



Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

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.

RSM Canada 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, 2025

INDEPENDENT AUDITOR'S 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, 2024 and 2023, and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated 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 if it is to remain as a going concern.

As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, 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.

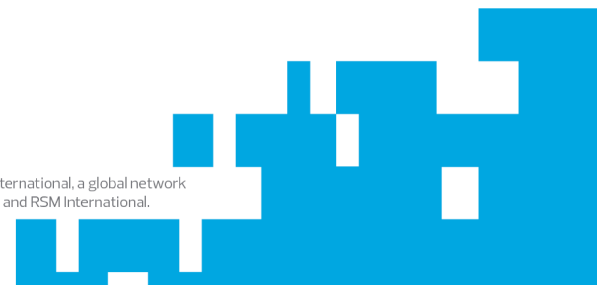
Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated 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, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of the Fair Value of Royalty Preferred Shares

Refer to consolidated financial statement Note 5: Significant judgments, estimates and assumptions and Note 12: Royalty preferred shares



The Company records royalty preferred shares at fair value, which is \$53.8 million as at December 31, 2024. The determination of the fair value of the royalty preferred shares includes significant assumptions regarding the timing and amount of future cash flows derived from revenues of products currently under development and the discount rate applied to those cash flows. The Company utilizes an internal valuation model to determine the fair value of the royalty preferred shares.

We considered the valuation of royalty preferred shares to be a key audit matter due to its complexity and heightened estimation uncertainty. Management employed significant assumptions in the internal valuation model which are based on unobservable direct inputs such as the timing and duration of clinical trials, the probability of successful product approval by regulatory authorities, potential patient populations, expected pricing, and the discount rate applied to the expected cash flows.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the evaluation of the fair value of royalty preferred shares included the following, among others:

- Obtained an understanding of the royalty preferred shares valuation model by discussing the methodology, data inputs, and significant assumptions with management.
- Evaluated the reasonableness of the timing and amount of future revenues used in the valuation model by inspecting market data and other publicly-available information from industry experts and health authorities.
- Performed sensitivity analysis to assess how changes in significant assumptions would impact the valuation model.
- Involved internal valuation specialists to assist in evaluating the methodology employed by management in the determination of the discount rates applied in the valuation model and developing independent ranges for management's discount rate assumptions using publicly available market data for comparable companies.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibilities for the Audit of the Consolidated 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 auditor's 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 these 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 auditor's 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 auditor's 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 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 independent auditor's report is Danny Tomassini.

RSM Canada LLP

Chartered Professional Accountants

March 31, 2025

Calgary, Alberta

Consolidated Statements of Financial Position

As at:

<i>In thousands of US dollars</i>	Notes	December 31, 2024	December 31, 2023
Assets			
Current assets:			
Cash		\$ 99	\$ 5
Prepaid expenses and deposits		162	149
Investment tax credit receivable		48	58
Other assets		40	6
Clinical supplies		996	300
Due from Zenith Capital Corp.	15	193	46
Total current assets		1,538	564
Non-current assets:			
Intangible assets	7	2,487	2,363
Clinical supplies		3,319	3,638
Total non-current assets		5,806	6,001
Total assets		\$ 7,344	\$ 6,565
Liabilities			
Current liabilities:			
Trade and other payables		\$ 16,002	\$ 14,534
Accrued interest	9, 10, 15	1,781	1,881
Promissory notes payable to Zenith Capital Corp.	15	7,538	3,160
Other promissory notes	9	759	775
Lease liability	8	42	44
Warrant liability	12 (e)	189	338
Debt	10	-	5,931
Derivative liability	10	-	239
Total current liabilities		26,311	26,902
Non-current liabilities:			
Debt	10	8,131	-
Other long-term liability	13	837	837
Royalty preferred shares	11	53,800	53,300
Total liabilities		89,079	81,039
Shareholders' deficiency:			
Share capital	12 (a)	334,617	333,716
Contributed surplus		53,710	54,237
Deficit		(470,062)	(462,427)
Total shareholders' deficiency		(81,735)	(74,474)
Total liabilities and shareholders' deficiency		\$ 7,344	\$ 6,565

Going concern (note 3)

Commitments and contingencies (note 14)

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

For the years ended December 31

<i>In thousands of US dollars</i>	Notes	2024	2023
Expenses:			
Research and development, net of recoveries	13	\$ 2,855	\$ 3,247
Investment tax credits		(50)	(57)
Net research and development		2,805	3,190
General and administrative, net of recoveries	13	1,795	3,017
		4,600	6,207
Finance (income) costs:			
Gain on change in fair value of warrant liability	12 (e)	(149)	(580)
Loss on change in fair value of royalty preferred shares	11	500	9,600
Gain on change in fair value of derivative liability	10	(239)	(75)
Loss (gain) on extinguishment of payables	12 (c)	20	(12)
Gain on remeasurement of other long-term liability	13	(126)	(270)
Interest and accretion		3,050	1,830
Financing costs		16	7
Foreign exchange (gain) loss		(51)	19
Net finance costs		3,021	10,519
Loss before income taxes		7,621	16,726
Income taxes	16	14	15
Net and total comprehensive loss		\$ 7,635	\$ 16,741
Net loss per share (note 12 (f))			
Basic and diluted		\$ 0.03	\$ 0.06

