Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2022 and 2021

Condensed Interim Consolidated Statements of Financial Position

As at:

(unaudited)

In thousands of US dollars	Notes	January 31, 2022	April 30, 2021
Assets			
Current assets:			
Cash		$ 110	$ 7
Prepaid expenses and deposits		551	568
Investment tax credit receivable		72	138
Other assets		13	294
Clinical supplies		412	634
Due from Resverlogix Corp.		58	-
Total current assets		1,216	1,641
Non-current assets:			
Property and equipment		255	353
Licensing costs	7	699	510
Intangible assets		844	781
Prepaid expenses and deposits		-	9
Deferred financing costs		10	-
Clinical supplies		-	35
Total non-current assets		1,808	1,688
Total assets		$ 3,024	$ 3,329
Liabilities			
Current liabilities:			
Trade and other payables		$ 1,030	$ 2,292
Promissory notes	5	1,854	1,336
Unearned deposit	6	86	-
Due to Resverlogix Corp.		-	319
Debt	8	1,479	1,318
Warrant liability	10 (d)	9	24
Financing rights	9	126	235
Total current liabilities		4,584	5,524
Non-current liabilities:			
Unearned licensing revenue	7	11,352	8,202
Total liabilities		15,936	13,726
Shareholders' deficiency:			
Share capital	10 (a)	80,451	80,084
Contributed surplus		9,696	4,657
Warrants	10 (e)	731	2,305
Deficit		(103,790)	(97,443)
Total shareholders' deficiency		(12,912)	(10,397)
Total liabilities and shareholders' deficiency		$ 3,024	$ 3,329

Going concern (note 3) Commitments (note 12) Subsequent events (notes 8 and 13)

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)

		Three months ended January 31,		Nine months ended January 31,	
In thousands of US dollars	Notes	2022	2021	2022	2021
Expenses:					
Research and development	6, 11	$ 973	$ 1,021	$ 3,186	$ 3,403
Investment tax credits		(21)	(8)	(73)	(8)
Net research and development		952	1,013	3,113	3,395
General and administrative	11	928	624	2,775	1,620
		1,880	1,637	5,888	5,015
Finance costs (income):					
(Gain) loss on change in fair value of financing rights	9	(90)	-	(122)	55
(Gain) loss on change in fair value of warrant liability	10 (d)	(5)	9	(15)	13
Gain on change in fair value of derivative liability		-	-	-	(3)
Loss on extinguishment of payables		-	-	126	-
Interest and accretion expense		86	6	247	69
Financing costs	5	137	60	239	60
Foreign exchange (gain) loss		(32)	37	(38)	94
Net finance costs		96	112	437	288
Loss before income taxes		1,976	1,749	6,325	5,303
Income taxes		8	9	22	24
Net loss and total comprehensive loss		$ 1,984	$ 1,758	$ 6,347	$ 5,327
Net loss per share *(note 10 (f))*					
Basic and diluted		$ 0.01	$ 0.01	$ 0.05	$ 0.04

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 nine months ended January 31

(unaudited)

In thousands of US dollars	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Equity (Deficiency)
Balance, April 30, 2020	$ 75,641	$ 3,657	$ 475	$ (90,530)	$ (10,757)
Common shares and warrants issued in connection with private placements	5,277	-	27	-	5,304
Common shares issued in connection with debenture conversion and settlement of accrued interest	431	-	84	-	515
Common shares issued in connection with anti-dilution rights	543	-	-	-	543
Common shares issued in connection with stock option plan	15	(6)	-	-	9
Warrants issued in connection with promissory note	-	-	60	-	60
Share issue costs	(1,932)	-	1,608	-	(324)
Share-based payment transactions	-	853	-	-	853
Net loss and total comprehensive loss	-	-	-	(5,327)	(5,327)
Balance, January 31, 2021	$ 79,975	$ 4,504	$ 2,254	$ (95,857)	$ (9,124)
Balance, April 30, 2021	$ 80,084	$ 4,657	$ 2,305	$ (97,443)	$ (10,397)
Common shares and warrants issued in connection with private placements	333	-	23	-	356
Settlement of accrued bonuses and director fees with restricted stock units	-	1,105	-	-	1,105
Warrants expiries	-	1,835	(1,835)	-	-
Common shares issued in connection with warrant exercises	35	-	(1)	-	34
Warrants issued in connection with promissory notes	-	-	239	-	239
Share issue costs	(1)	-	-	-	(1)
Share-based payment transactions	-	2,099	-	-	2,099
Net loss and total comprehensive loss	-	-	-	(6,347)	(6,347)
Balance, January 31, 2022	$ 80,451	$ 9,696	$ 731	$ (103,790)	$ (12,912)

