



Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2024 and 2023

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

The accompanying unaudited condensed interim consolidated financial statements of Zenith Capital Corp. (the “Company”) as at January 31, 2024 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 January 31, 2024 and 2023.

Condensed Interim Consolidated Statements of Financial Position

As at:

(unaudited)

<i>In thousands of US dollars</i>	Notes	January 31, 2024	April 30, 2023
Assets			
Current assets:			
Cash		\$ 1,064	\$ 29
Prepaid expenses and deposits		57	22
Investment tax credit receivable		130	236
Other assets		10	59
Clinical supplies		14	107
Interest receivable	5	41	-
Due from Resverlogix Corp.	5	4,427	923
Total current assets		5,743	1,376
Non-current assets:			
Property and equipment		19	95
Licensing costs		699	699
Intangible assets		968	1,001
Prepaid expenses and deposits		48	-
Total non-current assets		1,734	1,795
Total assets		\$ 7,477	\$ 3,171
Liabilities			
Current liabilities:			
Trade payables		\$ 711	\$ 577
Accrued liabilities	9 (a)	3,525	1,132
Non-convertible promissory notes	6	4,951	3,966
Convertible promissory note	7 (b)	498	465
Accrued interest		903	368
Financing rights	8	353	170
Total current liabilities		10,941	6,678
Non-current liabilities:			
Convertible promissory note	7 (a)	4,146	-
Unearned licensing revenue		11,352	11,352
Total liabilities		26,439	18,030
Shareholders' deficiency:			
Share capital	9 (a)	91,987	89,622
Contributed surplus		12,353	11,735
Conversion option		28	14
Warrants	9 (d)	4,109	2,130
Deficit		(127,439)	(118,360)
Total shareholders' deficiency		(18,962)	(14,859)
Total liabilities and shareholders' deficiency		\$ 7,477	\$ 3,171

Going concern (note 3)

Commitments (note 11)

Signed on behalf of the Board:

Signed: "Donald McCaffrey" Director

Signed: "Kenneth Zuerblis" 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 and nine months ended January 31
(unaudited)

<i>In thousands of US dollars</i>	Notes	Three months ended January 31,		Nine months ended January 31,	
		2024	2023	2024	2023
Expenses:					
Research and development	10	\$ 1,045	\$ 852	\$ 6,085	\$ 2,650
Investment tax credits		(16)	(18)	(48)	(58)
Net research and development		1,029	834	6,037	2,592
General and administrative	10	877	662	1,686	2,304
		1,906	1,496	7,723	4,896
Finance costs (income):					
Gain on change in fair value of financing rights	8	-	-	(3)	-
Gain on extinguishment of payables	9 (c)	-	-	(8)	-
Interest income		(61)	-	(63)	-
Interest and accretion expense		429	66	684	196
Financing costs	6	52	149	697	230
Foreign exchange loss (gain)		110	63	29	(29)
Net finance costs		530	278	1,336	397
Loss before income taxes		2,436	1,774	9,059	5,293
Income taxes		7	7	20	18
Net loss and total comprehensive loss		\$ 2,443	\$ 1,781	\$ 9,079	\$ 5,311
Net loss per share (note 9 (e))					
Basic and diluted		\$ 0.02	\$ 0.01	\$ 0.06	\$ 0.04

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Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
For the nine months ended January 31
(unaudited)