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

Consolidated Statements of Changes in Shareholders' Deficiency

For the years ended December 31

<i>In thousands of US dollars</i>	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Deficiency
Balance, December 31, 2022	\$ 331,422	\$ 54,983	\$ (445,686)	\$ (59,281)
Common shares issued in connection with private placements	172	-	-	172
Common shares issued in connection with long term incentive plan	2,129	(1,995)	-	134
Share issue cost	(7)	-	-	(7)
Share-based payment transactions	-	1,249	-	1,249
Net and total comprehensive loss	-	-	(16,741)	(16,741)
Balance, December 31, 2023	\$ 333,716	\$ 54,237	\$ (462,427)	\$ (74,474)
Common shares issued in connection with long term incentive plan	760	(690)	-	70
Common shares issued in connection with deferred share unit plan	141	(141)	-	-
Share-based payment transactions	-	304	-	304
Net and total comprehensive loss	-	-	(7,635)	(7,635)
Balance, December 31, 2024	\$ 334,617	\$ 53,710	\$ (470,062)	\$ (81,735)

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

Consolidated Statements of Cash Flows

For the years ended December 31

<i>In thousands of US dollars</i>	2024	2023
Cash provided by (used in):		
Cash flows (used in) provided by operating activities:		
Net loss	\$ (7,635)	\$ (16,741)
Items not involving cash:		
Equity-settled share-based payment transactions	304	1,249
Depreciation and amortization	348	716
Impairment of clinical supplies	-	1,029
Gain on change in fair value of warrant liability	(149)	(580)
Loss on change in fair value of royalty preferred shares	500	9,600
Gain on change in fair value of derivative liability	(239)	(75)
Loss (gain) on extinguishment of payables	20	(12)
Gain on remeasurement of other long-term liability	(126)	(270)
Unrealized foreign exchange	(20)	6
Interest and accretion	3,050	1,830
Net current income taxes	14	15
Financing costs	16	7
Changes in non-cash working capital:		
Prepaid expenses and deposits	(13)	(3)
Investment tax credit receivable	10	118
Other assets	(34)	2
Clinical supplies	(377)	-
Due from Zenith Capital Corp.	(147)	101
Trade and other payables	590	496
	(3,888)	(2,512)
Interest received	2	-
Net cash used in operating activities	(3,886)	(2,512)
Cash flows provided by (used in) financing activities:		
Proceeds from promissory notes payable	4,378	3,160
Proceeds from equity units issued in connection with private placements	-	278
Share issuance costs	-	(7)
Debt issuance costs	-	(2)
Financing costs	(16)	(7)
Repayment of lease liability	-	(406)
Changes in non-cash financing working capital	(3)	(23)
Net cash provided by financing activities	4,359	2,993
Cash flows used in investing activities:		
Intangible asset additions	(472)	(448)
Changes in non-cash investing working capital	95	(68)
Net cash used in investing activities	(377)	(516)
Effect of foreign currency translation on cash	(2)	-
Increase (decrease) in cash	94	(35)
Cash, beginning of year	5	40
Cash, end of year	\$ 99	\$ 5

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

1. General information

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

Resverlogix is developing apabetalone (RVX-208), a first-in-class, small molecule that is a selective BET (bromodomain and extra-terminal) inhibitor. BET bromodomain inhibition is an epigenetic mechanism that can regulate disease-causing genes. Apabetalone is a BET inhibitor selective for the second bromodomain (“BD2”) within the BET proteins. This selective inhibition of apabetalone on BD2 produces a specific set of biological effects with potentially important benefits for patients with chronic disease including cardiovascular disease (“CVD”) and associated comorbidities, and post-COVID-19 conditions. Apabetalone is the only selective BET bromodomain inhibitor in human clinical trials. Apabetalone was studied in a Phase 3 trial, BETonMACE, in 13 countries worldwide, in high-risk CVD patients with type 2 DM and low high-density lipoprotein (“HDL”). The Company’s Phase 3 trial, BETonMACE, did not meet its primary endpoint but generated encouraging positive results in key secondary endpoints and the Company intends to continue the development of apabetalone when 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 major adverse cardiac events (“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, 2025.

(b) 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.

(c) 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, 2024, the Company had \$0.1 million of cash. The Company needs to raise additional capital to fund research, development and corporate activities over the next year or it may be forced to cease operations. As at December 31, 2024, the Company was committed to pay \$16.0 million of current trade and other payables (including \$11.7 million owing to EVERSANA Life Science Services, LLC (“EVERSANA”)), \$7.5 million to Zenith Capital Corp. (a related party) (“Zenith”) (due four months following demand), \$0.8 million of other unsecured promissory notes (due upon demand or four months following demand, respectively), up to \$1.6 million for research and development commitments, and \$0.3 million of operating lease expense over the next twelve months. The Company also has other commitments as outlined in Note 14. In addition, expenditures over the next

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

3. Going concern (continued)

twelve months under a cancellable agreement with a contract research organization in respect of planned clinical development are estimated to total approximately \$2-3 million. As at December 31, 2024, the Group is also party to a commercialization partnership (refer to Note 13); the parties mutually agreed to temporarily pause services and the Group is not obligated as at December 31, 2024 to incur pre-commercialization costs over the next twelve months. The parties may or may not resume services over the next twelve months.

