not at fair value through profit or loss, the financial asset is initially measured at fair value plus or minus transaction costs.

Under IFRS 9 *Financial Instruments* (“IFRS 9”), financial assets are subsequently measured at amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income (“FVOCI”). The classification is based on two criteria: the Group’s business model for managing the assets; and whether the financial asset’s contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding (the ‘SPPI criterion’).

The Group’s financial assets include cash, investment tax credit receivable, due from related parties, and deposits. The classification and measurement of these financial assets are at amortized cost, as these assets are held within the Group’s business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

Financial liabilities

Financial liabilities are initially measured at fair value and are subsequently measured at amortized cost, except as noted in the table below. The Group’s financials liabilities are classified and measured as follows:

Financial Liability	Classification	Measurement
Trade and other payables	Other liabilities	Amortized cost
Accrued interest	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost
Warrant liability	FVTPL	Fair value
Debt	Other liabilities	Amortized cost
Derivative liability	FVTPL	Fair value
Royalty preferred shares	FVTPL	Fair value

Impairment

Under IFRS 9, accounting for impairment losses for financial assets uses a forward-looking expected credit loss (“ECL”) approach.

IFRS 9 requires that a loss allowance is recorded for ECLs on all financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. In determining the fair value measurement of the Group’s financial instruments, the related inputs used in measuring fair value are prioritized according to the following hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;

Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

4. Significant accounting policies (continued)

Financial instruments (continued)

The fair value of the warrant liability and the derivative liability is based on level 2 (significant observable) and level 3 (unobservable) inputs. The fair value of the royalty preferred shares is based on level 3 inputs.

Convertible Debenture

The secured convertible debenture (refer to Note 11) is a hybrid instrument consisting of a financial instrument and an embedded derivative, being the conversion option (derivative liability). 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 conversion option (derivative liability) 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.

Impairment

The Group assesses at each reporting date whether there is any indication that an asset or a group of assets is impaired.

Clinical supplies, property and equipment, right-of-use assets and intangible assets may be impaired when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels (cash-generating units or "CGU") for which there are separately identifiable cash flows that are largely independent of the cash flows of other assets or CGUs. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant assets or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Group re-evaluates impairment losses for potential reversals when events or circumstances warrant such consideration. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any depreciation or amortization, if no impairment loss had been recognized.

Clinical supplies

Clinical supplies consist of apabetalone (drug substance or capsules). Expenditures on clinical supplies are initially capitalized when incurred, and the expense is recognized at a future date when the supplies are used. They are carried at cost, and these costs are recognized as the clinical supplies are consumed in research and development activities in the statement of comprehensive (income) loss or when the clinical supplies are no longer expected to be used in clinical trials. The clinical supplies that are not expected to be consumed in research and development activities in the next twelve months are classified as non-current clinical supplies.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. Purchased software that is integral to the functionality of the related computer hardware is capitalized as part of that computer hardware. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are expensed as incurred.

The major categories of property and equipment are depreciated as follows:

Asset	Method	Rate
Office furniture and equipment	Straight line	5 years
Computer hardware and software	Straight line	3 years
Leasehold improvements	Straight line	Term of lease

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. Items of property and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component, and are depreciated from the date they are installed and ready for use.

4. Significant accounting policies (continued)

Property and equipment (continued)

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the statement of comprehensive (income) loss.

Intangible assets

(i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are charged as an expense in the period in which they are incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

(ii) Other intangible assets, subsequent expenditures, and amortization

Separately acquired patents and non-integrated software have a finite useful life and are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The major categories of intangibles assets are depreciated as follows:

Asset	Method	Rate
Patents and intellectual property	Straight line	20-24 years
Non-integrated software	Straight line	3 years

Leases

At inception of a contract, the Company assesses whether such a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. A right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying assets or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

4. Significant accounting policies (continued)

Leases (continued)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in a rate, if there is a change in the Company's estimate or the amount expected to be payable under the residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination period.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive (income) loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company presents right-of-use assets and lease liabilities separately in the statement of financial position.

As a Lessor

When the Company acts as a lessor, it determines at inception whether each lease is a finance lease or an operating lease.

The Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incremental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. If the contract contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term incentive plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reasonably.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees, officers, and directors is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

The fair value of the Company's share-based payment awards is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Any consideration received upon exercise of the options and similar instruments together with the amount of non-cash compensation cost recognized in contributed surplus is recorded as an increase in common shares. Restricted stock units that are settled net of required tax withholdings are classified entirely as equity-settled transactions.

Government grants

Grants resulting from government assistance programs, including investment tax credits for research and development expenditures, are reflected as reductions of the cost of the assets or expenditures to which they relate at the time the assistance becomes receivable.