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

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended January 31

(unaudited)

In thousands of US dollars	Notes	2022	2021
Cash provided by (used in):			
Cash flows used in operating activities:			
Net loss		$ (6,347)	$ (5,327)
Items not involving cash:			
Equity-settled share-based payment transactions	11	2,099	853
Depreciation and amortization		143	142
Impairment of intangible assets		-	68
Change in fair value of financing rights	9	(122)	55
Change in fair value of derivative liability		-	(3)
Change in fair value of warrant liability	10 (d)	(15)	13
Loss on extinguishment of payables	10 (c)	126	-
Interest and accretion expense		247	69
Income taxes		22	24
Financing costs	5	239	60
Changes in non-cash working capital:			
Prepaid expenses and deposits		26	209
Investment tax credit receivable		66	(16)
Other assets		281	13
Clinical supplies		257	(97)
Unearned deposits		86	(884)
Unearned licensing revenue	7	3,150	920
Trade and other payables		(209)	(1,532)
Decrease in due to Resverlogix Corp.		(377)	(235)
		(328)	(5,668)
Income tax paid		(5)	(35)
Net cash used in operating activities		(333)	(5,703)
Cash flows provided by financing activities:			
Proceeds from private placements	10 (a)	179	5,295
Share issuance costs		(1)	(124)
Proceeds from convertible debenture		-	500
Proceeds from exercise of warrants		34	-
Proceeds from exercise of stock options		-	9
Deferred financing costs		(10)	-
Proceeds from promissory notes	5	1,300	656
Repayment of promissory notes	5	(752)	(415)
Interest paid on promissory notes		(85)	(24)
Changes in non-cash financing working capital		-	(5)
Net cash provided by financing activities		665	5,892
Cash flows used in investing activities:			
Intangible asset expenditures		(108)	(188)
Changes in non-cash investing working capital		(121)	(32)
Net cash used in investing activities		(229)	(220)
Effect of foreign currency translation on cash		-	3
Increase (decrease) in cash		103	(28)
Cash, beginning of period		7	214
Cash, end of period		$ 110	$ 186

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 and nine months ended January 31, 2022 and 2021

(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 a majority of their 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 Suite 4010, 44 Montgomery Street, San Francisco, 94104. 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 March 31, 2022.

(b) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for financing rights, warrant liability and derivative liability, which are measured at fair value each reporting period.

(c) Measurement uncertainty

There is estimation uncertainty with regards to the possible impact of the COVID-19 pandemic on the financial results and condition of the Company.

The outbreak of the novel strain of coronavirus, SARS-CoV-2, has caused a pandemic identified as "COVID-19" and 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, caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets experienced significant volatility and weakness. Governments and central banks reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The introduction of vaccines led to optimism and a significant easing of restrictions; however, the situation continues to evolve (including the prevalence of virus variants), and the duration and impact of the COVID-19 pandemic remains unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods. The COVID-19 pandemic may impact the Company's ability to raise additional capital and/or impact the Company's ability to continue its clinical trials.

(d) 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.

(e) 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

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2022 and 2021

(unaudited)

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

2. Background and basis of preparation (continued)

(e) Use of estimates and judgment (continued)

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, 2021.

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 condensed interim 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.

As at January 31, 2022, the Company had $0.1 million of cash and was committed to pay $1.0 million of trade and other payables, $1.9 million of promissory notes, and $1.5 million of debt. The Company is also committed to pay $1.1 million for research and development commitments and an additional $0.8 million for National Cancer Institute funding (for studies to develop ZEN-3694) over the next twelve months as described further in Note 12. 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 $0.2 million.

As described in Note 13, subsequent to January 31, 2022, the Company received $0.3 million from a private placement. The Company's cash as at January 31, 2022, in combination with the $0.3 million received subsequent to January 31, 2022, 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 and/or licensing; 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. The COVID-19 pandemic may impact the Company's ability to raise additional capital and/or impact the Company's ability to continue its clinical trials.