The Company's cash as at December 31, 2024 is not sufficient to fund the Company's contractual commitments or the Company's planned business operations over the next year. During the year ended December 31, 2024, Zenith advanced the Company \$4.4 million; there is no assurance that Zenith will advance further amounts to the Company. 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 successful. 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. These consolidated financial statements do not include necessary adjustments to reflect the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and such adjustments could be material.

4. Material 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 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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

4. Material accounting policies (continued)

Financial instruments (continued)

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, due from Zenith Capital Corp., 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 financial 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 payables to Zenith Capital Corp.	Other liabilities	Amortized cost
Other promissory notes	Other liabilities	Amortized cost
Warrant liability	FVTPL	Fair value
Debt	Other liabilities	Amortized cost
Derivative liability	FVTPL	Fair value
Other long-term liability	Other liabilities	Amortized cost
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 FVTPL. 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.

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. There have been no transfers between these levels in the current year or the prior year.

Impairment

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

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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

4. Material accounting policies (continued)

Impairment (continued)

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 the lower of cost and net realizable value (based on replacement cost), and these costs are recognized as the clinical supplies are consumed in research and development activities in the statement of comprehensive 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.

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. There are no capitalized internally generated intangible assets.

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

Separately acquired patents 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

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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

4. Material accounting policies (continued)

Leases (continued)

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. 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.

Short-term leases are classified as operating leases and are expensed as incurred.

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.

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

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For the years ended December 31, 2024 and 2023

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

4. Material accounting policies (continued)

Income tax (continued)

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.

Application of new standards amendments issued

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2024.

Amendments to IAS 1 – Classification of liabilities as current or non-current

In October 2022, the IASB issued amendments to clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. This is in addition to the amendment from January 2020 where the IASB issued amendments to IAS 1, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least 12 months, provided that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability and clarify when a liability is considered settled. These amendments are applicable to the Company's non-current liabilities as at December 31, 2024.

Amendments to IAS 1 – Non-current liabilities with covenants

In October 2022, the IASB issued amendments to IAS 1, which clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. The application of these amendments has not had any impact on the accounting policies disclosed by the Company for the year ended December 31, 2024.

Amendments to IFRS 16 – Leases on sale and leaseback

In September 2022, the IASB issued amendments to IFRS 16, which include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The Company was not subject to any sale and leaseback transactions during the year ended December 31, 2024. Consequently, the application of these amendments has not had any impact on the accounting policies disclosed by the Company for the year ended December 31, 2024.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

4. Material accounting policies (continued)

Application of new standards amendments issued (continued)

Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements

In May 2023, the IASB issued amendments to IAS 7 and IFRS 7, which require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The Company was not subject to any supplier finance arrangements during the year ended December 31, 2024. Consequently, the application of these amendments have not had any impact on the accounting policies disclosed by the Company for the year ended December 31, 2024.

Recent accounting pronouncements

The following are new IFRS pronouncements that have been issued, that are not yet effective, that have not been early adopted, and that may have an impact on the Group in the future, as discussed below.

Amendments to IAS 21 – Lack of exchangeability

In August 2023, the IASB issued amendments to IAS 21, which impact entities that have transactions or operations in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency, and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted as long as this fact is disclosed.

Amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instrument: Disclosures

In May 2024, the IASB issued amendments to the classification and measurement of financial instruments. The amendments modify the following requirements in IFRS 9 and IFRS 7:

- Derecognition of financial liabilities settled through electronic transfers.
- Elements of interest in a basic lending arrangement (the solely payments of principal and interest assessments 'SPPI test').
- Contractual terms that change the timing or amount of contractual cash flows.
- Financial assets with non-recourse features.
- Investments in equity instruments designated at fair value through other comprehensive income.
- Contractual terms that could change the timing or amount of contractual cash flows.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted as long as this fact is disclosed.

New accounting standard: IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB published IFRS 18 to replace IAS 1, which sets out significant new requirements for how financial statements are presented, with particular focus on:

- The statement of profit or loss, including requirements for mandatory sub-totals to be presented.
- Aggregation and disaggregation of information, including the introduction of overall principles for how information should be aggregated and disaggregated in financial statements.
- Disclosures related to management-defined performance measures (MPMs), which are measures of financial performance based on a total or sub-total required by IFRS accounting standards with adjustment made. Entities will be required to disclose MPMs in the financial statements with disclosures, including reconciliations of MPMs to the nearest total or sub-total calculated in accordance with IFRS accounting standards.

The standard is effective for annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted as long as this fact is disclosed.

New accounting standard: IFRS 19 – Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19. This standard permits eligible subsidiaries without public accountability to apply reduced disclosure requirements while applying the recognition, measurement, and presentation requirements in IFRS. IFRS 19 is a voluntary standard and is effective for annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted as long as this fact is disclosed.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

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 11.

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 12.

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 12 (e).

Derivative liability

The Company's secured convertible debenture was a hybrid instrument consisting of a financial instrument and an embedded derivative, being the conversion option. The embedded derivative was separated from the host contract and accounted for separately as the economic characteristics and risks of the host contract and the embedded derivative were not closely related. The conversion option contained a variable conversion price and the conversion price was denominated in a foreign currency. As a result, conversion would result in a variable number of shares of the Company being issued at conversion; as such, the conversion feature was classified as a derivative liability at fair value through profit or loss. The embedded conversion option was measured at fair value by third party valuation specialists using an industry standard methodology. The methodology required 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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(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 and reviewed periodically by the Company's Board of Directors. Spending 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, 2024, 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 14.