Finance income and costs

Finance income and costs is comprised of interest income on funds invested, accretion and interest expense on loans outstanding, and fair value gains (losses) on financial liabilities at fair value through profit or loss. Interest is recognized as it accrues in profit or loss, using the effective interest rate method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

4. Significant accounting policies (continued)

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares or options are recognized as a deduction from equity.

Earnings per share

Basic (earnings) loss per share ("EPS") is calculated by dividing the net (earnings) loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company uses the treasury stock method to determine the dilutive effect of issued instruments (stock options, restricted stock units and warrants). This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the period.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

5. Significant judgments, estimates and assumptions

The preparation of the 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 consolidated financial statements and notes. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant judgements and estimates made by management affecting the consolidated financial statements include:

Royalty preferred shares

The Company uses significant judgments related to the fair value measurement of the royalty preferred shares. The fair value measurement requires management to exercise judgment concerning discount rates and estimates of future cash flows, including the timing and amounts of discounted future net cash flows. The assumptions and model used for estimating fair value for the royalty preferred shares are disclosed in Note 12.

Share-based payment transactions

The Company measures share-based payment transactions by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model, including the expected life of the option, volatility and forfeitures. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 13.

Warrant liability

The Company measures the initial warrant liability and subsequent revaluations of the warrant liability by reference to the fair value of the warrants at the date at which they were issued and subsequently revalues them at each reporting date. Estimating fair value for these warrants requires management to determine the most appropriate valuation model. This estimate also requires management to make significant judgments about the capacity in which warrant holders receive warrants, and to make assumptions about the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield. The assumptions and model used for estimating fair value for the warrant liability are disclosed in Note 13 (e).

Derivative liability

The Company's 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 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. The embedded conversion option was measured at fair value by third party valuation specialists using an industry standard methodology. The methodology requires management and its third party valuation specialists to make significant judgments about the value of the redemptive feature within the convertible debenture including the appropriate credit spread and volatility for the Company at each valuation date.

6. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- liquidity risk;
- market risk; and
- credit risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework, including the development and monitoring of the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

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

6. Financial risk management (continued)

(a) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective in managing liquidity is to ensure, to the greatest extent possible, that it will have sufficient liquidity to meet its liabilities when due.

The future cash requirements of the Group are estimated by preparing a budget annually which is reviewed and approved by the Company's Board of Directors. The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities. Actual spending relative to budgeted expenditures is monitored regularly by management and reviewed by the Company's Board of Directors quarterly.

The Group's exposure to liquidity risk is dependent on its research and development programs and associated commitments and obligations, and the raising of capital. The Group relies on external financing to support its operations. To date, the programs have been funded primarily through the sale of common shares and warrants, term loans, convertible debentures and the exercise of common share purchase warrants. Management constantly monitors capital markets. There are no assurances that funds will be available to the Group when required (also see Note 3). The Group holds cash on deposit; as at December 31, 2021, the Group's cash is not subject to any external restrictions. The Group also continuously monitors actual and projected expenditures and cash flows. The Company's commitments are disclosed in Note 15.

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.

The table below presents a maturity analysis of the Company's financial liabilities on the expected cash flows from December 31, 2021 to the contractual maturity date. The amounts are equivalent to the following contractual undiscounted cash flows.

	2022	2023	2024	Total
Trade and other payables	$ 8,704	$ -	$ -	$ 8,704
Accrued interest	383	-	-	383
Promissory notes	127	-	-	127
Lease liabilities	651	481	-	1,132
Debt	6,000	-	-	6,000
	$ 15,865	$ 481	$ -	$ 16,346

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures.

Currency risk

The Group is exposed to currency risk on transactions that are denominated in a currency other than the functional currency of the Group's entities. The currency in which these foreign transactions primarily are denominated in is the Canadian dollar. The Group is also exposed to foreign exchange risk on its Canadian dollar denominated cash. The Group manages its exposure to currency fluctuations by holding cash denominated in Canadian dollars in a certain ratio equivalent to current and anticipated Canadian dollar financial liabilities.

The Group has no forward exchange contract to manage its foreign currency risk. As at December 31, 2021, the Group had Canadian denominated assets and liabilities of: cash in the amount of CAD$3 thousand (December 31, 2020 – CAD$43 thousand and April 30, 2020 – CAD$1 thousand), accounts receivable in the amount of CAD$0.02 million (December 31, 2020 – CAD$0.1 million and April 30, 2020 – CAD$0.03 million), accounts payable in the amount of CAD$0.8 million (December 31, 2020 – CAD$1.4 million and April 30, 2020 – CAD$2.6 million), and promissory notes in the amount of CAD$0.2 million (December 31, 2020 – CAD$0.2 million and April 30, 2020 – CAD$0.3 million). An increase of $0.01 in the CAD to USD exchange rate as measured on December 31, 2021 would result in a foreign currency loss of $0.01 million (December 31, 2020 – $0.02 million and April 30, 2020 – $0.04 million loss).

