



Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

Notice of No Auditor Review of Unaudited Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Resverlogix Corp. (the “Company”) as at March 31, 2023 and for the period then ended have been prepared by and are the responsibility of the Company’s management. The Company’s Audit Committee and Board of Directors have reviewed and approved these unaudited condensed interim consolidated financial statements. In accordance with National Instrument 51 - 102, the Company discloses that its auditors have not reviewed the accompanying unaudited condensed interim consolidated financial statements for the periods ended March 31, 2023 and 2022.

Condensed Interim Consolidated Statements of Financial Position

As at:

(unaudited)

<i>In thousands of US dollars</i>	Notes	March 31, 2023	December 31, 2022
Assets			
Current assets:			
Cash		\$ 3	\$ 40
Prepaid expenses and deposits		205	146
Investment tax credit receivable		122	176
Other assets		31	8
Clinical supplies		2,371	2,371
Due from related parties		-	147
Total current assets		2,732	2,888
Non-current assets:			
Property and equipment		47	66
Right-of-use assets		262	360
Intangible assets		2,296	2,205
Clinical supplies		2,596	2,596
Total non-current assets		5,201	5,227
Total assets		\$ 7,933	\$ 8,115
Liabilities			
Current liabilities:			
Trade and other payables		\$ 14,613	\$ 14,095
Accrued interest	5	1,184	1,021
Promissory notes		196	196
Due to related parties		612	-
Lease liabilities		333	437
Warrant liability	7 (e)	836	813
Debt	5	5,777	5,858
Derivative liability	5	812	314
Total current liabilities		24,363	22,734
Non-current liabilities:			
Other long-term liability	8	997	962
Royalty preferred shares	6	46,500	43,700
Total liabilities		71,860	67,396
Shareholders' deficiency:			
Share capital	7 (a)	332,386	331,422
Contributed surplus		54,528	54,983
Deficit		(450,841)	(445,686)
Total shareholders' deficiency		(63,927)	(59,281)
Total liabilities and shareholders' deficiency		\$ 7,933	\$ 8,115
Going concern (note 3)		Commitments and contingencies (note 9)	
Signed on behalf of the Board:			
Signed:	<u>"Kenneth Zuerblis"</u>	Director	Signed: <u>"Kelly McNeill"</u> Director

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

Condensed Interim Consolidated Statements of Comprehensive Loss
For the three months ended March 31
(unaudited)

<i>In thousands of US dollars</i>	Notes	2023	2022
Expenses:			
Research and development, net of recoveries	8	\$ 735	\$ 1,527
Investment tax credits		(15)	(20)
Net research and development		720	1,507
Pre-commercialization, general and administrative, net of recoveries	8	872	4,441
		1,592	5,948
Finance costs (income):			
Gain on change in fair value of warrant liability	7 (e)	(30)	(581)
Loss (gain) on change in fair value of royalty preferred shares	6	2,800	(3,300)
Loss (gain) on change in fair value of derivative liability	5	498	(105)
Gain on payables extinguishment	7 (c)	(18)	-
Interest and accretion		302	317
Financing costs		5	14
Foreign exchange loss		2	35
Net finance costs (income)		3,559	(3,620)
Loss before income taxes		5,151	2,328
Income taxes		4	4
Net and total comprehensive loss		\$ 5,155	\$ 2,332
Net loss per share (note 7 (f))			
Basic and diluted		\$ 0.02	\$ 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 three months ended March 31
(unaudited)

<i>In thousands of US dollars</i>	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Deficiency
Balance, December 31, 2021	\$ 326,885	\$ 55,321	\$ (442,076)	\$ (59,870)
Common shares issued in connection with private placement	475	-	-	475
Common shares issued in connection with long term incentive plan	511	(511)	-	-
Common shares issued in connection with exercise of warrants	92	-	-	92
Share issue cost	(5)	-	-	(5)
Share-based payment transactions	-	1,018	-	1,018
Net and total comprehensive loss	-	-	(2,332)	(2,332)
Balance, March 31, 2022	\$ 327,958	\$ 55,828	\$ (444,408)	\$ (60,622)
Balance, December 31, 2022	\$ 331,422	\$ 54,983	\$ (445,686)	\$ (59,281)
Common shares issued in connection with private placement	31	-	-	31
Common shares issued in connection with long term incentive plan	936	(890)	-	46
Share issue cost	(3)	-	-	(3)
Share-based payment transactions	-	435	-	435
Net and total comprehensive loss	-	-	(5,155)	(5,155)
Balance, March 31, 2023	\$ 332,386	\$ 54,528	\$ (450,841)	\$ (63,927)