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, 2024 to the contractual maturity date. The amounts are equivalent to the following contractual undiscounted cash flows.

	2025	2026	2027	Total
Trade and other payables	\$ 16,002	\$ -	\$ -	\$ 16,002
Accrued interest	847	934	-	1,781
Promissory notes payable to Zenith Capital Corp.	7,538	-	-	7,538
Other promissory notes	759	-	-	759
Lease liability	42	-	-	42
Debt	-	8,131	-	8,131
	\$ 25,188	\$ 9,065	\$ -	\$ 34,253

In addition to the above, the Company's financial liabilities includes an Other long-term liability which is due when the Company generates subsequent apabetalone sales in applicable indications (refer to note 13).

(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, 2024, the Group had Canadian denominated assets and liabilities of: cash in the amount of CAD\$0.1 million (2023 - CAD\$3 thousand), accounts receivable in the amount of CAD\$0.01 million (2023 - CAD\$0.01 million), accounts payable in the amount of CAD\$1.7 million (2023 - CAD\$1.3 million), and promissory notes in the amount of CAD\$0.3 million (2023 - CAD\$0.3 million). An increase of \$0.01 in the CAD to USD exchange rate as measured on December 31, 2024 would result in a foreign currency loss of \$0.03 million (2023 - \$0.02 million).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(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 the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not exposed to fluctuating market interest rates on its debt as there is a fixed interest rate on the convertible debenture.

(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.

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, 2024, the carrying amounts of the Group's cash and Other assets approximate their fair value due to their short-term nature.

7. Intangible assets

	Patents and intellectual property
Cost	
Balance at December 31, 2022	\$ 3,371
Additions	448
Balance at December 31, 2023	3,819
Additions	472
Balance at December 31, 2024	\$ 4,291
Accumulated amortization and impairment losses	
Balance at December 31, 2022	\$ 1,166
Amortization	290
Balance at December 31, 2023	1,456
Amortization	348
Balance at December 31, 2024	\$ 1,804
Net book value	
As at December 31, 2023	\$ 2,363
As at December 31, 2024	2,487

Notes to the Consolidated Financial Statements

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

8. Leases

(a) As a lessee

(i) Right-of-use asset

	Office leases	Total
Cost		
Balance at December 31, 2022	\$ 1,799	\$ 1,799
Disposition	(1,757)	(1,757)
Balance at December 31, 2023	42	42
Balance at December 31, 2024	\$ 42	\$ 42
Accumulated depreciation		
Balance at December 31, 2022	\$ 1,439	\$ 1,439
Depreciation	360	360
Disposition	(1,757)	(1,757)
Balance at December 31, 2023	42	42
Balance at December 31, 2024	\$ 42	\$ 42
Net book value		
As at December 31, 2023	\$ -	\$ -
As at December 31, 2024	-	-

The \$1.8 million disposition recognized during the year ended December 31, 2023 at the end of the initial lease term for one of the Group's office leases; the one year renewal of the office lease is now recognized as an operating lease. The remaining lease liability balance is the asset retiring obligation for projected costs at the end of the current lease renewal period.

Minimum operating lease payments

As at December 31, 2024, the Group is committed to operating lease payments for office and laboratory premises as follows. The one year renewal of the office lease is recognized as an operating lease.

	December 31, 2024
Less than 1 year	\$ 308
Between 1 and 5 years	-
More than 5 years	-
Total minimum lease payments as at December 31, 2024	\$ 308

(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 \$0.1 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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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9. Other promissory notes

The following table summarizes the changes in other promissory notes outstanding.

	Liability amount
Outstanding, December 31, 2022	\$ 196
Addition	575
Revaluation of CAD denominated promissory notes	4
Outstanding, December 31, 2023	775
Revaluation of CAD denominated promissory notes	(16)
Outstanding, December 31, 2024	\$ 759

As at December 31, 2024, other promissory notes totaling \$0.8 million, are due to:

- the Chief Executive Officer – an outstanding \$0.2 million (CAD\$0.3 million) promissory note is non-interest bearing, payable on demand and unsecured; and
- a former officer of the Company – an outstanding \$0.6 million promissory note (from a \$0.6 million promissory note issued during the year ended December 31, 2023, related to outstanding consulting fees) bears interest at 10% per annum, is payable within four months of demand, and is subordinate to the Company's other debt.

During the year ended December 31, 2024, interest on the Other promissory notes totaled \$0.06 million (2023 – \$0.04 million) and is included in Accrued interest in the Consolidated Statements of Financial Position.

In addition, the Company has issued promissory notes to Zenith, as described further in Note 15 "Related party transactions".

10. Debt and derivative liability

The following table summarizes the changes in debt during the years ended December 31, 2024 and 2023.