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

6. Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group was not exposed to fluctuating market interest rates on its debt as there was a fixed interest rate on the debenture prior to its full conversion in the current period.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Group to credit risk consist primarily of cash and amounts receivable from Zenith Capital Corp. ("Zenith"), which is a related entity (refer to Note 16).

The Group manages its cash in accordance with an investment policy that established guidelines for investment eligibility, credit quality, liquidity and foreign currency exposure. The Group manages its exposure to credit loss by holding cash on deposit with major financial institutions.

As at December 31, 2021, the carrying amounts of the Group's cash and trade and other receivables approximate their fair value due to their short-term nature.

7. Property and equipment

	Office furniture and equipment	Computer hardware and software	Leasehold improvements	Total
Cost				
Balance at April 30, 2019	$ 274	$ 110	$ 693	$ 1,077
Additions	-	13	-	13
Disposals	-	(2)	-	(2)
Balance at April 30, 2020	274	121	693	1,088
Additions	-	-	-	-
Balance at December 31, 2020	274	121	693	1,088
Disposals	-	(2)	-	(2)
Balance at December 31, 2021	**$ 274**	**$ 119**	**$ 693**	**$ 1,086**
Accumulated depreciation				
Balance at April 30, 2019	$ 264	$ 102	$ 361	$ 727
Depreciation	8	9	72	89
Disposals	-	(2)	-	(2)
Balance at April 30, 2020	272	109	433	814
Depreciation	1	5	48	54
Balance at December 31, 2020	273	114	481	868
Depreciation	1	5	73	79
Disposals	-	(2)	-	(2)
Balance at December 31, 2021	**$ 274**	**$ 117**	**$ 554**	**$ 945**
Net book value				
As at April 30, 2020	$ 2	$ 12	$ 260	$ 274
As at December 31, 2020	1	7	212	220
As at December 31, 2021	**-**	**2**	**139**	**141**

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

8. Intangible assets

	Patents and intellectual property	Non-integrated software	Total
Cost			
Balance at April 30, 2019	$ 3,283	$ 126	$ 3,409
Additions	487	-	487
Balance at April 30, 2020	3,770	126	3,896
Additions	302	-	302
Disposals	-	(12)	(12)
Balance at December 31, 2020	4,072	114	4,186
Additions	877	-	877
Balance at December 31, 2021	$ 4,949	$ 114	$ 5,063
Accumulated amortization and impairment losses			
Balance at April 30, 2019	$ 729	$ 116	$ 845
Amortization	255	10	265
Balance at April 30, 2020	984	126	1,110
Amortization	192	-	192
Disposals	-	(12)	(12)
Balance at December 31, 2020	1,176	114	1,290
Amortization	345	-	345
Balance at December 31, 2021	$ 1,521	$ 114	$ 1,635
Net book value			
As at April 30, 2020	$ 2,786	$ -	$ 2,786
As at December 31, 2020	2,896	-	2,896
As at December 31, 2021	3,428	-	3,428

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

9. Leases

(a) As a lessee

(i) Right-of-use asset

	Office leases	Total
Cost		
Balance at April 30, 2019	$ -	$ -
Impact of IFRS 16 adoption	2,358	2,358
Balance at April 30, 2020	2,358	2,358
Balance at December 31, 2020	2,358	2,358
Addition (extension of lease term)	342	342
Balance at December 31, 2021	**$ 2,700**	**$ 2,700**
Accumulated depreciation		
Balance at April 30, 2019	$ -	$ -
Depreciation	672	672
Balance at April 30, 2020	672	672
Depreciation	448	448
Balance at December 31, 2020	1,120	1,120
Depreciation	682	682
Balance at December 31, 2021	**$ 1,802**	**$ 1,802**
Net book value		
As at April 30, 2020	$ 1,686	$ 1,686
As at December 31, 2020	1,238	1,238
As at December 31, 2021	**898**	**898**

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

(ii) Lease liabilities

The following is the Group's maturity analysis for office and laboratory premises contractual undiscounted cash flows and a summary of the discounted cash flows (with a weighted average of 6.3%) disclosed on the statement of financial position:

	December 31, 2021
Less than 1 year	$ 651
Between 1 and 5 years	481
More than 5 years	-
Total undiscounted lease payments as at December 31, 2021	$ 1,132
Lease liabilities in the statement of financial position at December 31, 2021:	
Current	$ 632
Non-current	442
Total	$ 1,074

During the year ended December 31, 2021, total interest on lease liabilities recognized in finance costs was $0.1 million (eight months ended December 31, 2020 – $0.1 million and year ended April 30, 2020 – $0.1 million).