<i>In thousands of US dollars</i>	Share Capital	Contributed Surplus	Conversion Option	Warrants	Deficit	Total Shareholders' Deficiency
Balance, April 30, 2022	\$ 80,938	\$ 9,652	\$ -	\$ 811	\$ (105,240)	\$ (13,839)
Common shares and warrants issued in connection with private placements	1,810	-	-	392	-	2,202
Common shares issued in connection with warrant exercises	421	-	-	(84)	-	337
Common shares issued in connection with anti-dilution rights	79	-	-	-	-	79
Warrants expiries	-	252	-	(252)	-	-
Warrants issued in connection with promissory notes	-	-	-	226	-	226
Share issue costs	(46)	-	-	-	-	(46)
Share-based payment transactions	-	1,597	-	-	-	1,597
Net loss and total comprehensive loss	-	-	-	-	(5,311)	(5,311)
Balance, January 31, 2023	\$ 83,202	\$ 11,501	\$ -	\$ 1,093	\$ (110,551)	\$ (14,755)
Balance, April 30, 2023	\$ 89,622	\$ 11,735	\$ 14	\$ 2,130	\$ (118,360)	\$ (14,859)
Common shares and warrants issued in connection with private placements	2,145	-	-	545	-	2,690
Common shares issued in connection with settlement of fees	105	-	-	-	-	105
Common shares issued in connection with warrant exercises	127	-	-	(27)	-	100
Common shares issued in connection with anti-dilution rights	7	-	-	-	-	7
Warrants expiries	-	154	-	(154)	-	-
Warrants issued in connection with promissory notes	-	-	-	698	-	698
Warrants and conversion option issued in connection with convertible note	-	-	14	917	-	931
Common shares issued in connection with long term incentive plan	88	(68)	-	-	-	20
Share issue costs	(107)	-	-	-	-	(107)
Share-based payment transactions	-	532	-	-	-	532
Net loss and total comprehensive loss	-	-	-	-	(9,079)	(9,079)
Balance, January 31, 2024	\$ 91,987	\$ 12,353	\$ 28	\$ 4,109	\$ (127,439)	\$ (18,962)

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Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended January 31
(unaudited)

<i>In thousands of US dollars</i>	Notes	2024	2023
Cash provided by (used in):			
Cash flows used in operating activities:			
Net loss		\$ (9,079)	\$ (5,311)
Items not involving cash:			
Equity-settled share-based payment transactions	10	532	1,597
Depreciation and amortization	10	135	149
Impairment of intangible assets	10	115	-
Change in fair value of financing rights	8	(3)	-
Gain on extinguishment of payables	9 (c)	(8)	-
Interest income		(63)	-
Interest and accretion expense		684	196
Income taxes		20	18
Financing costs	6	697	230
Changes in non-cash working capital:			
Prepaid expenses and deposits		(83)	478
Investment tax credit receivable		106	(53)
Other assets		49	3
Clinical supplies		93	177
Trade payables and accrued liabilities		2,610	185
Change in due to/from Resverlogix Corp.	5	(3,504)	(318)
		(7,699)	(2,649)
Interest received		22	-
Income tax paid		(20)	(9)
Net cash used in operating activities		(7,697)	(2,658)
Cash flows provided by financing activities:			
Proceeds from private placements	9 (a)	2,883	2,231
Share issuance costs		(2)	(5)
Proceeds from exercise of warrants		100	337
Proceeds from non-convertible promissory notes	6	2,267	1,875
Repayment of non-convertible promissory notes	6	(1,305)	(33)
Proceeds from convertible note	7 (a)	5,000	-
Debt issuance costs		(9)	-
Interest paid on promissory notes		(32)	-
Repayment of debt		-	(1,500)
Deferred financing costs		-	(3)
Changes in non-cash financing working capital		(13)	(148)
Net cash provided by financing activities		8,889	2,754
Cash flows used in investing activities:			
Intangible asset expenditures		(141)	(136)
Changes in non-cash investing working capital		(15)	96
Net cash used in investing activities		(156)	(40)
Effect of foreign currency translation on cash		(1)	-
Increase in cash		1,035	56
Cash, beginning of period		29	8
Cash, end of period		\$ 1,064	\$ 64

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Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2024 and 2023

(unaudited)

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

1. General information

Zenith Capital Corp. is a company domiciled in Canada and was incorporated under the *Business Corporations Act* (Alberta) on April 10, 2013. On May 24, 2013, 1741273 Alberta Ltd. changed its name to Zenith Epigenetics Corp. On August 1, 2016, Zenith Epigenetics Corp. changed its name to Zenith Capital Corp. concurrent with an internal corporate reorganization. The reorganization resulted in the transfer of Zenith Capital Corp.'s principal operating assets to Zenith Epigenetics Ltd., a wholly-owned subsidiary, in exchange for additional common shares of Zenith Epigenetics Ltd. Zenith Capital Corp. retained its investment in the royalty preferred shares of Resverlogix Corp. ("Resverlogix"). Resverlogix and Zenith have several directors in common, and thus are considered related parties. As Zenith Capital Corp. owns all of the securities of Zenith Epigenetics Ltd., the reorganization did not result in a change in the ultimate beneficial ownership of the operating assets.