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

Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31
(unaudited)

<i>In thousands of US dollars</i>	2023	2022
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Net loss	\$ (5,155)	\$ (2,332)
Items not involving cash:		
Equity-settled share-based payment transactions	436	1,018
Depreciation and amortization	186	286
Gain on change in fair value of warrant liability	(30)	(581)
Loss (gain) on change in fair value of royalty preferred shares	2,800	(3,300)
Loss (gain) on change in fair value of derivative liability	498	(105)
Discount on other long-term liability	-	(196)
Gain on payables extinguishment	(18)	-
Unrealized foreign exchange	1	10
Interest, fees and accretion	302	317
Net current income taxes	4	4
Financing costs	5	14
Changes in non-cash working capital:		
Prepaid expenses and deposits	(59)	8
Investment tax credit receivable	54	(21)
Other assets	(23)	(21)
Clinical supplies	-	(108)
Due from related parties	759	171
Trade and other payables	410	3,644
Net cash provided by (used in) operating activities	170	(1,192)
Cash flows provided by (used in) financing activities:		
Proceeds from equity units issued in connection with private placements	84	1,816
Share issuance costs	(3)	(8)
Debt issuance costs	(2)	-
Financing costs	(5)	(14)
Repayment of lease liabilities	(111)	(207)
Proceeds from exercise of warrants	-	92
Proceeds from issuance of promissory notes	-	72
Changes in non-cash financing working capital	(4)	13
Net cash (used in) provided by financing activities	(41)	1,764
Cash flows used in investing activities:		
Intangible asset additions	(160)	(155)
Changes in non-cash investing working capital	(6)	56
Net cash used in investing activities	(166)	(99)
Effect of foreign currency translation on cash	-	1
(Decrease) increase in cash	(37)	474
Cash, beginning of period	40	6
Cash, end of period	\$ 3	\$ 480

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

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(unaudited)

(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 COVID-19. 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 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 May 11, 2023.

(b) Basis of measurement

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

(c) 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.

(d) 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 year ended December 31, 2022.

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

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(unaudited)

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

3. Going concern (continued)

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 March 31, 2023, the Company had \$3 thousand of cash. The Company needs to raise additional capital to fund research, development and corporate activities in 2023. As at March 31, 2023, the Company was committed to pay \$14.6 million of current trade and other payables, up to \$1.4 million for research and development commitments, and \$0.3 million of lease liabilities over the next twelve months. The Company also has other commitments as outlined in Note 9. Furthermore, the Company's \$6.0 million secured convertible debenture with Shenzhen Hepalink Pharmaceutical Co., Ltd. ("Hepalink") is due on May 13, 2024 (refer to Note 5). As at March 31, 2023, the Group is also party to a commercialization partnership (refer to Note 8); the parties have mutually agreed to temporarily pause services and the Group is not obligated as at March 31, 2023 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 March 31, 2023 is not sufficient to fund the Company's contractual commitments or the Company's planned business operations over the next year. The Company will have to raise additional capital to fund its contractual commitments and its planned business operations. The Company continues to pursue and/or examine several sources of additional capital including co-development, licensing, rights or other partnering arrangements, procurement arrangements, private placements and/or public offerings (equity and/or debt). However, there is no assurance that any of these measures will be 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. Significant accounting policies

The condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2022 prepared in accordance with IFRS applicable to those annual consolidated financial statements. The same accounting policies, presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the Company's consolidated financial statements for the year ended December 31, 2022.

5. Debt and derivative liability

The following table summarizes the changes in debt during the three months ended March 31, 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		15
Balance, March 31, 2023	\$	5,777

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For the three months ended March 31, 2023 and 2022

(unaudited)

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

5. Debt and derivative liability (continued)

Secured Convertible Debenture

	March 31, 2023	December 31, 2022
US\$6.0 million (initial principal), 10% due May 13, 2024	\$ 6,000	\$ 6,000
Unamortized transaction costs, net of accretion	(26)	(15)
Discount on warrant liability derivative, net of accretion	(65)	(42)
Discount on conversion option derivative, net of accretion	(132)	(85)
Carrying value of debt	\$ 5,777	\$ 5,858

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. Hepalink may 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. 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.

Amendment/extension of Debenture

During the three months ended March 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 to 12% per annum effective May 14, 2023.

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. An exercise of warrants with an exercise price denominated in a foreign currency will result in a variable amount of cash for a fixed number of shares; as such, the warrants are presented as a current liability. On initial recognition, the warrants were valued at \$0.1 million; this initial value of the warrant liability is accreted over the term of the Debenture.