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, 2021 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, 2021.

5. Promissory notes

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

Outstanding, April 30, 2021	$	1,336
Additions of promissory notes		1,300
Repayments of promissory notes		(752)
Revaluation of Canadian dollar denominated promissory notes		(30)
Outstanding, January 31, 2022	$	1,854

5. Promissory notes (continued)

As at January 31, 2022, promissory notes totaling $1.9 million are due to three related party lenders. During the nine months ended January 31, 2022:

- the Chief Executive Officer / Chairman of the Company lent an additional CAD$0.5 million and was repaid CAD$0.4 million (the outstanding $0.6 million (CAD$0.8 million) promissory note bears interest at 5%, is payable on demand and is secured);
- another director of the Company lent an additional CAD$0.1 million to the Company and was repaid CAD $0.1 million (the outstanding $0.2 million (CAD$0.3 million) promissory note bears interest at 5% per annum, is unsecured and is payable on demand);
- a relative of the Chief Executive Officer / Chairman of the Company lent an additional $0.7 million and was repaid $0.3 million (the outstanding $1.0 million promissory note bears interest at 11% per annum, is payable on demand and is secured);
- the Chief Financial Officer lent CAD$20 thousand and was repaid CAD$20 thousand (the promissory note bore interest at 8% per annum while it was outstanding); and
- a third party lent $63 thousand and was repaid $63 thousand (the promissory note bore interest at 8% per annum while it was outstanding).

In connection with the $0.7 million total promissory note advanced by a relative of the Chief Executive Officer / Chairman of the Company ($0.3 million was advanced in October 2021 and $0.4 million was advanced in January 2022), the Company issued a total of 350,000 warrants. 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 350,000 warrants was determined to be $0.2 million and was recognized as a financing cost during the nine months ended January 31, 2022.

6. Unearned deposit

Clinical Trial Collaboration with Pfizer Inc.

On November 20, 2018, the Company announced that it had entered into a clinical trial collaboration with Pfizer Inc. to evaluate the safety and efficacy of a novel anti-cancer combination of Zenith's investigational bromodomain and extra-terminal domain inhibitor ("BETi"), ZEN-3694, and Pfizer's poly ADP ribose polymerase inhibitor ("PARPi"), talazoparib, in patients with locally advanced or metastatic triple negative breast cancer ("TNBC"). Under the terms of the agreement, Zenith and Pfizer are collaborating on a Phase 1b/2 TNBC clinical study. Pfizer is providing talazoparib, Zenith is providing ZEN-3694, and both parties are funding the study with Pfizer funding up to $2.9 million, or approximately 50%, of the shared study costs. During the year ended April 30, 2019, the Company received $2.1 million of the $2.9 million funding upfront from Pfizer. During the nine months ended January 31, 2022, the Company received the remaining $0.8 million (of the $2.9 million) from Pfizer. Research and development expenses on the consolidated statements of comprehensive loss for the nine months ended January 31, 2022 include recoveries of $0.5 million (2021 – $0.9 million) related to the TNBC trial. The cost recoveries were applied to the collaboration funding received; as at January 31, 2022, an unearned deposit amount of $0.1 million remained (April 30, 2021 - a receivable amount from Pfizer of $0.3 million was included in Other assets, which was settled with the $0.8 million received from Pfizer in the current period).

7. Unearned licensing revenue

Expanded Licensing from Newsoara

In November 2021, Zenith Capital Corp. announced that Zenith Epigenetics Ltd., a wholly-owned subsidiary, had entered into a licensing agreement with Newsoara BioPharma Co., Ltd. ("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 will have the rights to develop, market, and distribute ZEN-3694 for all indications in the Asian Territories. If the results from ZEN-3694 are not satisfactory to Newsoara, Newsoara is entitled to replace ZEN-3694 with a new compound from the Company to which the license agreement will apply. Zenith received an upfront payment of $3.2 million ($3.5 million less applicable tax withholdings) in November 2021. Zenith will also receive sales-based milestones and single digit royalties.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2022 and 2021

(unaudited)

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

7. Unearned licensing revenue (continued)

Licensing Costs

As described in Note 10 (a), the Company paid (and capitalized) $0.2 million in licensing costs in connection with the expanded licensing with Newsoara. The licensing costs will be recognized into profit or loss during the period in which the corresponding licensing revenue is recognized.