	Convertible Debenture
Balance, December 31, 2022	\$ 5,858
Accretion of transaction costs on Convertible Debenture, prior to maturity date extension	80
Modification gain for maturity date extension	(174)
Incremental other debt issuance costs, at maturity date extension/amendment	(2)
Accretion of transaction costs on Convertible Debenture, post maturity date extension	169
Balance, December 31, 2023	5,931
Accretion of transaction costs on Convertible Debenture	69
Reclass of Accrued interest as at May 13, 2024 amendment date (part of principal of new debt liability)	2,131
Balance, December 31, 2024	\$ 8,131

Secured Convertible Debenture

	December 31, 2024	December 31, 2023
Principal	\$ 8,131	\$ 6,000
Unamortized transaction costs, net of accretion	-	(8)
Discount on warrant liability derivative, net of accretion	-	(20)
Discount on conversion option derivative, net of accretion	-	(41)
Carrying value of debt	\$ 8,131	\$ 5,931

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 18% per annum. 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.

Notes to the Consolidated Financial Statements

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

10. Debt and derivative liability (continued)

Amendments and extensions of the Debenture

During the year ended December 31, 2023, the maturity date of the Debenture, and the corresponding payment date of interest thereon, were both extended by one year from May 13, 2023 to May 13, 2024. The amendment was accounted for as a debt modification. A modification gain of \$0.2 million, related to the extension of the maturity date, was recognized within accretion on the statement of comprehensive loss. The amendment also included an increase to the interest rate from 10% to 12% per annum effective May 14, 2023.

During the year ended December 31, 2024, the maturity date of the Debenture, and the corresponding payment date of interest thereon, were both extended by two years from May 13, 2024 to May 13, 2026. In connection with the extension, Hepalink's conversion privileges have been eliminated and the interest rate has been amended from 12% to 18% per annum, commencing on May 14, 2024. With the removal of the conversion privilege and the increase in interest rate, the terms of the amended Debenture were substantially different. As such, the May 13, 2024 amendment was accounted for as a debt extinguishment. The \$2.13 million accrued interest as at May 13, 2024 was reclassified from Accrued interest to be part of the new Debt liability principal (according to a substance over form evaluation of the new liability). The fair value of the new liability was determined using a market interest rate of 18%. No gain or loss was recognized on debt extinguishment on the May 13, 2024 amendment date given that the carrying value of the old debt liability was equal to the \$6.0 million principal amount (the Debenture had been fully accreted), and the fair value of the new debt liability was equal to the \$8.13 million principal amount (the combined amount of the \$6.0 million principal and the \$2.13 million of accrued interest).

Prior to the amendment on May 13, 2024, Hepalink was able to elect to convert the principal amount of the Debenture and accrued and unpaid interest thereon into common shares of the Company at a conversion price equal to the lesser of CAD\$0.93 per share and the 5-day volume weighted average trading price of the common shares on the date of conversion. Prior to the amendment on May 13, 2024 (when the conversion privileges were eliminated), the secured convertible debenture was a hybrid instrument consisting of a financial instrument and an embedded derivative, being the conversion option. The embedded derivative was separated from the host contract and accounted for separately as the economic characteristics and risks of the host contract and the embedded derivative were not closely related. The Company also issued 300,000 warrants to Hepalink in connection with the Debenture. Each warrant is exercisable at a price of CAD\$0.93 per underlying common share for a period of four years from the grant date. An exercise of warrants with an exercise price denominated in a foreign currency will result in a variable amount of cash for a fixed number of shares; as such, the warrants are presented as a current liability. On initial recognition, the warrants were valued at \$0.1 million; this initial value of the warrant liability was accreted over the term of the Debenture (prior to the May 14, 2024 amendment).

The conversion option contained a variable conversion price and the conversion price was denominated in a foreign currency. As a result, conversion would result in a variable number of shares of the Company being issued at conversion; as such, the conversion feature had 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 was accreted over the term of the Debenture (prior to the May 13, 2024 amendment). The conversion option was revalued at \$0.2 million as at December 31, 2023, and was revalued at \$Nil as at the May 13, 2024 amendment. On initial recognition, on December 31, 2023, and on May 13, 2024, 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 was recognized in profit or loss at each reporting date. During the year ended December 31, 2024, a \$0.2 million gain (2023 – \$0.1 million gain) was recognized for revaluing the derivative liability.

The following table summarizes the changes in derivative liability during the years ended December 31, 2024 and 2023.

	Derivative liability amount
Balance, December 31, 2022	\$ 314
Change in fair value of derivative liability, prior to maturity date extension	(174)
Incremental fair value of derivative liability, at maturity date extension/amendment	721
Change in fair value of derivative liability, post maturity date extension	(622)
Balance, December 31, 2023	239
Change in fair value of derivative liability	(239)
Balance, December 31, 2024	\$ -

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11. Royalty preferred shares

(i) Authorized:

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

(ii) Issued and outstanding:

Preferred shares	Number of preferred shares	Amount
Balance, December 31, 2022	75,202,620	\$ 43,700
Revaluation of royalty preferred shares	-	9,600
Balance, December 31, 2023	75,202,620	53,300
Revaluation of royalty preferred shares	-	500
Balance, December 31, 2024	75,202,620	\$ 53,800

