Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and July 31, 2020

Change in Fiscal Year-End

During 2020, Resverlogix Corp. changed its fiscal year end to December 31 (from April 30) to adopt reporting periods more commonly used by the Company's peers. Consequently, in this new fiscal year commencing January 1, 2021, the Company is reporting unaudited second quarter interim financial results for the six months ended June 30, 2021 compared to the six months ended July 31, 2020.

Hereinafter, the Company's reporting will be based on the more common December 31 fiscal year-end, with fiscal quarters ending on the last day of March, June, September and December.

Condensed Interim Consolidated Statements of Financial Position
As at:
(unaudited)

In thousands of US dollars	Notes	June 30, 2021	December 31, 2020
Assets			
Current assets:			
Cash		$ 3,200	$ 87
Prepaid expenses and deposits		403	121
Investment tax credit receivable		38	70
Other assets		22	297
Clinical supplies		619	584
Due from related parties		621	778
Total current assets		4,903	1,937
Non-current assets:			
Property and equipment		180	220
Right-of-use assets	5	1,240	1,238
Intangible assets		3,370	2,896
Prepaid expenses and deposits		57	55
Deferred financing costs		58	57
Clinical supplies		4,295	4,303
Total non-current assets		9,200	8,769
Total assets		$ 14,103	$ 10,706
Liabilities			
Current liabilities:			
Trade and other payables		$ 3,795	$ 6,939
Accrued interest		81	-
Promissory notes	6	129	157
Lease liabilities	5	813	554
Warrant liability	9 (e)	3,696	4,112
Debt	7	5,631	-
Derivative liability	7	249	-
Total current liabilities		14,394	11,762
Non-current liabilities:			
Lease liabilities	5	660	839
Royalty preferred shares	8	37,700	38,000
Total liabilities		52,754	50,601
Shareholders' deficiency:			
Share capital	9 (a)	325,391	322,409
Contributed surplus		54,999	53,951
Warrants	9 (f)	853	1,050
Deficit		(419,894)	(417,305)
Total shareholders' deficiency		(38,651)	(39,895)
Total liabilities and shareholders' deficiency		$ 14,103	$ 10,706

Going concern (note 3) Commitments and contingencies (note 11)

Signed on behalf of the Board:

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

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

Condensed Interim Consolidated Statements of Comprehensive Loss (Income)

For the six months ended June 30, 2021 and July 31, 2020

(unaudited)

		Three months ended		Six months ended	
In thousands of US dollars	Notes	June 30, 2021	July 31, 2020	June 30, 2021	July 31, 2020
Expenses:					
Research and development, net of recoveries	10	$ 1,527	$ 1,650	$ 2,445	$ 1,664
Investment tax credits		(20)	-	(37)	9
Net research and development		1,507	1,650	2,408	1,673
General and administrative, net of recoveries	10	1,895	2,499	2,638	4,098
		3,402	4,149	5,046	5,771
Finance (income) costs:					
Gain on change in fair value of warrant liability	9 (e)	(1,024)	(1,644)	(2,642)	(5,201)
(Gain) loss on change in fair value of royalty preferred shares	8	(200)	3,200	(300)	(4,000)
Gain on change in fair value of derivative liability	7	(5)	(662)	(5)	(896)
Loss on payables or debt extinguishment	9 (c)	146	248	146	248
Interest, fees and accretion		157	783	179	1,538
Financing costs		51	12	53	23
Foreign exchange loss (gain)		76	117	102	(8)
Net finance (income) costs		(799)	2,054	(2,467)	(8,296)
Loss (income) before income taxes		2,603	6,203	2,579	(2,525)
Income taxes		6	5	10	12
Net and total comprehensive loss (income)		$ 2,609	$ 6,208	$ 2,589	$ (2,513)
Net loss (earnings) per share *(note 9 (g))*					
Basic		$ 0.01	$ 0.03	$ 0.01	$ (0.01)
Diluted		0.01	0.03	0.01	(0.01)

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

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the six months ended June 30, 2021 and July 31, 2020

(unaudited)