The consolidated financial statements comprise Zenith Capital Corp. and its wholly-owned subsidiaries, Zenith Epigenetics Ltd. and Zenith Epigenetics Inc. (together referred to as the "Company", "Zenith" or the "Group"). Zenith Capital Corp. and Zenith Epigenetics Ltd. are incorporated under the laws of Alberta. Zenith Epigenetics Inc. is incorporated under the laws of Delaware. The Company has offices located at Suite 300, 4820 Richard Road S.W., Calgary, Alberta, T3E 6L1, and at 535 Mission St, 14th Floor, San Francisco, 94105. The registered and records office is located at Suite 600, 815 - 8th Avenue S.W., Calgary, Alberta, T2P 3P2.

Zenith Capital Corp. is a biotechnology investment company. Zenith Epigenetics Ltd. is a clinical stage biotechnology company developing best in class bromodomain (BET) inhibitors for the treatment of cancer and other disorders with significant unmet medical need. Zenith's epigenetic platform of innovative biology and chemistry has generated differentiated, potent and selective BET inhibitors. Zenith's goal is to be a leading epigenetic company translating bromodomain biology into impactful therapies.

2. Background and 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 April 5, 2024.

(b) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for financing rights 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 April 30, 2023.

3. Going concern

The success of the Company is dependent on the continuation of its research and development activities, progressing its core technologies through clinical trials to commercialization and its ability to finance its cash requirements. 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 the commercialization of products by the Company.

The consolidated financial statements have been prepared pursuant to 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 (other than the unearned licensing revenue), 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.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2024 and 2023

(unaudited)

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

3. Going concern (continued)

As at January 31, 2023, the Company had \$1.1 million of cash and was committed to pay \$0.7 million of trade payables, \$3.5 million of accrued liabilities (including \$1.7 million to be settled by way of issuance of equity units to Newsoara BioPharma Co., Ltd. ("Newsoara")), \$5.0 million of non-convertible promissory notes, \$5.5 million of convertible promissory notes and \$0.9 million of accrued interest. The Company is also committed to pay \$0.9 million for research and development commitments and an estimated \$0.9 million for National Cancer Institute funding (for studies to develop ZEN-3694) over the next twelve months as described further in Note 11. In addition, estimated expenditures over the next twelve months under cancellable agreements with contract research organizations conducting work related to the Company's clinical trials total approximately \$0.1 million.

The Company's cash as at January 31, 2024 is not sufficient to fund the Company's contractual commitments or the Company's planned business operations for the next year. The Company will therefore continue to pursue alternatives to raise additional capital including issuing additional equity and/or debt and/or from other sources such as partnering, licensing and/or sale of assets; 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. The Company will also require additional capital to fund its planned research, development and corporate activities beyond the next year.

These condensed interim 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. 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 April 30, 2023 prepared in accordance with IFRS applicable to those annual consolidated financial statements. The same accounting policies, presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the Company's consolidated financial statements for the year ended April 30, 2023.

5. Due from Resverlogix Corp.

Resverlogix and the Company have several of their directors in common, and thus are considered related parties. Resverlogix provides management and administrative services to the Company pursuant to a Management Services Agreement dated June 3, 2013. The purpose of the agreement is to allow the Company to utilize Resverlogix's resources on a cost-effective basis and enable Resverlogix to achieve greater utilization of its resources. As consideration for the services, the Company pays Resverlogix 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 nine months ended January 31, 2024, the Company incurred an aggregate of \$0.5 million (2023 - \$0.6 million) of services and reimbursable expenses, comprised of \$0.3 million (2023 - \$0.4 million) for management and administrative services provided by Resverlogix, and \$0.2 million (2023 - \$0.3 million) of reimbursable expenses, less \$0.02 million (2023 - \$0.1 million) for services provided to Resverlogix by the Company. The reimbursable expenses include proportionate share of rental payments and operating costs (for a laboratory and offices that Resverlogix shares with the Company) pursuant to a sublease that Resverlogix has in place with the Company.