The holder of the royalty preferred shares is entitled to dividends in the amount of 6-12% of the Company's Net Revenue, as defined in the Company's articles. As at December 31, 2024, the Company had 75,202,620 royalty preferred shares outstanding, all of which were held by Zenith. Resverlogix and Zenith have several directors and officers 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: an average cumulative probability rate of generating forecasted future cash flows of 41% as at December 31, 2024 (December 31, 2023 - 41%) reflecting in each case, among other factors, the Company's clinical results, in particular the results of BETonMACE, and communication with the U.S. Food and Drug Administration ("FDA") and other regulatory bodies; a discount rate of 24.3% as at December 31, 2024 (December 31, 2023 - 24.6%); projected commencement of revenue beginning between mid-2028 and late-2028 (based on projected clinical development paths across various jurisdictions, which is based substantially on securing the requisite funding from a partnership or other source(s) of capital in early 2025) as at December 31, 2024 (December 31, 2023 - between late-2027 and early-2028); and projected apabetalone market share percentages and projected product pricing. The estimated fair value of royalty preferred shares in the current period was affected by the passage of time (to future cash flows based on the estimated timing and commencement of revenue), offset by the commencement of revenue estimation update.

The estimated fair value of the royalty preferred shares is subject to significant volatility. Small changes in the aforementioned assumptions may have a significant impact on the estimated fair value of the royalty preferred shares. For instance, holding all other assumptions constant: a 1% increase in the discount rate would result in a \$3.8 million decrease in the estimated fair value of the royalty preferred shares; assuming commencement of revenue one year later would result in a \$15.3 million decrease in the estimated fair value of the royalty preferred shares; a 0.5% increase in the growth rate of the patient population would result in a \$4.7 million increase 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 \$1.5 million increase in the estimated fair value of the royalty preferred shares.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

12. Shareholders' deficiency

(a) Common shares

(i) Authorized:

Unlimited number of common shares

(ii) Issued and outstanding:

Common shares	Number of shares	Amount
Balance, December 31, 2022	265,673,607	\$ 331,422
Issued in connection with private placements	2,052,668	172
Issued in connection with long term incentive plan	4,645,047	2,129
Share issue cost	-	(7)
Balance, December 31, 2023	272,371,322	333,716
Issued in connection with long term incentive plan	8,318,956	760
Issued in connection with deferred share unit plan	846,716	141
Balance, December 31, 2024	281,536,994	\$ 334,617

Private placements

During February and March 2023, the Company issued 600,000 equity units at CAD\$0.19 per unit pursuant to a private placement for gross proceeds of \$0.08 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\$0.24 per underlying common share for a period of five years from the closing of the private placement. Proceeds are allocated initially to the fair value of the liability-classified warrants with the residual recorded to Share capital.

During April and May 2023, the Company issued 1,452,668 equity units at CAD\$0.18 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 common share purchase warrant. Each warrant is exercisable at a price of CAD\$0.20 per underlying common share for a period of two years from the closing of the private placement. Proceeds are allocated initially to the fair value of the liability-classified warrants with the residual recorded to Share capital.

(b) Stock options

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

	Number of options	Weighted average exercise price (CAD)
Outstanding, December 31, 2022	1,405,000	\$ 0.67
Granted	2,000,000	0.10
Expired	(500,000)	0.15
Outstanding, December 31, 2023	2,905,000	0.37
Granted	200,000	0.07
Expired	(400,000)	1.11
Forfeited	(75,000)	0.09
Outstanding, December 31, 2024	2,630,000	\$ 0.24

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

12. Shareholders' deficiency (continued)

(b) Stock options (continued)

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 \$0.04 per option and \$0.05 per option associated with stock options granted during the years ended December 31, 2024 and 2023, respectively:

	2024	2023
Risk-free interest rate	3.7%	3.7%
Expected life	4.3 years	3.7 years
Expected volatility	90%	104%
Share price at grant date	CAD\$0.07	CAD\$0.11
Expected dividends	Nil	Nil

The following table summarizes information about the options outstanding and exercisable at December 31, 2024.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
\$0.07 - \$0.18	2,040,000	3.41	\$ 0.10	1,815,000
\$0.54 - \$0.72	390,000	2.07	0.65	390,000
\$0.79 - \$0.91	200,000	1.16	0.88	200,000
	2,630,000	3.04	\$ 0.24	2,405,000

The number of options exercisable at December 31, 2024 was 2,405,000 (2023 – 2,605,000) with a weighted average exercise price of CAD\$0.26 (2023 – CAD\$0.38).

(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, 2024, 7,270,667 RSUs were granted (2023 – 9,524,340 RSUs were granted). The RSUs vest over a period of zero to six months. 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, 2024, 1,500,000 RSUs were granted to a vendor to settle trade payables of \$0.05 million; the grant date fair value (equal to the closing stock price on the grant date) of the 1,500,000 RSUs was \$0.07 million (recognized in share capital), resulting in a loss on payables extinguishment of \$0.02 million (recognized in profit or loss). During the year ended December 31, 2023, 657,840 RSUs were granted to two vendors to settle trade payables of \$0.09 million; the grant date fair value (equal to the closing stock price on the grant date) of the 657,840 RSUs was \$0.06 million (recognized in share capital), resulting in a gain on payables extinguishment of \$0.03 million (recognized in profit or loss).