In thousands of US dollars	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Deficiency
Balance, January 31, 2020	$ 304,908	$ 46,441	$ 1,490	$ (427,669)	$ (74,830)
Common shares issued in connection with private placements	677	-	-	-	677
Common shares issued in connection with stock option and long term incentive plans	880	(511)	-	-	369
Share issue cost	(24)	-	-	-	(24)
Expiry of equity-classified warrants	-	440	(440)	-	-
Share-based payment transactions	-	5,231	-	-	5,231
Net and total comprehensive income	-	-	-	2,513	2,513
Balance, July 31, 2020	$ 306,441	$ 51,601	$ 1,050	$ (425,156)	$ (66,064)
Balance, December 31, 2020	$ 322,409	$ 53,951	$ 1,050	$ (417,305)	$ (39,895)
Common shares issued in connection with private placements	1,821	-	-	-	1,821
Common shares issued in connection with long term incentive plan	1,219	(911)	-	-	308
Share issue cost	(58)	-	-	-	(58)
Expiry of equity-classified warrants	-	197	(197)	-	-
Share-based payment transactions	-	1,762	-	-	1,762
Net and total comprehensive loss	-	-	-	(2,589)	(2,589)
Balance, June 30, 2021	$ 325,391	$ 54,999	$ 853	$ (419,894)	$ (38,651)

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

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended June 30, 2021 and July 31, 2020

(unaudited)

In thousands of US dollars	June 30, 2021	July 31, 2020
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Net income	$ (2,589)	$ 2,513
Items not involving cash:		
Equity-settled share-based payment transactions	1,762	4,021
Depreciation and amortization	548	515
Impairment of clinical supplies	-	(273)
Gain on change in fair value of warrant liability	(2,642)	(5,201)
Gain on change in fair value of royalty preferred shares	(300)	(4,000)
Gain on change in fair value of derivative liability	(5)	(896)
Loss on debt extinguishment	146	248
Unrealized foreign exchange loss (gain)	39	(25)
Interest, fees and accretion	179	1,538
Net current income taxes	10	12
Financing costs	53	23
Changes in non-cash working capital:		
Prepaid expenses and deposits	(284)	89
Investment tax credit receivable	32	125
Other assets	275	86
Clinical supplies	(27)	535
Due from related parties	157	550
Trade and other payables	(2,692)	(820)
	(5,338)	(960)
Income tax paid	(9)	(6)
Net cash used in operating activities	(5,347)	(966)
Cash flows provided by (used in) financing activities:		
Proceeds from equity units issued in connection with private placements	3,919	983
Share issuance costs	(58)	(24)
Proceeds from convertible debenture and warrants	6,000	-
Debt issuance costs	(40)	(14)
Financing costs	(53)	(23)
Repayment of lease liabilities	(341)	(369)
Proceeds from exercise of stock options	-	369
Restricted stock unit costs	(103)	-
Proceeds from issuance of promissory note	80	-
Repayment of promissory notes	(114)	-
Changes in non-cash financing working capital	(110)	20
Net cash provided by financing activities	9,180	942
Cash flows used in investing activities:		
Intangible asset additions	(642)	(161)
Changes in non-cash investing working capital	(59)	47
Net cash used in investing activities	(701)	(114)
Effect of foreign currency translation on cash	(19)	(3)
Increase in cash	3,113	(141)
Cash, beginning of period	87	169
Cash, end of period	$ 3,200	$ 28

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

1. General information

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

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

2. Basis of preparation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting*. These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 13, 2021.

(b) Change in fiscal year-end

During 2020, all entities within the Group changed their fiscal year end to December 31 (from April 30) to adopt reporting periods more commonly used by peer companies. Consequently, in this new fiscal year commencing January 1, 2021, the Company is reporting unaudited second quarter interim financial results for the six months ended June 30, 2021 compared to the six months ended July 31, 2020. Hereinafter, the Company's reporting will be based on the more common December 31 fiscal year-end, with fiscal quarters ending on the last day of March, June, September and December.

(c) Basis of measurement

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

(d) Measurement uncertainty

There is estimation uncertainty with regards to the possible impact of the COVID-19 outbreak on the financial results and condition of the Company over the next twelve months.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The introduction of vaccines has led to optimism and an easing of restrictions; however, the situation continues to evolve (including the prevalence of virus variants), and the duration and impact of the COVID-19 outbreak remains unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods. The COVID-19 outbreak may impact the Company's ability to raise additional capital and/or impact the Company's ability to continue its clinical trials.