In addition, the Company supplies research services to Resverlogix pursuant to a Services Agreement. The purpose of the agreement is to enable Resverlogix to obtain access to specialized research services on a more cost-effective basis than other alternatives. During the nine months ended January 31, 2024, the Company provided \$0.01 million of research services (2023 - \$0.01 million). As at January 31, 2024, Resverlogix owes the Company \$0.02 million related to work performed under the agreement (April 30, 2023 - \$0.01 million).

During the nine months ended January 31, 2024, the Company advanced an additional \$4.0 million to Resverlogix. As at January 31, 2024, Resverlogix owes the Company a net \$4.4 million (April 30, 2023 - \$0.9 million). Resverlogix issued promissory notes to Zenith totaling \$4.6 million on January 31, 2024; the promissory notes bear interest at 12% per annum (with interest accruing commencing on January 1, 2024), are payable within four months of demand and are unsecured. Interest receivable that has accrued on the promissory note is \$0.04 million. The Company and Resverlogix are in the process of amending their arrangement such that a security interest over all of Resverlogix's assets will be granted to the Company (subject to the consent of Resverlogix's secured lender). Zenith owes the Company \$0.1 million; this balance is unsecured, payable on demand and non-interest bearing.

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For the three and nine months ended January 31, 2024 and 2023

(unaudited)

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

5. Due from Resverlogix Corp. (continued)

Subsequent to January 31, 2024, the Company advanced an additional \$0.6 million to Resverlogix, and the Company may advance additional amounts to Resverlogix.

The Company's advances to Resverlogix are aimed at preserving and growing the value of the Company's economic interest in Resverlogix in the form of Resverlogix royalty preferred shares (the value of which is largely determined by Resverlogix's clinical development program). Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Amounts receivable from Resverlogix potentially subject the Company to credit risk. Resverlogix believed its cash as at December 31, 2023 is not sufficient to fund its contractual commitments and its planned business operations over the next year. Therefore, Resverlogix will have to raise additional capital to fund its contractual commitments and its planned business operations. If Resverlogix is not able to raise capital, the Company may be forced to cease operations. Based largely on (but not limited to) our estimate of Resverlogix's value as a going concern and on our expectation that Resverlogix will be able to raise additional capital and remain a going concern, the Company believes the advances to Resverlogix are recoverable.

6. Non-convertible promissory notes

The following table summarizes the changes in non-convertible promissory notes outstanding that are due to related parties.

	Liability amount
Outstanding, April 30, 2023	\$ 3,966
Additions of promissory notes	2,267
Repayment of promissory notes	(1,305)
Revaluation of Canadian dollar denominated promissory notes	23
Outstanding, January 31, 2024	\$ 4,951

As at January 31, 2024, promissory notes totaling \$5.0 million are due to three related parties. During the nine months ended January 31, 2024, a relative of the Chief Executive Officer / Chairman of the Company lent an additional \$2.3 million (and was repaid \$0.9 million), and the Chief Executive Officer / Chairman of the Company was repaid CAD\$0.5 million. As at January 31, 2024:

- the Chief Executive Officer / Chairman of the Company – an outstanding \$0.7 million (CAD\$1.0 million) promissory note bears interest at 5% per annum, is payable on demand and is secured by a security interest in all of the Company's assets;
- another director of the Company – an outstanding \$0.3 million (CAD\$0.4 million) promissory note bears interest at 5% per annum, is payable on demand and is unsecured; and
- a relative of the Chief Executive Officer / Chairman of the Company – an outstanding \$4.0 million (USD\$1.9 million and CAD\$2.8 million) promissory note bears interest at 11% per annum, is payable on demand and is secured by a security interest in all of the Company's assets.