8. Debt

In March 2021, the Company closed a $1.5 million loan with Newsoara. The loan is non-interest bearing and unsecured. In connection with the loan, the Company canceled the reversionary right in the Newsoara license agreement that previously entitled Zenith, for no additional consideration, to re-acquire ownership of patents in the Territories previously assigned to Newsoara. Subsequent to January 31, 2022, the maturity date of the $1.5 million loan was amended from March 5, 2022 to June 30, 2022.

The following table summarizes the changes in the Newsoara loan during the nine months ended January 31, 2022.

		Debt
Balance, April 30, 2021	$	1,318
Accretion		161
Balance, January 31, 2022	$	1,479

9. 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, 2021	3,738,334	$	235
Granted	120,334		13
Expired	(3,663,334)		-
Revaluation of financing rights liability	-		(122)
Outstanding, January 31, 2022	195,334	$	126

Pursuant to the terms of certain private placements that the Company closed during the nine months ended January 31, 2022 and the year ended April 30, 2021 with anti-dilution rights attached, in the event that the Company completes an equity financing within the period of time prescribed by the applicable subscription agreement and the price per share is below $1.50, the price per share paid by the initial subscriber will be adjusted to the lower price per share and they will, accordingly, receive additional common shares for no additional consideration. During the nine months ended January 31, 2022, 3,663,334 anti-dilution rights expired; 3,466,667 of these rights were granted in connection with the June 2020 private placement with Newsoara.

Furthermore, pursuant to the terms of certain private placements that the Company closed during the year ended April 30, 2021 and the nine months ended January 31, 2022 with additional rights attached, in the event that the Company completes an equity financing within a prescribed period of time of 12 months 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.

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 $1.50 per share (for the anti-dilution rights granted in the current period) 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, 2022, the fair value reflected management’s estimate of various probabilities of future equity offerings at various prices at or below $1.50 per share within the respective prescribed timeframes.

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

10. Shareholders' equity (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, 2021	135,302,493	$	80,084
Issued in connection with private placements	120,334		144
Issued in connection with settlement of fees	189,000		189
Issued in connection with warrant exercise	11,250		35
Share issue costs	-		(1)
Balance, January 31, 2022	135,623,077	$	80,451

Private Placements

In June, July and August 2021, the Company issued a total of 120,334 equity units pursuant to private placements at a price of $1.50 per unit for gross proceeds of $0.2 million. Each equity unit consisted of one common share and one-half common share purchase warrant. Each warrant granted in June, July and August 2021 is exercisable at a price of $2.00 per underlying common share for a period of two years from the closing of the private placements. As described in Note 9 "Financing rights", under certain conditions, the subscribers of the June, July and August 2021 private placements are entitled to receive additional shares.

Settlement of Fees

In connection with the $3.5 million unearned licensing revenue received in November 2021 from Newsoara (refer to Note 7), the Company incurred commissions of $0.2 million. These fees were settled with the issuance of 189,000 shares.

Investment from Newsoara

Concurrent with the execution of the license agreement discussed in Note 7, 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 over the subsequent 15 months. Each unit shall be comprised of one common share and one-half of a common share purchase warrant. Each whole warrant shall be exercisable into one common share at $1.00 for a period of two years from the date of the subscription agreement. The initial $1.5 million tranche for 1.5 million units is expected to close in coming months.

(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 four to five year term. Certain stock options granted in the year ended April 30, 2015 had performance conditions which are required to be met in order for the options to vest. These 350,000 stock options had a seven year term and expired in the nine months ended January 31, 2022. During the year ended April 30, 2021, it was estimated that the performance stock options granted in the year ended April 30, 2015 would not likely vest within the prescribed period, resulting in the recognition of a $0.1 million recovery of share-based compensation. The stock options are settled by way of the issuance of equity instruments of the Company ("equity-settled").