2. Basis of preparation (continued)

(e) Functional and presentation currency

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

(f) Use of estimates and judgment

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in these condensed interim consolidated financial statements and notes. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgment used in the preparation of the condensed interim consolidated financial statements remain unchanged from those described in the Group's consolidated financial statements for the eight months ended December 31, 2020.

3. Going concern

The success of the Company is dependent on the continuation of its research and development activities, progressing the core technologies through clinical trials to commercialization or a strategic partnership, and its ability to obtain additional financing. It is not possible to predict the outcome of future research and development programs, the Company's ability to fund these programs in the future, or to secure a strategic partnership, or the commercialization of products by the Company. To date, the Company has not generated any product revenue.

The consolidated financial statements have been prepared pursuant to International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company has incurred significant losses to date, and with no assumption of revenues, is dependent on its ability to raise additional financial capital by continuing to demonstrate the successful progression of its research and development activities if it is to remain as a going concern.

As at June 30, 2021, the Company had $3.2 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 June 30, 2021, the Company was committed to pay $3.8 million of trade and other payables, $0.8 million for research and development over the next twelve months, and $0.8 million of lease liabilities over the next twelve months. The Company also has other commitments as outlined in Note 11. Furthermore, the Company's $6.0 million debenture with Shenzhen Hepalink Pharmaceutical Co., Ltd. ("Hepalink") is due on May 13, 2022 (refer to Note 7). In addition, expenditures over the next twelve months under cancellable agreements with a contract research organization that will be conducting the Company's Phase 2 COVID-19 trial were estimated to total approximately $2.4 million.

The Company's cash as at June 30, 2021 is not sufficient to fund the Company's contractual commitments or the Company's planned business operations over the next year. The Company will have to raise additional capital to fund its contractual commitments and its planned business operations. The Company continues to pursue and/or examine several sources of additional capital including co-development, licensing, rights or other partnering arrangements, private placements and/or public offerings (equity and/or debt). However, there is no assurance that any of these measures will be successfully completed.

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

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

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

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

4. Significant accounting policies

The condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the eight months ended December 31, 2020 prepared in accordance with IFRS applicable to those consolidated financial statements. The same accounting policies, presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the Company's consolidated financial statements for the eight month period ended December 31, 2020.

5. Leases

(a) As a lessee

(i) Right-of-use asset

	Office leases	Total
Cost		
Balance at December 31, 2020	$ 2,358	$ 2,358
Addition (extension of lease term)	342	342
Balance at June 30, 2021	$ 2,700	$ 2,700
Accumulated depreciation		
Balance at December 31, 2020	$ 1,120	$ 1,120
Depreciation	340	340
Balance at June 30, 2021	$ 1,460	$ 1,460
Net book value		
As at December 31, 2020	$ 1,238	$ 1,238
As at June 30, 2021	$ 1,240	$ 1,240

The $0.3 million right-of-use asset addition recognized in the six months ended June 30, 2021 relates to an extension of one of the Group's office leases. There was a corresponding $0.3 million increase to the lease liability.

(ii) Lease liabilities

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

	June 30, 2021
Less than 1 year	$ 839
Between 1 and 5 years	731
More than 5 years	-
Total undiscounted lease payments as at June 30, 2021	$ 1,570

Lease liabilities in the statement of financial position at June 30, 2021:	
Current	$ 813
Non-current	660
Total	$ 1,473

During the six months ended June 30, 2021, total interest on lease liabilities recognized in finance costs was $0.05 million (six months ended July 31, 2020 – $0.06 million).

(b) As a lessor

Resverlogix has a license agreement and a sublease in place with Zenith Capital Corp. ("Zenith") for a laboratory and offices that Resverlogix shares with Zenith. The agreements have been classified as operating leases as Zenith does not have substantially all of the risks and rewards of the underlying assets. Zenith agreed to pay Resverlogix for its proportionate share of associated rent payments and operating costs of an estimated $0.3 million and $0.1 million, respectively, for the next twelve months. The cost recovery on rent payments has been recognized as recoveries to research and development and general and administrative expenses.

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

6. Promissory notes

The following table summarizes the changes in promissory notes outstanding.