The conversion option contains a variable conversion price and the conversion price is denominated in a foreign currency. As a result, conversion will result in a variable number of shares of the Company being issued at conversion; as such, the conversion feature has been classified as a derivative liability at fair value through profit or loss. It was valued at \$0.3 million at the date of issuance; this initial value of the conversion option derivative is accreted over the term of the Debenture. The conversion option was revalued at \$0.3 million as at December 31, 2022, and was revalued at \$0.8 million as at March 31, 2023. On initial recognition, on December 31, 2022, on the March 17, 2023 amendment date and on March 31, 2023, the embedded conversion option was measured at fair value by using an industry standard methodology for convertible securities. Subsequent to initial recognition, any change in fair value is recognized in profit or loss at each reporting date. During the three months ended March 31, 2023, a \$0.5 million loss was recognized for revaluing the derivative liability.

The following table summarizes the changes in derivative liability during the three months ended March 31, 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	(49)
Balance, March 31, 2023	\$ 812

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(unaudited)

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

6. Royalty preferred shares

(i) **Authorized:**

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

(ii) **Issued and outstanding:**

Preferred shares	Number of preferred shares	Amount
Balance, December 31, 2022	75,202,620	\$ 43,700
Revaluation of royalty preferred shares	-	2,800
Balance, March 31, 2023	75,202,620	\$ 46,500

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 March 31, 2023, the Company had 75,202,620 royalty preferred shares outstanding, all of which were held by Zenith. Resverlogix and Zenith have several directors in common, and thus are considered related parties. For fair value measurement purposes, the royalty preferred shares liability has been categorized within level 3 of the fair value measurement hierarchy. The estimated fair value of the royalty preferred shares is based on management's judgments, estimates and assumptions which include significant unobservable inputs including the timing and amounts of the Company's discounted future net cash flows. The estimate incorporates the following assumptions: an average cumulative probability rate of generating forecasted future cash flows of 42% as at March 31, 2023 (December 31, 2022 - 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 26.1% as at March 31, 2023 (December 31, 2022 - 26.1%); projected commencement of revenue beginning between late-2026 and mid-2027 (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 by mid-2023) as at March 31, 2023 (December 31, 2022 - between late-2026 and mid-2027); 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).

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 \$3.4 million decrease in the estimated fair value of the royalty preferred shares; assuming commencement of revenue one year later would result in a \$12.7 million decrease in the estimated fair value of the royalty preferred shares; and a 1% increase in the probability rate of generating forecasted future cash flows would result in a \$1.2 million increase in the estimated fair value of the royalty preferred shares.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(unaudited)

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

7. Shareholders' equity (deficiency)

(a) Common shares

(i) Authorized:

Unlimited number of common shares

(ii) Issued and outstanding:

Common shares	Number of shares	Amount
Balance, December 31, 2022	265,673,607	\$ 331,422
Issued in connection with private placement	600,000	31
Issued in connection with long term incentive plan	1,525,021	936
Share issue cost	-	(3)
Balance, March 31, 2023	267,798,628	\$ 332,386

Private placement

In 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.

(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	200,000	0.13
Outstanding, March 31, 2023	1,605,000	\$ 0.60

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 \$0.07 per option and \$0.24 per option associated with stock options granted during the three months ended March 31, 2023 and 2022, respectively:

	2023	2022
Risk-free interest rate	3.9%	1.3%
Expected life	4.2 years	3.1 years
Expected volatility	99%	88%
Share price at grant date	CAD\$0.14	CAD\$0.56
Expected dividends	Nil	Nil

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(unaudited)

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

7. Shareholders' equity (deficiency) (continued)

(b) Stock options (continued)

The following table summarizes information about the options outstanding and exercisable at March 31, 2023.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
\$0.13 - \$0.18	640,000	3.43	\$ 0.16	320,000
\$0.54 - \$0.91	790,000	3.24	0.72	470,000
\$1.52	150,000	1.64	1.52	150,000
\$3.01	25,000	0.91	3.01	25,000
	1,605,000	3.13	\$ 0.60	965,000

The number of options exercisable at March 31, 2023 was 965,000 (December 31, 2022 – 865,000) with a weighted average exercise price of CAD\$0.72 (December 31, 2022 – CAD\$0.74).

(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 three months ended March 31, 2023, 5,647,096 RSUs were granted (2022 – 2,767,700 RSUs were granted). 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 three months ended March 31, 2023, 463,096 RSUs were granted to two vendors to settle trade payables of \$0.07 million; the grant date fair value (equal to the closing stock price on the grant date) of the 463,096 RSUs was \$0.05 million (recognized in share capital), resulting in a gain on payables extinguishment of \$0.02 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	5,647,096	0.11
Exercised	(1,525,021)	0.61
Outstanding, March 31, 2023	20,081,146	\$ 0.64

The number of RSUs exercisable at March 31, 2023 was 17,171,847 (December 31, 2022 – 15,834,073).