In connection with the additional \$2.3 million advanced by a relative of the Chief Executive Officer / Chairman of the Company, the Company issued a total of 4,000,000 warrants during the nine months ended January 31, 2024. Each warrant is exercisable at a price of \$0.75 per underlying common share for a period of five years from the respective grant dates. The combined fair value of the 4,000,000 warrants was determined to be \$0.7 million and was recognized as a financing cost during the nine months ended January 31, 2024.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2024 and 2023

(unaudited)

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

7. Convertible promissory notes

(a) \$5.0 million convertible note

The following table summarizes the changes in the convertible note during the period ended January 31, 2024.

	Convertible Note
Balance, April 30, 2023	\$ -
Issuance of Convertible Note	5,000
Allocation to conversion feature	(14)
Fair value of warrants	(917)
Transaction costs	(9)
	<u>4,060</u>
Accretion	86
Balance, January 31, 2024	\$ 4,146

In November 2023, the Company entered into a \$5.0 million secured convertible promissory note (the "Note") with a private investor. The Note is secured by a security interest in all of the Company's assets as well as a guarantee up to \$2,500,000 by the Chief Executive Officer and Chairman of the Company, and bears interest at 18% per annum and matures two years after the closing date. The holder of the Note is able to elect to convert the Note into units of the Company at a conversion price equal to US\$0.60 per share.

The Note is a hybrid instrument consisting of a financial instrument and an embedded derivative, being the conversion option. The embedded derivative was bifurcated from the host contract and accounted for separately as the economic characteristics and risks of the host contract and the embedded derivative were not closely related. Since the Note can be settled (at the holder's option) with the Company issuing a fixed number of its own shares for a fixed amount of cash, the conversion option is equity-classified. The equity-classified conversion option value of \$14 thousand was measured as the residual amount that results from deducting the fair value of the liability component from the initial carrying amount of the instrument as a whole.

In connection with the Note, 5,000,000 warrants were issued to the Note holder. Each warrant is exercisable at a price of \$0.60 per underlying common share for a period of five years from the closing of the Note. On initial recognition, the warrants were valued at \$0.9 million.

(b) \$0.5 million convertible debenture

In February 2023, the Company closed a \$0.5 million secured convertible debenture (the "Debenture") with NGN BioMed Opportunity II, LP and another shareholder. The Debenture matured on February 10, 2024; the Company is currently in discussion with the parties regarding the Debenture.

8. Financing rights

Anti-Dilution Rights and Additional Rights

The following table summarizes the changes in the Anti-Dilution Rights outstanding.

	Number of Rights	Liability amount
Outstanding, April 30, 2023	3,354,305	\$ 170
Granted	1,500,000	193
Anti-dilution rights converted into additional shares issued	(56,985)	(7)
Revaluation of financing rights liability	-	(3)
Outstanding, January 31, 2024	4,797,320	\$ 353

Pursuant to the terms of certain private placements that the Company closed during the year ended April 30, 2023 and the period ended January 31, 2024 with anti-dilution rights attached, in the event that the Company completed an equity financing within the period of time prescribed by the applicable subscription agreement and the price per share was below \$0.75 or \$0.60, the price per share paid by the initial subscriber would be adjusted to the lower price per share and they would, accordingly, receive additional common shares for no additional consideration.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2024 and 2023

(unaudited)

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

8. Financing rights (continued)

Furthermore, pursuant to the terms of certain private placements that the Company closed during the year ended April 30, 2023 and the period ended January 31, 2024 with additional rights attached, in the event that the Company completed an equity financing within a prescribed period of time of either one year or five years of the respective closing dates and the Company issues additional securities, contractual rights or other entitlements (“Additional Rights”) to any of the subsequent subscribers, then the Company shall issue the Additional Rights to the initial subscribers that they would have been entitled to pursuant to the terms of the subsequent financing.