	Liability amount
Outstanding, December 31, 2020	$ 157
Addition of CAD$0.1 million promissory note	80
Repayment of CAD$0.1 million promissory note	(114)
Revaluation of CAD denominated promissory note	6
Outstanding, June 30, 2021	$ 129

During the year ended April 30, 2018, an officer of the Company lent CAD$0.2 million to the Company. During the six months ended June 30, 2021, an officer of the Company lent an additional CAD$0.1 million to the Company, and CAD$0.1 million of the promissory notes due to an officer of the Company was repaid. These promissory notes are unsecured, non-interest-bearing and payable on demand. A combined CAD$0.2 million of promissory notes owed to an officer of the Company remained outstanding as at June 30, 2021.

7. Debt and derivative liability

The following table summarizes the changes in debt during the six months ended June 30, 2021.

	Convertible Debenture
Balance, December 31, 2020	$ -
Issuance of convertible debenture	6,000
Initial fair value of derivative liability	(254)
Initial fair value of warrants liability	(127)
Transaction costs incurred	(40)
Accretion of transaction costs on Convertible Debenture	52
Balance, June 30, 2021	$ 5,631

Hepalink Convertible Debenture

	June 30, 2021	December 31, 2020
US$6.0 million (initial principal), 10% due May 13, 2022	$ 6,000	$ -
Unamortized transaction costs, net of accretion	(35)	-
Discount on warrant liability derivative, net of accretion	(111)	-
Discount on conversion option derivative, net of accretion	(223)	-
Carrying value of debt	$ 5,631	$ -

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

The secured convertible debenture is a hybrid instrument consisting of a financial instrument and an embedded derivative, being the conversion option. The embedded derivative is separated from the host contract and accounted for separately as the economic characteristics and risks of the host contract and the embedded derivative are not closely related. The Company also issued 300,000 warrants to Hepalink in connection with the Debenture. Each warrant is exercisable at a price of CAD$0.93 per underlying common share for a period of four years from the grant date, as described in Note 9 (e). An exercise of warrants with an exercise price denominated in a foreign currency will result in a variable amount of cash for a fixed number of shares; as such, the warrants are presented as a current liability. On initial recognition, the warrants were valued at $0.1 million; this initial value of the warrant liability is accreted over the term of the Debenture.

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

7. Debt and derivative liability (continued)

The conversion option contains a variable conversion price and the conversion price is denominated in a foreign currency. As a result, conversion will result in a variable number of shares of the Company being issued at conversion; as such, the conversion feature has been classified as a derivative liability at fair value through profit or loss. It was valued at $0.3 million at the date of issuance; this initial value of the conversion option derivative is accreted over the term of the Debenture. The conversion option was revalued at $0.2 million as at June 30, 2021. On initial recognition and on June 30, 2021, the embedded conversion option was measured at fair value by third party valuation specialists using an industry standard methodology for convertible securities. Subsequent to initial recognition, any change in fair value is recognized in profit or loss at each reporting date. During the six months ended June 30, 2021, a $5 thousand gain was recognized for revaluing the derivative liability.

The following table summarizes the changes in derivative liability during the six months ended June 30, 2021.

	Derivative liability amount
Balance, December 31, 2020	$ -
Initial fair value of new derivative liability	254
Change in fair value of derivative liability	(5)
Balance, June 30, 2021	$ 249

8. 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, 2020	75,202,620	$ 38,000
Revaluation of royalty preferred shares	-	(300)
Balance, June 30, 2021	75,202,620	$ 37,700