(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 three months ended March 31, 2023, there was no change to the amount of DSUs outstanding. 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.

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(unaudited)

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

7. Shareholders' equity (deficiency) (continued)

(e) Warrant liability

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

	Number of warrants	Weighted average exercise price (CAD)	Liability amount
Outstanding, December 31, 2022	29,207,425	\$ 1.08	\$ 813
Issued in connection with private placements	600,000	0.24	53
Revaluation of warrant liability	-	-	(30)
Outstanding, March 31, 2023	29,807,425	\$ 1.06	\$ 836

The following table summarizes information about liability-classified warrants outstanding and exercisable at March 31, 2023.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
\$0.24 - \$0.50	19,311,902	3.84	\$ 0.35
\$0.74 - \$1.00	6,096,587	1.24	0.97
\$2.54	600,000	0.75	2.54
\$4.60	3,798,936	0.19	4.60
	29,807,425	2.78	\$ 1.06

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 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 from CAD\$0.14 on December 31, 2022 to CAD\$0.14 on March 31, 2023, and from CAD\$0.51 on December 31, 2021 to CAD\$0.47 on March 31, 2022, the revaluation of 0.6 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 three months ended March 31, 2023 was \$0.10 per warrant (2022 - \$0.28 per warrant), using the Black-Scholes option pricing model and the following weighted average assumptions:

	2023	2022
Number of warrants issued	600,000	4,727,192
Risk-free interest rate	3.4%	2.4%
Expected life	5.0 years	4.3 years
Expected volatility	100%	100%
Share price at grant date (CAD)	\$0.19	\$0.50

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(unaudited)

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

7. Shareholders' equity (deficiency) (continued)

(f) Per share amounts

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

	2023	2022
Weighted average common shares outstanding - basic and diluted	266,817,113	243,678,043

The effect of any potential exercise of convertible debenture, warrants, stock options, restricted stock units, and deferred share units outstanding is excluded from the calculation of diluted loss per share in periods where the effect would be anti-dilutive.

8. Expenses by nature

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

	2023	2022
Research and development expenses:		
Operating expenses, net of recoveries	\$ 147	\$ 616
Personnel costs (short-term employee benefits)	329	398
Share-based payment transaction costs	139	293
Amortization and depreciation	120	220
Total research and development expenses	\$ 735	\$ 1,527
Pre-commercialization, general and administrative expenses:		
Pre-commercialization expenses, net of discounts	\$ 4	\$ 3,052
General expenses, net of recoveries	148	250
Personnel costs (short-term employee benefits)	357	348
Share-based payment transaction costs	297	725
Amortization and depreciation	66	66
Total general and administrative expenses	\$ 872	\$ 4,441

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.

During the comparative period, the three months ended March 31, 2022, EVERSANA completed pre-commercialization activities in the amount of \$3.2 million, with 25% (and up to 50% in the future) of the fees earned, \$0.8 million, being deferred. A discount of \$0.2 million on the pre-commercialization fees incurred in the three months ended March 31, 2022 was recognized as an offset to the long-term deferred fees liability and to pre-commercialization expenses to reflect the financing component of the deferred fees. The discount will be accreted over the term that is projected until settlement. \$1.3 million of deferred fees (\$1.0 million, net of a cumulative \$0.3 million discount) 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.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(unaudited)

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

8. Expenses by nature (continued)

As at March 31, 2023, Trade and other payables includes \$10.3 million (December 31, 2022 – \$10.1 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 March 31, 2023 to incur pre-commercialization costs over the next twelve months. The parties may or may not resume services over the next twelve months.

9. Commitments and contingencies

As at March 31, 2023, the Group is committed to expenditures over the next twelve months of \$1.4 million (December 31, 2022 – \$1.5 million) under various research and development contracts.

As at March 31, 2023, the Group is also party to a commercialization partnership (refer to Note 8); the parties have mutually agreed to temporarily pause services and the Group was not obligated as at March 31, 2023 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 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 December 31, 2023 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, 2024.

In July 2020, the Company entered into an agreement with a supplier to settle amounts owing by the Company, whereby the Company agreed to pay a reduced amount in three instalments of \$200,000, \$550,000 and \$550,000 on August 1, 2020, September 1, 2020 and October 1, 2020 respectively. The Company paid the August 1, 2020 instalment and has paid an additional \$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.