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

10. Shareholders' equity (deficiency) (continued)

(b) Stock options (continued)

	Number of options	Weighted average exercise price (CAD)
Outstanding, April 30, 2021	5,123,900	$ 0.75
Granted	829,000	1.39
Expired	(1,115,600)	0.48
Forfeited	(59,766)	1.18
Outstanding, January 31, 2022	4,777,534	$ 0.91

The following table summarizes information about the stock options outstanding and exercisable at January 31, 2022.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.58 - $0.59	964,200	0.55	$ 0.58	964,200
$0.64 - $0.65	968,200	1.31	0.64	968,200
$0.97 - $1.05	2,041,734	2.82	1.01	1,339,424
$1.38 - $1.39	803,400	4.35	1.39	-
	4,777,534	2.31	$ 0.91	3,271,824

The number of stock options exercisable at January 31, 2022 was 3,271,824 (2021 – 3,025,190) with a weighted average exercise strike price of CAD$0.77 (2021 – CAD$0.63).

The fair value of each stock option granted is estimated as of the grant date using the Black-Scholes option pricing model and an estimated illiquidity discount. The following weighted average assumptions were used in arriving at the weighted average fair values of $0.73 and $0.76 per stock option associated with stock options granted during the nine months ended January 31, 2022 and 2021, respectively:

	2022	2021
Risk-free interest rate	0.7%	0.5%
Expected life	4.3 years	4.3 years
Expected volatility	114%	109%
Share value at grant date	CAD$1.39	CAD$1.55
Expected dividends	Nil	Nil

During the nine months ended January 31, 2022, 375,000 options previously granted to a former director that would have otherwise been forfeited or expired under the initial terms of the stock option agreements were extended to expire on the original expiry dates. The extension of these options and the related $0.1 million incremental fair value (as measured at the modification date) was recognized as part of share based payment transaction costs in the period.

(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, 2022, the Company granted 2,512,420 RSUs (2021 – 282,285 RSUs), of which 1,088,813 RSUs were granted to settle accrued bonuses and director fees from prior years (that were initially intended to be cash-settled). The amounts of settled accrued bonuses and director fees were reclassed from Trade and other payables to Contributed surplus. The $0.1 million difference between the value of the 1,088,813 RSUs granted to settle accrued bonuses and director fees and the value of the amounts settled is recorded as a loss on extinguishment of payables in the Consolidated Statements of Comprehensive Loss.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2022 and 2021

(unaudited)

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

10. Shareholders' equity (deficiency) (continued)

(c) Restricted stock units (continued)

Certain restricted stock units granted in the year ended April 30, 2020 had performance conditions which were required to be met in order for the RSUs to vest. The corresponding share-based compensation is recognized over the term that the performance criteria is required to be met, based on the number of RSUs expected to vest. During the years ended April 30, 2021 and 2020 and the nine months ended January 31, 2022, it was estimated that the performance RSUs granted in the year ended April 30, 2020 would not likely vest within the prescribed period; therefore, as at January 31, 2022, none of the corresponding share-based compensation has been recognized on these performance RSUs.

The weighted average fair value of the RSUs granted in the nine months ended January 31, 2022 was $1.02 per RSU (2021 - $1.02 per RSU). The Company estimates the fair value of RSUs based on the estimated fair value of the underlying stock (net of an estimated illiquidity discount) 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, 2021	6,665,453	$ 0.50
Granted	2,512,420	1.02
Forfeited	(19,499)	1.03
Outstanding, January 31, 2022	9,158,374	$ 0.64

(d) Warrant liability

On May 6, 2020, the Company closed a $0.5 million unsecured convertible debenture (the "Debenture") with NGN BioMed Opportunity II, LP and another shareholder. During the year ended April 30, 2021, the Company issued 100,000 warrants pursuant to the Debenture, with an exercise price of $2.00 per underlying common share and an expiry date two years from the grant date. The exercise price of the warrants granted pursuant to the Debenture is adjusted to equal subsequent equity financing prices that are lower than the exercise price of the warrants. In connection with the June 2020 private placement, the exercise price of the warrants issued pursuant to the Debenture was adjusted to $1.50 per underlying common share. The variable exercise price requires that these warrants are liability-classified and revalued each reporting period.

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

	Number of warrants	Weighted average exercise price (USD)	Liability amount
Outstanding, April 30, 2021	100,000	$ 1.50	$ 24
Revaluation of warrant liability	-	-	(15)
Outstanding, January 31, 2022	100,000	$ 1.50	$ 9

The weighted average fair value of the warrants issued during the nine months ended January 31, 2021 was $0.20 per warrant, using the Black-Scholes option pricing model with the following weighted average assumptions:

	2021
Risk-free interest rate	0.3%
Expected life	2.0 years
Expected volatility	75%
Share value at grant date	USD$1.13

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

10. Shareholders' equity (deficiency) (continued)

(d) Warrant liability (continued)

The following table summarizes information about the liability-classified warrants outstanding and exercisable at January 31, 2022.