(b) As a lessor

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

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

10. Promissory notes

The following table summarizes the changes in promissory notes outstanding.

	Liability amount
Outstanding, April 30, 2019	$ 306
Repayment (CAD$0.1 million)	(75)
Revaluation of CAD denominated promissory note	(8)
Outstanding, April 30, 2020	223
Repayment (CAD$0.1 million)	(83)
Revaluation of CAD denominated promissory note	17
Outstanding, December 31, 2020	157
Addition (CAD$0.1 million)	80
Repayment (CAD$0.1 million)	(114)
Revaluation of CAD denominated promissory note	4
Outstanding, December 31, 2021	$ 127

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. These amounts are unsecured, non-interest-bearing and payable on demand. A combined CAD$0.2 million of promissory notes owed to an officer of the Company remained outstanding as at December 31, 2021.

11. Debt and derivative liability

The following table summarizes the changes in debt during the year ended December 31, 2021.

	Convertible Debenture
Balance, December 31, 2020	$ -
Issuance of convertible debenture	6,000
Initial fair value of derivative liability	(254)
Initial fair value of warrants liability	(127)
Transaction costs incurred	(40)
Accretion of transaction costs on Convertible Debenture	260
Balance, December 31, 2021	$ 5,839

Secured Convertible Debenture

	December 31, 2021	December 31, 2020
US$6.0 million (initial principal), 10% due May 13, 2022	$ 6,000	$ -
Unamortized transaction costs, net of accretion	(16)	-
Discount on warrant liability derivative, net of accretion	(48)	-
Discount on conversion option derivative, net of accretion	(97)	-
Carrying value of debt	$ 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, payable on the May 13, 2022 maturity date. Hepalink may elect to convert the principal amount of the Debentures and accrued and unpaid interest thereon into common shares of the Company at a conversion price equal to the lesser of CAD$0.93 per share and the 5-day volume weighted average trading price of the common shares on the date of conversion. The Company granted Hepalink a security interest in all of its assets, including its patents and other intellectual property, as security for its obligations under the Debenture.

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

11. 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, as described in Note 13 (e). 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. On initial recognition and on December 31, 2021, 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 year ended December 31, 2021, a $0.1 million gain was recognized for revaluing the derivative liability.

The following table summarizes the changes in derivative liability during the year ended December 31, 2021.

	Derivative liability amount
Balance, December 31, 2020	$ -
Initial fair value of new derivative liability	254
Change in fair value of derivative liability	(85)
Balance, December 31, 2021	**$ 169**

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

12. 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	-	(7,800)
Balance, December 31, 2020	75,202,620	38,000
Revaluation of royalty preferred shares	-	12,700
Balance, December 31, 2021	75,202,620	$ 50,700

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 December 31, 2021, 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 December 31, 2021 (December 31, 2020 – 42%) reflecting in each case, among other factors, the Company's clinical results, in particular the results of BETonMACE, and communication with the U.S. Food and Drug Administration ("FDA") and other regulatory bodies; a discount rate of 23.7% as at December 31, 2021 (December 31, 2020 – 23.3%); projected commencement of revenue beginning between early 2026 and late 2026 (based on projected clinical development paths across various jurisdictions, which is based in part on securing the requisite funding from a partnership or other source(s) of capital in early 2022) as at December 31, 2021 (December 31, 2020 – between mid-2025 and early 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 by the passage of time (to future cash flows based on the estimated timing and commencement of revenue) during the year ended December 31, 2021, offset by an increase to the discount rate.

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 $4.0 million decrease in the estimated fair value of the royalty preferred shares; assuming commencement of revenue one year later would result in a $12.2 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.

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

13. 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	5,930,027	2,734
Issued in connection with Debenture conversion and settlement of accrued interest	16,137,311	13,024
Issued in connection with stock option plan	644,066	505
Issued in connection with deferred share units plan	64,459	146
Issued in connection with long term incentive plan	416,467	423
Share issue cost	-	(60)
Balance, December 31, 2020	234,962,452	322,409
Issued in connection with private placements	5,723,609	1,891
Issued in connection with long term incentive plan	2,523,961	2,648
Share issue cost	-	(63)
Balance, December 31, 2021	243,210,022	$ 326,885

Private placements, prospectus offering and debenture conversion

In June 2019, the Company issued 3,798,936 equity units at CAD$4.00 per unit pursuant to a prospectus offering for gross proceeds of $11.4 million (CAD$15.2 million). Each equity unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at a price of CAD$4.60 per underlying common share for a period of four years from the closing of the offering. All of the 3,798,936 warrants issued were listed for trading.

In November 2019, the Company issued 1,252,006 equity units at CAD$1.33 per unit pursuant to a private placement for gross proceeds of $1.3 million (CAD$1.7 million). Each equity unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at a price of CAD$1.40 per underlying common share for a period of three years from the closing of the private placement.