The holder of the royalty preferred shares is entitled to dividends in the amount of 6-12% of the Company's Net Revenue, as defined in the Company's articles. As at June 30, 2021, the Company had 75,202,620 royalty preferred shares outstanding, all of which were held by Zenith. Resverlogix and Zenith have a majority of their directors in common, and thus are considered related parties. For fair value measurement purposes, the royalty preferred shares liability has been categorized within level 3 of the fair value measurement hierarchy. The fair value of the royalty preferred shares is based on management's judgments, estimates and assumptions which include significant unobservable inputs including the timing and amounts of the Company's discounted future net cash flows. The estimate incorporates the following assumptions: a cumulative probability rate of generating forecasted future cash flows of 42% as at June 30, 2021 (December 31, 2020 – 42%) reflecting in each case, among other factors, the Company's clinical results, in particular the results of BETonMACE, and communication with the U.S. Food and Drug Administration ("FDA") and other regulatory bodies; a discount rate of 23.9% as at June 30, 2021 (December 31, 2020 – 23.3%); projected commencement of revenue beginning between mid-2025 and mid-2026 (based on projected clinical development paths across various jurisdictions, which is based in part on securing the requisite funding from a partnership with a pharmaceutical company or other source(s) of capital in 2021) as at June 30, 2021 (December 31, 2020 – between mid-2025 and early 2026); and projected apabetalone market share percentages and projected product pricing. The fair value of our royalty preferred shares in the current period was affected by an increase to the discount rate and the change in the projected commencement of revenue, offset by the passage of time during the six months ended June 30, 2021 (to future cash flows based on the estimated timing and commencement of revenue).

The fair value of the royalty preferred shares is subject to significant volatility. Small changes in the aforementioned assumptions may have a significant impact on the fair value of the royalty preferred shares. For instance, holding all other assumptions constant: a 1% increase in the discount rate would result in a $2.9 million decrease in the fair value of the royalty preferred shares; assuming commencement of revenue one year later would result in a $9.9 million decrease in the fair value of the royalty preferred shares; and a 1% increase in the probability rate of generating forecasted future cash flows would result in a $1.1 million increase in the fair value of the royalty preferred shares.

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

9. Shareholders' equity (deficiency)

(a) Common shares

(i) Authorized:

Unlimited number of common shares

(ii) Issued and outstanding:

Common shares	Number of shares	Amount
Balance, December 31, 2020	234,962,452	$ 322,409
Issued in connection with private placements	5,575,609	1,821
Issued in connection with long term incentive plan	1,210,522	1,219
Share issue cost	-	(58)
Balance, June 30, 2021	241,748,583	$ 325,391

Private placements

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

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

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

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

(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, 2020	988,366	$ 1.43
Granted	450,000	0.91
Expired	(593,366)	1.33
Outstanding, June 30, 2021	845,000	$ 1.23

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

9. Shareholders' equity (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 $0.36 per option associated with stock options granted during the six months ended June 30, 2021 (six months ended July 31, 2020 - $0.20 per option).

	Six months ended June 30, 2021	Six months ended July 31, 2020
Risk-free interest rate	0.5%	0.5%
Expected life	2.6 years	1.1 years
Expected volatility	87%	143%
Share price at grant date	CAD$0.90	CAD$0.82
Expected dividends	Nil	Nil

The following table summarizes information about the options outstanding and exercisable at June 30, 2021.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.79 - $0.91	500,000	3.06	$ 0.90	250,000
$1.52 - $1.73	320,000	2.30	1.60	295,000
$3.01	25,000	2.66	3.01	16,667
	845,000	2.76	$ 1.23	561,667

The number of options exercisable at June 30, 2021 was 561,667 (July 31, 2020 – 1,146,700) with a weighted average exercise price of CAD$1.33 (July 31, 2020 – CAD$1.28).

(c) Restricted stock units

The Company's long term incentive plan allows for the reservation of a number of common shares not to exceed 10% of the Company's issued and outstanding common shares on an undiluted basis less the number of common shares reserved under the Company's amended stock option plan. The Company may grant restricted stock units ("RSUs") to directors, officers, employees, and consultants. RSUs are settled on exercise through the issuance of common shares.

During the six months ended June 30, 2021, 2,109,200 RSUs were granted (six months ended July 31, 2020 – 6,612,207). The RSUs vest over a period of zero to three years. The Company estimates the fair value of RSUs based on the market price of the underlying stock on the date of grant. During the six months ended June 30, 2021, 550,000 RSUs were granted to two vendors to settle trade payables of $0.3 million; the grant date fair value (equal to the closing stock prices on the respective grant dates) of the 550,000 RSUs was $0.4 million (recognized in share capital), resulting in a loss on debt extinguishment of $0.1 million (recognized in profit or loss).

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

	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, December 31, 2020	11,816,636	$ 1.23
Granted	2,109,200	0.71
Exercised	(1,351,184)	0.98
Forfeited	(10,000)	0.59
Outstanding, June 30, 2021	12,564,652	$ 1.17

The number of RSUs exercisable at June 30, 2021 was 11,105,793 (July 31, 2020 – 5,994,850).