Shares Issued Pursuant to Anti-Dilution Rights

Pursuant to anti-dilution rights granted in connection with a previous private placement, a subscriber was entitled to receive additional shares (for no additional consideration) on the adjustment date which was one year following the private placement closing; following the adjustment date, the subscriber is no longer entitled to receive additional shares. Accordingly, during the nine months ended January 31, 2024, the Company issued 14,246 shares to the subscriber, reflecting an adjusted subscription price of \$0.60 per share, compared to the original subscription price of \$0.75 per unit, in connection with 56,985 anti-dilution rights associated with the \$0.04 million private placement that closed in October 2022. The fair value of the anti-dilution rights settled with additional shares was \$7 thousand.

Valuation

The determination of the fair value of the anti-dilution rights required management to use judgement, including management’s estimates of various probabilities of future equity offerings at various prices below \$0.60 per share within the respective prescribed timeframes. At the date the financing rights were granted, the Company recorded the anti-dilution rights as liabilities with off-setting reductions to the carrying amount of the common shares, with subsequent changes in fair value recognized in profit or loss. As at January 31, 2024, the fair value reflected management’s estimate of various probabilities of future equity offerings at various prices at or below \$0.60 per share within the respective prescribed timeframes.

9. Shareholders’ deficiency

(a) Common shares

(i) Authorized:

Unlimited number of common shares.

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

(ii) Issued and Outstanding:

Common shares	Number of shares	Amount
Balance, April 30, 2023	148,499,462	\$ 89,622
Issued in connection with private placements	3,258,043	2,145
Issued in connection with settlement of fees	105,482	105
Issued in connection with warrant exercise	166,666	127
Issued in connection with anti-dilution rights	14,246	7
Issued in connection with long term incentive plan	357,320	88
Share issue costs	-	(107)
Balance, January 31, 2024	152,401,219	\$ 91,987

Investment from Newsoara

In November 2021, Zenith Epigenetics Ltd. entered into a licensing agreement with Newsoara for Zenith Epigenetics’ lead compound, ZEN-3694, in Asia excluding Middle East and North Africa (“MENA”), India, and ten Eurasian countries (the “Asian Territories”). Under the terms of the agreement, Newsoara was granted the rights to develop, market, and distribute ZEN-3694 for all indications in the Asian Territories.

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

9. Shareholders' deficiency (continued)

(a) Common shares (continued)

Concurrent with the execution of the licensing agreement, in November 2021, Newsoara entered into a subscription agreement to subscribe for 1.5 million units of Zenith at a price of \$1.00 per unit, and Newsoara also agreed to subscribe for an additional 10 million units of Zenith by way of completing ZEN-3694 development programs with a budget of \$10 million before December 31, 2023. Each unit shall be comprised of one common share and one-half of a common share purchase warrant. Each whole warrant was exercisable into one common share at \$1.00 on or before November 14, 2023 (a period of two years from the date of the subscription agreement). During the nine months ended January 31, 2024, the Company issued 1,758,043 equity units to Newsoara and accrued a further \$1.7 million of additional expenditures incurred by Newsoara, included in research and development expenses in profit and loss, and included in Accrued liabilities at January 31, 2024 (to be reclassified to Share capital upon issuance of equity units by the Company to Newsoara in the future). To date, the Company has issued a total of 7.7 million (of the 10 million) equity units to Newsoara and, in addition, accrued a further \$1.7 million of additional expenditures incurred by Newsoara, for a total of \$9.4 million, with \$0.6 million of additional research and development expenditures remaining to be incurred by Newsoara pursuant to the subscription agreement.

Settlement of Fees

During the nine months ended January 31, 2024, in connection with the 1,758,043 equity units issued to Newsoara in connection with the November 2021 subscription agreement, the Company incurred commissions of \$0.1 million. These fees were settled with the issuance of 105,482 shares.

Private Placement

In June and July 2023, the Company issued 1,500,000 equity units pursuant to a private placement at a price of \$0.75 per unit for gross proceeds of \$1.1 million. Each equity unit consisted of one common share and two common share purchase warrants. Each warrant granted with the June and July 2023 private placement is exercisable at a price of \$0.75 per underlying common share for a period of five years from the closing of the private placement.