In March 2020, the Company issued 134,100 equity units at CAD$1.30 per unit pursuant to a private placement for gross proceeds of $0.1 million (CAD$0.2 million). Each equity unit consisted of one common share and one-half of a common share purchase warrant. Each warrant is exercisable at a price of CAD$1.75 per underlying common share for a period of one year from the closing of the private placement.

In March 2020, the Company also issued 724,638 equity units at CAD$1.00 per unit pursuant to a private placement for gross proceeds of $0.5 million (CAD$0.7 million). Each equity unit consisted of one common share and one-half of a common share purchase warrant. Each warrant is exercisable at a price of CAD$1.25 per underlying common share for a period of two years from the closing of the private placement.

13. Shareholders' equity (deficiency) (continued)

(a) Common shares (continued)

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). 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. In September 2020, 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 13, 2020, the full principal amount of the $12.0 million Vision Leader Limited 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.

In November 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.

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

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

In April 2021, the Company issued 145,000 equity units at CAD$1.00 per unit pursuant to a private placement for gross proceeds of $0.1 million (CAD$0.1 million). Each equity unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at a price of CAD$1.15 per underlying common share for a period of one year from the closing of the private placement.

In April and May 2021, the Company issued a total of 5,048,587 equity units at CAD$0.85 per unit pursuant to private placements for gross proceeds of $3.5 million (CAD$4.3 million). Each equity unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at a price of CAD$1.00 per underlying common share for a period of three years from the closing of the private placements.

In December 2021, the Company issued 148,000 equity units at CAD$0.85 per unit pursuant to a private placement for gross proceeds of $0.1 million (CAD$0.1 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 three years from the closing of the private placement.

Share issue costs

During the year ended April 30, 2020, 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.

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

13. 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, 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	(644,066)	0.78
Expired	(307,934)	2.13
Outstanding, December 31, 2020	988,366	1.43
Granted	550,000	0.86
Expired	(913,366)	1.29
Outstanding, December 31, 2021	625,000	$ 1.14

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 $0.35 per option associated with stock options granted during the year ended December 31, 2021 (eight months ended December 31, 2020 – $0.21 per option and year ended April 30, 2020 – $0.50 per option).

	Year ended December 31, 2021	Eight months ended December 31, 2020	Year ended April 30, 2020
Risk-free interest rate	0.5%	0.5%	1.2%
Expected life	2.6 years	1.2 years	2.9 years
Expected volatility	91%	141%	117%
Share price at grant date	CAD$0.86	CAD$0.79	CAD$1.23
Expected dividends	Nil	Nil	Nil

The following table summarizes information about the options outstanding and exercisable at December 31, 2021.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.64 - $0.91	400,000	3.84	$ 0.83	150,000
$1.52	200,000	2.89	1.52	200,000
$3.01	25,000	2.16	3.01	16,667
	625,000	3.47	$ 1.14	366,667

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

13. Shareholders' equity (deficiency) (continued)

(b) Stock options (continued)

The number of options exercisable at December 31, 2021 was 366,667 (December 31, 2020 – 946,700 and April 30, 2020 – 948,700) with a weighted average exercise price of CAD$1.25 (December 31, 2020 – CAD$1.40 and April 30, 2020 – CAD$1.70). The weighted average share price upon exercise of stock options exercised in the eight months ended December 31, 2020 was CAD$0.81/share (year ended April 30, 2020 – CAD$2.19/share).

(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 year ended December 31, 2021, 3,116,500 RSUs were granted (eight months ended December 31, 2020 – 7,285,789 RSUs (including 2,364,284 RSUs that were granted to settle $1.4 million of compensation arrangements) and year ended April 30, 2020 – 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. During the year ended December 31, 2021, 643,000 RSUs were granted to two vendors to settle trade payables of $0.3 million; the grant date fair value (equal to the closing stock prices on the respective grant dates) of the 643,000 RSUs was $0.5 million (recognized in share capital), resulting in a loss on payables extinguishment of $0.2 million (recognized in profit or loss).

On June 8, 2021, the Company allowed the exercise of restricted stock units on a "net of tax" basis, whereby the number of shares issued was equal to the number determined net of the respective taxes attributable to the exercise; 286,100 RSUs were exercised on a net of tax basis, resulting in the issuance of 145,438 common shares.

	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	7,285,789	0.61
Exercised	(416,467)	1.01
Outstanding, December 31, 2020	11,816,636	1.23
Granted	3,116,500	0.61
Exercised	(2,664,623)	1.02
Forfeited	(10,000)	0.59
Outstanding, December 31, 2021	12,258,513	$ 1.12

The number of RSUs exercisable at December 31, 2021 was 12,155,986 (December 31, 2020 – 8,935,623 and April 30, 2020 – 2,308,344).