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

9. Shareholders' equity (deficiency) (continued)

(d) Deferred share units

The Company's deferred share unit plan limits the maximum number of Common Shares issuable pursuant to outstanding deferred share units ("DSUs") at any time to 5% of the aggregate number of issued and outstanding Common Shares, provided that the combined maximum number of Common Shares issuable by the Company pursuant to outstanding DSUs and all of its other security based compensation arrangements may not exceed 10% of the Common Shares outstanding from time to time. The Company may grant DSUs to directors. DSUs are settled on exercise through the issuance of common shares.

During the six months ended June 30, 2021, 154,468 DSUs were granted (six months ended July 31, 2020 – 112,731). 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, 2020	516,907	$ 1.10
Granted	154,468	0.69
Outstanding and exercisable, June 30, 2021	671,375	$ 1.00

(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, 2020	36,570,943	$ 2.35	$ 4,112
Issued in connection with private placements	5,384,598	1.01	2,099
Issued in connection with convertible debenture	300,000	0.93	127
Expired	(9,070,752)	1.80	-
Revaluation of warrant liability	-	-	(2,642)
Outstanding, June 30, 2021	33,184,789	$ 2.28	$ 3,696

The following table summarizes information about liability-classified warrants outstanding and exercisable at June 30, 2021.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
$0.74 - $0.93	900,000	3.63	$ 0.80
$1.00 - $1.64	16,807,926	1.19	1.28
$2.54	600,000	2.50	2.54
$3.00 - $3.21	11,077,927	0.37	3.09
$4.60	3,798,936	1.94	4.60
	33,184,789	1.09	$ 2.28

Under IFRS, the prescribed accounting treatment for warrants, with an exercise price denominated in a foreign currency, is to treat these warrants as a liability measured at fair value with subsequent changes in fair value each reporting period accounted for through profit or loss. The initial fair value of these warrants is determined using the Black Scholes option pricing model.

The Company's warrants are presented as a current liability on the consolidated statements of financial position. Each full warrant entitles the holder to purchase one common share of the Company. As these warrants are exercised, the fair value of the recorded warrant liability on the date of exercise is included in share capital along with the proceeds from the exercise. If these warrants expire, the related decrease in warrant liability is recognized in profit or loss, as part of the change in fair value of warrant liability.

The fair value of the warrants not listed is determined using the Black Scholes option pricing model at initial issue date and at each reporting period, unless the warrants are listed, in which case the initial trading value is used.

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

9. Shareholders' equity (deficiency) (continued)

(e) Warrant liability (continued)

The changes in fair value of the unlisted liability-classified warrants were based on several factors including changes in the market price of our shares from CAD$0.94 on December 31, 2020 to CAD$0.84 on June 30, 2021 and from CAD$1.19 on January 31, 2020 to CAD$0.74 on July 31, 2020, the revaluation of 5.7 million new liability classified warrants issued in the current period, as well as decreases in the remaining terms of the various series of warrants, and changes in estimated future volatility of our common shares which represents a level 3 input in the fair value hierarchy. The fair value of the warrants is subject to significant volatility. Gains and losses resulting from the revaluation of warrant liability are non-cash and do not impact the Company's cash flows.

The weighted average fair value of the warrants issued during the six months ended June 30, 2021 was $0.44 per warrant (six months ended July 31, 2020 – $0.37 per warrant), using the Black-Scholes option pricing model and the following weighted average assumptions:

	Six months ended June 30, 2021		Six months ended July 31, 2020	
	Issued in connection with private placements	Issued in connection with debenture	Issued in connection with private placements	Issued in connection with debenture
Number of warrants issued	5,384,598	300,000	919,779	600,000
Risk-free interest rate	0.5%	1.2%	0.5%	0.7%
Expected life	2.9 years	4.0 years	1.9 years	4.4 years
Expected volatility	106%	100%	124%	87%
Share price at grant date (CAD)	$0.89	$0.86	$0.94	$0.76