(b) Stock options

The Company's 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 vest over zero to three years and have a five year term. The stock options are settled by way of the issuance of equity instruments of the Company ("equity-settled").

	Number of options	Weighted average exercise price (CAD)
Outstanding, April 30, 2023	3,875,900	\$ 0.94
Granted	400,000	0.36
Expired	(836,800)	0.64
Outstanding, January 31, 2024	3,439,100	\$ 0.94

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

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
\$0.34 - \$0.58	966,100	3.48	\$ 0.48	478,600
\$0.97 - \$1.05	1,757,500	0.84	1.01	1,757,500
\$1.38 - \$1.39	715,500	2.34	1.39	650,803
	3,439,100	1.89	\$ 0.94	2,886,903

The number of stock options exercisable at January 31, 2024 was 2,886,903 (2023 - 3,455,440) with a weighted average exercise strike price of CAD\$1.02 (2023 - CAD\$0.91).

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For the three and nine months ended January 31, 2024 and 2023

(unaudited)

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

9. Shareholders' deficiency (continued)

(b) Stock options (continued)

The fair value of each stock 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 value of \$0.17 and \$0.16 per stock option associated with stock options granted during the nine months ended January 31, 2024:

	2024	2023
Risk-free interest rate	3.3%	3.9%
Expected life	4.3 years	4.3 years
Expected volatility	108%	107%
Share value at grant date	CAD\$0.32	CAD\$0.36
Expected dividends	Nil	Nil

(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 stock option plan. The Company may grant restricted stock units ("RSUs") to directors, officers, employees, and consultants. The majority of RSUs fully vest over zero to three years.

During the nine months ended January 31, 2024, the Company granted 2,185,381 RSUs (2022 - 2,688,159 RSUs). During the nine months ended January 31, 2024, 69,938 RSUs were granted to two vendors to settle trade payables of \$0.03 million; the grant date fair value (equal to the closing stock price on the grant date) of the 69,938 RSUs was \$0.02 million (recognized in share capital), resulting in a gain on payables extinguishment of \$0.01 million (recognized in profit or loss).

The weighted average fair value of the RSUs granted in the nine months ended January 31, 2024 was \$0.26 per RSU (2023 - \$0.56 per RSU). The Company estimates the fair value of RSUs based on the estimated fair value of the underlying stock on the date of grant. Director's fees are currently paid by way of the issuance of RSUs in lieu of payment in cash.

	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, April 30, 2022	9,339,107	\$ 0.61
Granted	2,185,381	0.26
Exercised	(357,320)	0.25
Cancelled	(12,800)	1.02
Outstanding, January 31, 2024	11,154,368	\$ 0.55

(d) Equity-classified warrants

During the nine months ended January 31, 2024, in connection with the closing of a further \$1.8 million of the November 2021 private placement with Newsoara, the Company issued 879,022 warrants. Each warrant was exercisable at a price of \$1.00 per underlying common share until November 2023 (two years from the date of the subscription agreement).

In connection with the June and July 2023 private placement, the Company issued 3,000,000 warrants. Each warrant granted with the June and July 2023 private placement is exercisable at a price of \$0.75 per underlying common share for a period of five years from the closing of the private placement. Due to the equity classification, the warrants issued in the current period will not be revalued each reporting period.

In connection with the additional \$2.3 million advanced by a relative of the Chief Executive Officer / Chairman of the Company, the Company issued a total of 4,000,000 warrants during the nine months ended January 31, 2024. Each warrant is exercisable at a price of \$0.75 per underlying common share for a period of five years from the respective grant dates. The combined fair value of the 4,000,000 warrants was determined to be \$0.7 million and was recognized as a financing cost during the nine months ended January 31, 2024.