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

13. Shareholders' equity (deficiency) (continued)

(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 year ended December 31, 2021, 409,663 DSUs were granted (eight months ended December 31, 2020 – 287,280 DSUs and year ended April 30, 2020 – 139,085 DSUs). 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	287,280	0.72
Exercised	(64,459)	2.27
Outstanding and exercisable, December 31, 2020	516,907	1.10
Granted	409,663	0.50
Outstanding and exercisable, December 31, 2021	926,570	$ 0.83

(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 placements	3,099,608	1.02	931
Issued in connection with convertible debenture	600,000	0.74	221
Expired	(1,422,005)	2.67	-
Revaluation of warrant liability	-	-	(4,050)
Outstanding, December 31, 2020	36,570,943	2.35	4,112
Issued in connection with private placements	5,532,598	1.01	2,127
Issued in connection with convertible debenture	300,000	0.93	126
Expired	(25,840,953)	2.02	-
Revaluation of warrant liability	-	-	(4,798)
Outstanding, December 31, 2021	16,562,588	$ 2.39	$ 1,567

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

13. Shareholders' equity (deficiency) (continued)

(e) Warrant liability (continued)

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

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
$0.74 - $0.93	900,000	3.12	$ 0.80
$1.00 - $1.40	7,637,333	1.80	1.08
$2.54	600,000	2.00	2.54
$3.21	3,626,319	0.19	3.21
$4.60	3,798,936	1.43	4.60
	16,562,588	1.44	$ 2.39

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 weighted average share price on exercise date of liability-classified warrants exercised in the year ended April 30, 2020 was CAD$2.84/share.

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 to CAD$0.51 on December 31, 2021 from CAD$0.94 on December 31, 2020, CAD$0.83 on April 30, 2020 and CAD$4.01 on April 30, 2019, the revaluation of 5.8 million new liability classified warrants issued in the current year, 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.

During the year ended April 30, 2020, 3,798,936 liability-classified warrants were issued (and listed for trading) in connection with the prospectus offering (see Note 13(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 December 31, 2021, the fair value of these listed warrants was CAD$0.15 per warrant for a total value of $0.5 million (December 31, 2020 – CAD$0.21 per warrant for a total value of $0.6 million; April 30, 2020 – CAD$0.30 per warrant for a total value of $0.8 million).

The weighted average fair value of the warrants issued during the year ended December 31, 2021 was $0.44 per warrant (eight months ended December 31, 2020 – $0.34 per warrant; year ended April 30, 2020 – $0.74 per warrant, excluding the listed warrants described above), using the Black-Scholes option pricing model and the following weighted average assumptions:

	Year ended December 31, 2021		Eight months ended December 31, 2020	
	Issued in connection with private placements	Issued in connection with debenture	Issued in connection with private placements	Issued in connection with debenture
Number of warrants issued	5,532,598	300,000	3,099,608	600,000
Risk-free interest rate	0.5%	1.2%	0.2%	0.7%
Expected life	2.9 years	4.0 years	1.2 years	4.5 years
Expected volatility	106%	100%	138%	87%
Share price at grant date (CAD)	$0.88	$0.86	$0.89	$0.76

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

13. 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, 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, December 31, 2020	1,538,518	1.92	1,050
Expired	(1,538,518)	1.92	(1,050)
Outstanding, December 31, 2021	-	$ -	$ -

(g) Per share amounts

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

	Year ended December 31, 2021	Eight months ended December 31, 2020	Year ended April 30, 2020
Weighted average common shares outstanding - basic	239,867,716	220,332,101	208,246,361
Effect of convertible debenture, warrants, stock options, RSUs, and DSUs	-	11,517,780	13,183,963
Weighted average common shares outstanding - diluted	239,867,716	231,849,881	221,430,324

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)

14. 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.

	Year ended December 31, 2021	Eight months ended December 31, 2020	Year ended April 30, 2020
Research and development expenses:			
Operating expenses	$ 1,401	$ 1,020	$ 11,022
Personnel costs (short-term employee benefits)	1,605	1,052	1,724
Government assistance (COVID-19 payroll subsidy)	(34)	(137)	-
Impairment of clinical supplies	-	72	619
Share-based payment transactions	783	1,616	1,762
Amortization and depreciation	834	504	742
Total research and development expenses	$ 4,589	$ 4,127	$ 15,869
Pre-commercialization, general and administrative expenses:			
Pre-commercialization expenses	$ 6,694	$ -	$ -
General expenses	819	587	1,329
Personnel costs (short-term employee benefits)	1,768	1,225	1,846
Government assistance (COVID-19 payroll subsidy)	(60)	(240)	-
Share-based payment transactions	1,839	3,519	3,317
Amortization and depreciation	272	190	284
Total general and administrative expenses	$ 11,332	$ 5,281	$ 6,776

During the year ended December 31, 2021, the Company received $0.1 million (CAD$0.1 million) (eight months ended December 31, 2020 – $0.4 million (CAD$0.5 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).