	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, December 31, 2022	15,959,071	\$ 0.82
Granted	9,524,340	0.10
Exercised	(4,645,047)	0.46
Outstanding, December 31, 2023	20,838,364	0.57
Granted	7,270,667	0.04
Exercised	(8,318,956)	0.09
Outstanding, December 31, 2024	19,790,075	\$ 0.58

At December 31, 2024, 19,790,075 RSUs were exercisable (2023 – 20,838,364).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

12. Shareholders' 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, 2024, there were no DSUs granted to directors (2023 – 2,606,045 DSUs were granted). The DSUs fully vest at grant date. The Company estimates the fair value of DSUs based on the market price of the underlying stock on the date of grant.

	Number of deferred share units	Weighted average grant date fair value (USD)
Outstanding and exercisable, December 31, 2022	1,672,091	\$ 0.42
Granted	2,606,045	0.06
Outstanding and exercisable, December 31, 2023	4,278,136	0.20
Exercised	(846,716)	0.17
Outstanding and exercisable, December 31, 2024	3,431,420	\$ 0.21

(e) Warrant liability

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

	Number of warrants	Weighted average exercise price (CAD)	Liability amount
Outstanding, December 31, 2022	29,207,425	\$ 1.08	\$ 813
Issued in connection with private placements	2,052,668	0.21	105
Expired	(4,398,936)	4.32	-
Revaluation of warrant liability	-	-	(580)
Outstanding, December 31, 2023	26,861,157	0.22	338
Expired	(600,000)	0.74	-
Revaluation of warrant liability	-	-	(149)
Outstanding, December 31, 2024	26,261,157	\$ 0.21	\$ 189

The following table summarizes information about liability-classified warrants outstanding and exercisable at December 31, 2024.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
\$0.20	25,961,157	1.86	\$ 0.20
\$0.93	300,000	0.37	0.93
	26,261,157	1.84	\$ 0.21

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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

12. Shareholders' deficiency (continued)

(e) Warrant liability (continued)

The fair value of the warrants not publicly 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\$0.055 on December 31, 2024 from CAD\$0.07 on December 31, 2023, and CAD\$0.14 on December 31, 2022, 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.

There were no warrants issued during the year ended December 31, 2024. The weighted average fair value of the warrants issued during the year ended December 31, 2023 was \$0.06 per warrant using the Black-Scholes option pricing model and the following weighted average assumptions:

	2024	2023
Number of warrants issued	-	2,052,668
Risk-free interest rate	3.0%	3.8%
Expected life	1.8 years	2.9 years
Expected volatility	106%	94%
Share price at grant date (CAD)	\$0.055	\$0.15

(f) Per share amounts

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

	2024	2023
Weighted average common shares outstanding - basic and diluted	276,604,076	269,958,290

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.

13. 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.

	2024	2023
Research and development expenses:		
Operating expenses, net of recoveries	\$ 1,543	\$ 464
Personnel costs (short-term employee benefits)	964	940
Share-based payment transaction costs	-	340
Amortization and depreciation	348	474
Impairment of clinical supplies	-	1,029
Total research and development expenses	\$ 2,855	\$ 3,247
General and administrative expenses:		
General expenses, net of recoveries	\$ 173	\$ 402
Pre-commercialization expenses	-	4
Personnel costs (short-term employee benefits)	1,318	1,460
Share-based payment transaction costs	304	909
Amortization and depreciation	-	242
Total general and administrative expenses	\$ 1,795	\$ 3,017

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

13. Expenses by nature (continued)

During the year ended December 31, 2023, the Company recognized a \$1.0 million impairment loss on clinical supplies (drug capsules) that were no longer useable in the Company's research and development programs.

Partnership with EVERSANA

In June 2021, the Company entered into a partnership with EVERSANA Life Science Services, LLC ("EVERSANA"). EVERSANA supported the planned commercialization of apabetalone for the treatment of COVID-19 in the United States, Canada and any other countries agreed upon in the future as Emergency Use Authorization and/or a New Drug Application or equivalent if issued or approved in said countries. EVERSANA provides 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.

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

Prior to 2023, EVERSANA completed pre-commercialization activities in the amount of \$10.5 million, with 25% (and up to 50% in the future) of the fees earned being deferred. The April 2022 Amendment decreased the portion of fees that are deferred fees to \$1.3 million. During the periods when the pre-commercialization fees were incurred, discounts were 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. As at December 31, 2023, the long-term deferred fees liability was remeasured to reflect a change in cash flow estimate (incorporating a time extension when the deferred fees will become due); a \$0.3 million gain on remeasurement of other long-term liability was recognized in relation to this change in estimate. At December 31, 2024, the long-term deferred fees liability was remeasured to reflect a change in cash flow estimate (incorporating a time extension when the deferred fees will become due); a \$0.1 million gain on remeasurement of other long-term liability was recognized in relation to this change in estimate. At December 31, 2024, \$0.8 million of net deferred fees (\$1.3 million face value, net of a \$0.5 million cumulative discount net of accretion) is included as Other long-term liability on the statement of financial position and are due when the Company generates subsequent apabetalone sales in applicable indications.

As at December 31, 2024, Trade and other payables includes \$11.7 million (December 31, 2023 - \$10.9 million) owing to EVERSANA; amounts owing to EVERSANA bear interest at 7.25% per annum.

EVERSANA shall also be entitled to profit sharing in the amount of 3.0 - 4.5% of apabetalone sales in applicable indications in the United States and Canada during the five-year term of the partnership (commencing upon commercial launch). The Company and EVERSANA have mutually agreed to temporarily pause services. The Company is not obligated as at December 31, 2024 to incur pre-commercialization costs over the next twelve months. The parties may or may not resume services over the next twelve months.