(f) Equity-classified warrants

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

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

	Number of warrants	Weighted average exercise price (CAD)	Equity amount
Outstanding, December 31, 2020	1,538,518	$ 1.92	$ 1,050
Expired	(195,925)	4.00	(197)
Outstanding, June 30, 2021	1,342,593	$ 1.62	$ 853

The following table summarizes information about the equity classified warrants outstanding and exercisable at June 30, 2021.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)
$1.62	1,342,593	0.42
	1,342,593	0.42

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

9. Shareholders' equity (deficiency) (continued)

(g) Per share amounts

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

	Three months ended		Six months ended	
	June 30, 2021	July 31, 2020	June 30, 2021	July 31, 2020
Weighted average common shares outstanding - basic	238,966,584	212,490,321	237,116,552	211,817,954
Effect of warrants, stock options, RSUs, and DSUs	-	-	-	12,482,719
Weighted average common shares outstanding - diluted	238,966,584	212,490,321	237,116,552	224,300,673

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.

10. Expenses by nature

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

	Three months ended		Six months ended	
	June 30, 2021	July 31, 2020	June 30, 2021	July 31, 2020
Research and development expenses:				
Operating expenses	$ 475	$ 379	$ 687	$ (976)
Personnel costs (short-term employee benefits)	418	392	815	825
Government assistance (COVID-19 payroll subsidy)	-	(61)	(34)	(61)
Impairment of clinical supplies	-	-	-	273
Share-based payment transactions	427	754	569	1,231
Amortization and depreciation	207	186	408	372
Total research and development expenses	$ 1,527	$ 1,650	$ 2,445	$ 1,664
General and administrative expenses:				
General expenses	$ 302	$ 265	$ 305	$ 395
Personnel costs (short-term employee benefits)	618	426	1,060	877
Government assistance (COVID-19 payroll subsidy)	-	(107)	(60)	(107)
Share-based payment transactions	906	1,843	1,193	2,790
Amortization and depreciation	69	72	140	143
Total general and administrative expenses	$ 1,895	$ 2,499	$ 2,638	$ 4,098

During the six months ended July 31, 2020, the Company recognized a recovery of $1.6 million of Research and Development Operating expenses in connection with the settlement of amounts owing to a supplier.

During the six months ended July 31, 2020, the Company recognized a $0.3 million impairment loss on clinical supplies (drug capsules) that were no longer able to be utilized in the Company's research and development programs.

During the six months ended June 30, 2021, the Company received $0.1 million (CAD$0.1 million) (six months ended July 31, 2020 - $0.2 million (CAD$0.2 million)) of COVID-19 payroll subsidy government assistance from the Government of Canada (through the Industrial Research Assistance Program). The payroll subsidy was recognized as an offset to salary expense (allocated to research and development expenses and general and administrative expenses).

11. Commitments and contingencies

As at June 30, 2021, the Group is committed to expenditures over the next twelve months of $0.8 million (December 31, 2020 – $0.7 million) under various research and development contracts. As at June 30, 2021, the Group is also party to cancellable agreements with a contract research organization that is conducting the Phase 2 COVID-19 trial. Corresponding estimated aggregate expenditures over the next twelve months total approximately $2.4 million (December 31, 2020 – Nil).

The July 2015 License Agreement between Resverlogix and Shenzhen Hepalink Pharmaceutical Co., Ltd. ("Hepalink") was amended effective May 1, 2020 such that Resverlogix agreed to pay up to CAD$8.0 million of clinical development costs associated with apabetalone, including a global Phase 3 clinical trial (which Resverlogix intends to perform in any event), in China, Hong Kong, Taiwan and Macau, and if the costs incurred by Resverlogix up to December 31, 2021 total less than CAD$8 million, then Resverlogix and Hepalink shall negotiate a mutually-agreeable timeframe regarding any difference, in principle by not later than June 30, 2022.

In July 2020, the Company entered into an agreement with a supplier to settle amounts owing by the Company, whereby the Company agreed to pay a reduced amount in three instalments of $200,000, $550,000 and $550,000 on August 1, 2020, September 1, 2020 and October 1, 2020 respectively. The Company paid the August 1, 2020 instalment, paid an additional $400,000 and, subsequent to June 30, 2021 the Company paid an additional $200,000, but has not yet paid the remaining balance of $500,000. Until the Company pays the remaining $500,000, 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.