During the eight months ended December 31, 2020, the Company recognized a $0.1 million impairment loss on clinical supplies (drug capsules) that were no longer usasble in the Company's research and development programs (year ended April 30, 2020 – $0.6 million). During the year ended April 30, 2020, the Company recognized a recovery of $1.6 million of Research and Development Operating expenses in connection with the settlement of amounts owing to a supplier.

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.

During the year ended December 31, 2021, EVERSANA completed pre-commercialization activities in the amount of $7.2 million, with 25% (and up to 50% in the future) of the fees earned ($1.8 million) being deferred. A discount of $0.5 million 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 discount will be accreted over the term that is projected until settlement. $1.3 million of deferred fees (net of the $0.5 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 pre-commercialization activities over the next twelve months total approximately between $8.6 million and $12.2 million (December 31, 2020 – Nil).

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

15. Commitments and contingencies

As at December 31, 2021, the Group is committed to expenditures over the next twelve months of $1.6 million (December 31, 2020 – $0.7 million) under various research and development contracts. As at December 31, 2021, the Group is party to cancellable agreements with a contract research organization that is conducting the Phase 2 COVID-19 trial. Corresponding estimated aggregate expenditures over the next twelve months total approximately $2.1 million (December 31, 2020 – Nil). As at December 31, 2021, the Group is party to a commercialization partnership (refer to Note 14) where corresponding estimated pre-commercialization activities over the next twelve months total approximately between $8.6 million and $12.2 million (December 31, 2020 – Nil).

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. Resverlogix has not yet incurred significant applicable clinical development costs; accordingly, Resverlogix and Hepalink intend to come to an agreement on an appropriate extended timeframe.

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 $800,000 (up to March 31, 2022), but has not yet paid the remaining balance of $300,000. Until the Company pays the remaining $300,000, 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.

16. Related party transactions

Balances and transactions between the Company and its wholly-owned subsidiary have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties consist of key management personnel compensation and transactions, as well as transactions with Zenith.

Key management personnel

Key management personnel of the Group consist of its executive management and Board of Directors (as the Directors are considered to have control of the Company). In addition to the salaries and fees paid to key management, the Group also provides compensation to both groups under its share-based compensation plans. Compensation expenses paid to key management personnel were as follows:

	Year ended December 31, 2021	Eight months ended December 31, 2020	Year ended April 30, 2020
Short-term benefits	$ 1,328	$ 914	$ 1,420
Termination benefits	160	-	-
Equity-settled share-based payments	1,583	4,382	3,372
Key management personnel compensation	$ 3,071	$ 5,296	$ 4,792

The promissory notes transactions the Company entered into with related parties are described in Note 10.

16. Related party transactions (continued)

Related party transactions with Zenith

The Company and Zenith have several directors in common, and thus are considered related parties. The Company provides management and administrative services to Zenith pursuant to a Management Services Agreement dated June 3, 2013 between the Company and Zenith. The purpose of the agreement is to enable the Company to achieve greater utilization of its resources. As consideration for the services, Zenith pays the Company a service fee, consisting of salary and other compensation costs attributable to the services and reimbursable expenses incurred by Resverlogix in connection with the services.

During the year ended December 31, 2021, the Company provided an aggregate of $0.9 million (eight months ended December 31, 2020 – $0.5 million and year ended April 30, 2020 – $1.0 million) of services and reimbursable expenses, comprised of $0.6 million (eight months ended December 31, 2020 – $0.2 million and year ended April 30, 2020 - $0.6 million) for management and administrative services, and $0.4 million (eight months ended December 31, 2020 – $0.3 million and year ended April 30, 2020 – $0.5 million) of reimbursable expenses, less $0.1 million (eight months ended December 31, 2020 – $0.02 million and year ended April 30, 2020 – $0.1 million) for services provided to Resverlogix by Zenith. The reimbursable expenses include proportionate share of rental payments and operating costs (for a laboratory and offices that Resverlogix shares with Zenith) pursuant to subleases that Resverlogix has in place with Zenith. As at December 31, 2021, Zenith owes the Company $0.2 million (December 31, 2020 – $0.8 million and April 30, 2020 – $0.9 million). This balance is unsecured, payable on demand and non-interest bearing.