14. Commitments and contingencies

As at December 31, 2024, the Group is committed to expenditures over the next twelve months of \$1.6 million (2023 - \$1.5 million) under various research and development contracts. As at December 31, 2024, the Group is also party to a cancellable agreement with a contract research organization in respect of planned clinical development. Corresponding estimated aggregate expenditures over the next twelve months total approximately \$2-3 million (2023 - \$2-3 million).

As at December 31, 2024, the Group is also party to a commercialization partnership (refer to Note 13); the parties have mutually agreed to temporarily pause services and the Group was not obligated as at December 31, 2024 to incur pre-commercialization costs over the next twelve months. The parties may or may not resume services over the next twelve months.

The July 2015 License Agreement between Resverlogix and Hepalink was amended effective June 17, 2022, and further amended on June 27, 2024, such that Resverlogix agreed to pay up to CAD\$8.0 million of clinical development costs associated with apabetalone, including a global Phase 3 clinical trial (which Resverlogix intends to perform in any event), in China, Hong Kong, Taiwan and Macau, and if the costs incurred by Resverlogix after May 1, 2020 and up to June 30, 2025 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, 2026.

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,

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

14. Commitments and contingencies (continued)

September 1, 2020 and October 1, 2020 respectively. The Company paid the August 1, 2020 instalment and has paid an additional \$825,000, but has not yet paid the remaining balance of \$275,000. Until the Company pays the remaining \$275,000, thereby satisfying its obligations pursuant to the agreement, it is possible that the supplier could assert that the Company is in default and could pursue any remedies that may be available to them.

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

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

15. 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:

	2024	2023
Short-term benefits	\$ 1,151	\$ 1,110
Equity-settled share-based payments	113	719
Key management personnel compensation	\$ 1,264	\$ 1,829

The promissory notes transactions the Company entered into with related parties are described in Note 9 and in the following section for related party transactions with Zenith.

Related party transactions with Zenith

The Company and Zenith have several directors and officers 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, 2024, the Company provided an aggregate of \$0.7 million (2023 – \$0.6 million) of services and reimbursable expenses, comprised of \$0.5 million (2023 – \$0.4 million) for management and administrative services, and \$0.3 million (2023 – \$0.3 million) of reimbursable expenses, less \$0.1 million (2023 – \$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 office that Resverlogix shares with Zenith) pursuant to a sublease that Resverlogix has in place with Zenith. Zenith owes the Company \$0.2 million (December 31, 2023 – \$0.05 million); this balance is unsecured, payable on demand and non-interest bearing.

During the year ended December 31, 2024, Zenith advanced the Company \$4.4 million (2023 – \$3.2 million). The Company has issued promissory notes to Zenith totaling \$7.5 million as at December 31, 2024 (December 31, 2023 – \$3.2 million); the promissory notes bear interest at 12% per annum (which interest started accruing January 1, 2024), are payable within four months of demand and are unsecured. During the year ended December 31, 2024, interest on the Promissory notes payable to Zenith Capital Corp. totaled \$0.7 million (2023 – Nil) and is included in Accrued interest in the Consolidated Statements of Financial Position.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

15. Related party transactions (continued)

Hepalink

As at December 31, 2024, Hepalink held 30.3% (2023 – 31.3%) of the Company's outstanding common shares and is considered to have significant influence over Resverlogix.

As described in Note 10, on May 13, 2021, the Company closed a US\$6.0 million Debenture with Hepalink. The Debenture bears interest at 18% per annum and is payable on the May 13, 2026 maturity date. 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. As described in Note 14, the July 2015 License Agreement was amended effective June 17, 2022, and further amended on June 27, 2024, 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 after May 1, 2020 and up to June 30, 2025 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, 2026.

16. 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:

	2024	2023
Expected tax recovery - 23% (2023 - 23%)	\$ (1,753)	\$ (3,847)
Revaluation of the royalty preferred shares	115	2,208
Revaluation of the fair value of the warrant liability	(34)	(133)
Revaluation of the fair value of the derivative liability	(55)	(17)
Share-based payments	70	287
Long term debt including accretion	45	51
Other	40	61
Deferred tax assets not recognized	1,586	1,405
Income tax expense	\$ 14	\$ 15

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:

	2024	2023
Non-capital losses	\$ 78,635	\$ 77,046
Scientific research and experimental development expenditures	8,486	8,396
Share issue costs and debt issuance costs	17	62
Other	(161)	(113)
Unrecognized deferred tax	\$ 86,977	\$ 85,391

The Group has non-capital losses of approximately \$341.9 million (2023 – \$335.0 million) available to reduce future years' taxable income expiring at various dates between 2026 and 2044. As at December 31, 2024, the Group has non-refundable federal investment tax credits of approximately \$8.4 million (2023 – \$8.1 million) which are available to reduce future taxes payable, subject to approval by Canada Revenue Agency and expiring on various dates between 2026 and 2044. The Group has unclaimed scientific research and development expenditures available to reduce future years' taxable income of approximately \$36.9 million (2023 – \$36.5 million) over an indefinite future period. The potential benefits of these tax pools have not been recorded in the consolidated financial statements.