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(unaudited)

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

9. Shareholders' deficiency (continued)

(d) Equity-classified warrants (continued)

In connection with the \$5.0 million Note the Company entered into in November 2023 (refer to note 7(a)), 5,000,000 warrants were issued to the Note holder. Each warrant is exercisable at a price of \$0.60 per underlying common share for a period of five years from the closing of the Debenture. On initial recognition, the warrants were valued at \$0.9 million.

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

	Number of warrants	Weighted average exercise price (USD)	Equity amount
Outstanding, April 30, 2023	13,726,725	\$ 0.77	2,130
Issued in connection with private placements	3,879,022	0.81	545
Issued in connection with promissory notes	4,000,000	0.75	698
Issued in connection with convertible note	5,000,000	0.60	917
Exercise of warrants	(166,666)	0.60	(27)
Expiry of warrants	(4,682,627)	1.01	(154)
Outstanding, January 31, 2024	21,756,454	\$ 0.68	\$ 4,109

The weighted average fair value of the warrants issued during the nine months ended January 31, 2024 was \$0.17 per warrant (2023 - \$0.15 per warrant), using the Black-Scholes option pricing model with the following weighted average assumptions:

	2024	2023
Risk-free interest rate	3.8%	3.2%
Expected life	4.7 years	4.2 years
Expected volatility	112%	112%
Share value at grant date	\$0.26	USD\$0.35

The following table summarizes information about the equity-classified warrants outstanding and exercisable at January 31, 2024.

Exercise Price (USD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (USD)
\$0.60	11,577,969	4.41	\$ 0.60
\$0.75	9,650,000	4.33	0.75
\$1.00	356,985	2.76	1.00
\$1.50	171,500	1.99	1.50
	21,756,454	4.33	\$ 0.68

(e) Per share amounts

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

	Three months ended		Nine months ended	
	January 31,		January 31,	
	2024	2023	2024	2023
Weighted average common shares outstanding - basic and diluted	152,319,174	139,384,640	151,254,084	137,993,948

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

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(unaudited)

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

10. Expenses by nature

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

	Three months ended		Nine months ended	
	January 31,		January 31,	
	2024	2023	2024	2023
Research and development expenses:				
Operating expenses	\$ 652	\$ 442	\$ 4,919	\$ 1,222
Personnel costs (short-term employee benefits)	279	267	813	869
Share-based payment transaction costs	82	97	114	423
Amortization and depreciation	32	46	124	136
Impairment of intangible assets	-	-	115	-
Total research and development expenses	\$ 1,045	\$ 852	\$ 6,085	\$ 2,650
General and administrative expenses:				
General expenses	\$ 453	\$ 201	\$ 838	\$ 708
Personnel costs (short-term employee benefits)	149	138	419	409
Share-based payment transaction costs	274	319	418	1,174
Amortization and depreciation	1	4	11	13
Total general and administrative expenses	\$ 877	\$ 662	\$ 1,686	\$ 2,304

During the nine months ended January 31, 2024, the Company made the determination that it no longer intended to perform further research or commercialize the technology relating to certain intangible assets, thus a \$0.1 million impairment of intangible assets was recognized.

11. Commitments

As at January 31, 2024, the Group is party to cancellable agreements with contract research organizations conducting work related to its clinical trials. Corresponding estimated aggregate expenditures over the next twelve months total approximately \$0.1 million (April 30, 2023 – \$0.1 million).

As at January 31, 2024, the Group is committed to expenditures over the next twelve months of \$0.9 million (April 30, 2023 – \$0.6 million), pursuant to various research and development contracts.

The Group is also party to a Cooperative Research and Development Agreement (“CRADA”) with the National Cancer Institute (part of the U.S Department of Health and Human Services) to develop ZEN-3694, the Group’s lead compound, for multiple oncology indications. As at January 31, 2024, the Group is committed to provide additional funding totaling up to an estimated \$1.2 million, anticipated over the next two years, including up to an estimated \$0.9 million over the next twelve months.

Zenith agreed to pay Resverlogix for its proportionate share of rental payments and operating costs (for a laboratory and offices that Resverlogix shares with Zenith) of an estimated \$0.1 million and \$0.1 million, respectively, for the next twelve months.