Effective January 1, 2015 the Company entered into a Services Agreement whereby Zenith supplies research services to the Company. The purpose of the agreement is to enable the Company to obtain access to specialized research services on a more cost-effective basis than other alternatives. During the year ended December 31, 2021, Zenith provided $0.02 million of research services (eight months ended December 31, 2020 – $0.02 million and year ended April 30, 2020 - $0.1 million). At December 31, 2021 the Company owed Zenith $3 thousand related to work performed under the agreement (December 31, 2020 – $2 thousand and April 30, 2020 – $0.1 million).

Hepalink

During the eight months ended December 31, 2020, the Company completed a private placement with Hepalink for $2.0 million (CAD$2.7 million). As at December 31, 2021, Hepalink held 35.1% (December 31, 2020 – 36.3% and April 30, 2020 – 38.6%) of the Company's outstanding common shares and is considered to have significant influence over Resverlogix.

As described in Note 11, on May 13, 2021, the Company closed a US$6.0 million secured convertible debenture (the "Debenture") with Hepalink. The Debenture bears interest at 10% per annum, payable on the May 13, 2022 maturity date. Hepalink may elect to convert the principal amount of the Debentures and accrued and unpaid interest thereon into common shares of the Company at a conversion price equal to the lesser of CAD$0.93 per share and the 5-day volume weighted average trading price of the common shares on the date of conversion. The Company granted Hepalink a security interest in all of its assets, including its patents and other intellectual property, as security for its obligations under the Debenture.

On July 8, 2015, the Company closed a license of apabetalone for China, Hong Kong, Taiwan and Macau (the "Territories") for all indications with Hepalink. The license between the Company and Hepalink stipulates that Hepalink is responsible for certain clinical and development costs in the Territories, including a patient population that was included in the Company's Phase 3 BETonMACE trial. Accordingly, during the year ended April 30, 2020, the Company charged Hepalink $0.03 million as a recovery to research and development expenses on the consolidated statements of comprehensive (income) loss, related to costs incurred for patients in the Territories participating in BETonMACE. As described in Note 15, the July 2015 License Agreement 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 the Territories 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. Resverlogix has not yet incurred significant applicable clinical development costs; accordingly, Resverlogix and Hepalink intend to come to an agreement on an appropriate extended timeframe.

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

17. Income taxes

The provision for income taxes differs from the amount which would be obtained by applying the combined statutory federal and provincial income tax rate to the net loss in the year. A reconciliation of the expected tax and the actual provision for income taxes is as follows:

	Year ended December 31, 2021	Eight months ended December 31, 2020	Year ended April 30, 2020
Expected tax recovery - 23.0% (8 months ended December 31, 2020 - 23.5%; year ended April 30, 2020 - 25.8%)	$ (5,695)	$ 391	$ 30,496
Revaluation of the royalty preferred shares	2,921	(1,833)	(23,663)
Revaluation of the fair value of the warrant liability	(1,104)	(952)	(13,537)
Revaluation of the fair value of the derivative liability	(20)	(254)	-
Share-based payments	603	1,528	1,312
Long term debt including accretion	60	173	468
Change in enacted rates	-	9,434	3,653
Other	48	(370)	(233)
Deferred tax assets not recognized	3,199	(8,096)	1,531
Income tax expense	$ 12	$ 21	$ 27

On June 29, 2020, the Government of Alberta announced a proposal to accelerate the corporate tax rate reduction (previously announced on May 28, 2019 to reduce the corporate tax rate from 12% to 8% by January 1, 2022) and reduce the corporate tax rate in 2020 from 10% to 8%, effective July 1, 2020, which was enacted in the fourth quarter of 2020.

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available, against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. The components of the unrecognized net deferred tax asset are as follows:

	Year ended December 31, 2021	Eight months ended December 31, 2020	Year ended April 30, 2020
Non-capital losses	$ 72,820	$ 69,403	$ 76,656
Scientific research and experimental development expenditures	8,163	8,008	8,995
Share issue costs and debt issuance costs	422	697	527
Other	(273)	(175)	(149)
Unrecognized deferred tax	$ 81,132	$ 77,933	$ 86,029

The Group has non-capital losses of approximately $316.6 million (December 31, 2020 – $301.8 million and April 30, 2020 – $296.7 million) available to reduce future years' taxable income expiring at various times until 2041. As at December 31, 2021, the Group has non-refundable federal investment tax credits of approximately $7.9 million (December 31, 2020 – $7.8 million and April 30, 2020 – $7.8 million) which are available to reduce future taxes payable, subject to approval by Canada Revenue Agency and expiring at various times until 2041. The Group has unclaimed scientific research and development expenditures available to reduce future years' taxable income of approximately $35.5 million (December 31, 2020 – $34.8 million and April 30, 2020 – $34.8 million) over an indefinite future period. The potential benefits of these tax pools have not been recorded in the consolidated financial statements.

18. Subsequent event

Private placement

Subsequent to December 31, 2021, 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 consists 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.