Exercise Price (USD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (USD)
$1.50	100,000	0.26	$ 1.50
	100,000	0.26	$ 1.50

(e) Equity-classified warrants

In connection with the June, July and August 2021 private placements, the Company issued 60,167 warrants. Each warrant granted in June, July and August 2021 is exercisable at a price of $2.00 per underlying common share for a period of two years from the closing of the private placements. Due to the equity classification, the warrants issued in the current period will not be revalued each reporting period. During the nine months ended January 31, 2022, 6,212,084 warrants expired, including 5,000,000 warrants that were granted in connection with the June 2020 private placement with Newsoara.

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

	Number of warrants	Weighted average exercise price (USD)	Equity amount
Outstanding, April 30, 2021	7,491,282	$ 1.87	$ 2,305
Issued in connection with private placements	60,167	2.00	23
Issued in connection with promissory notes	350,000	0.75	239
Exercise of warrants	(11,250)	3.00	(1)
Expiry of warrants	(6,212,084)	1.77	(1,835)
Outstanding, January 31, 2022	1,678,115	$ 2.00	$ 731

The weighted average fair value of the warrants issued during the nine months ended January 31, 2022 was $0.64 per warrant (2021 – $0.14 per warrant), using the Black-Scholes option pricing model with the following weighted average assumptions:

	2022	2021
Risk-free interest rate	1.4%	0.2%
Expected life	4.6 years	0.7 years
Expected volatility	112%	85%
Share value at grant date	USD$1.13	USD$1.13

The following table summarizes information about the equity-classified warrants outstanding and exercisable at January 31, 2022.

Exercise Price (USD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (USD)
$0.75	350,000	4.88	$ 0.75
$1.50	520,198	1.52	1.50
$2.00	112,667	0.92	2.00
$3.00	695,250	0.48	3.00
	1,678,115	1.75	$ 2.00

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2022 and 2021

(unaudited)

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

10. 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:

	Three months ended January 31, 2022	2021	Nine months ended January 31, 2022	2021
Weighted average common shares outstanding - basic and diluted	135,536,794	135,034,776	135,429,076	133,595,406

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.

11. 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 January 31, 2022	2021	Nine months ended January 31, 2022	2021
Research and development expenses:				
Operating expenses	$ 517	$ 542	$ 1,345	$ 1,822
Personnel costs (short-term employee benefits)	323	432	1,113	1,199
Government assistance (COVID-19 payroll subsidy)	-	(102)	-	(147)
Impairment of intangible assets	-	-	-	68
Share-based payment transaction costs	90	108	599	334
Amortization and depreciation	43	41	129	127
Total research and development expenses	$ 973	$ 1,021	$ 3,186	$ 3,403
General and administrative expenses:				
General expenses	$ 251	$ 293	$ 817	$ 651
Personnel costs (short-term employee benefits)	168	158	444	435
Share-based payment transaction costs	504	168	1,500	519
Amortization and depreciation	5	5	14	15
Total general and administrative expenses	$ 928	$ 624	$ 2,775	$ 1,620

12. Commitments

As at January 31, 2022, the Group is party to cancellable agreements with contract research organizations conducting work related to our clinical trials. Corresponding estimated aggregate expenditures over the next twelve months total approximately $0.2 million (April 30, 2021 – $1.4 million).

As at January 31, 2022, the Group is committed to expenditures over the next twelve months of $1.1 million (April 30, 2021 – $1.2 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, 2022, the Group is committed to provide funding totaling up to an estimated $2.1 million, anticipated over the next five years, including up to an estimated $0.8 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 $0.2 million and $0.1 million, respectively, for the next twelve months.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2022 and 2021

(unaudited)

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

13. Subsequent event

Private placement

Subsequent to January 31, 2022, the Company closed a private placement for 300,000 equity units at a price of $1.00 per unit for gross proceeds of $0.3 million. Each equity unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at a price of $1.00 per underlying common share for a period of five years from the closing of the private placement.