ZENITH

Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2021 and 2020

Condensed Interim Consolidated Statements of Financial Position

As at:

(unaudited)

In thousands of US dollars	Notes	October 31, 2021	April 30, 2021
Assets			
Current assets:			
Cash		$ 84	$ 7
Prepaid expenses and deposits		552	568
Investment tax credit receivable		86	138
Other assets		17	294
Clinical supplies		619	634
Total current assets		1,358	1,641
Non-current assets:			
Property and equipment		287	353
Licensing costs		510	510
Intangible assets		833	781
Prepaid expenses and deposits		-	9
Deferred financing costs		3	-
Clinical supplies		-	35
Total non-current assets		1,633	1,688
Total assets		$ 2,991	$ 3,329
Liabilities			
Current liabilities:			
Trade and other payables		$ 1,984	$ 2,292
Promissory notes	5	1,917	1,336
Unearned deposit	6	205	-
Due to Resverlogix Corp.		877	319
Debt	7	1,424	1,318
Warrant liability	9 (d)	14	24
Financing rights	8	216	235
Total current liabilities		6,637	5,524
Non-current liabilities:			
Unearned licensing revenue		8,202	8,202
Total liabilities		14,839	13,726
Shareholders' deficiency:			
Share capital	9 (a)	80,262	80,084
Contributed surplus		9,078	4,657
Warrants	9 (e)	618	2,305
Deficit		(101,806)	(97,443)
Total shareholders' deficiency		(11,848)	(10,397)
Total liabilities and shareholders' deficiency		$ 2,991	$ 3,329

Going concern (note 3) Commitments (note 11) Subsequent event (note 12)

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 six months ended October 31

(unaudited)

In thousands of US dollars	Notes	Three months ended October 31, 2021	2020	Six months ended October 31, 2021	2020
Expenses:					
Research and development	6, 10	$ 937	$ 1,174	$ 2,213	$ 2,382
Investment tax credits		(26)	-	(52)	-
Net research and development		911	1,174	2,161	2,382
General and administrative	10	1,009	596	1,847	996
		1,920	1,770	4,008	3,378
Finance costs (income):					
(Gain) loss on change in fair value of financing rights	8	(33)	-	(32)	55
Gain on change in fair value of derivative liability		-	(5)	-	(3)
(Gain) loss on change in fair value of warrant liability	9 (d)	(4)	-	(10)	4
Loss on extinguishment of payables		-	-	126	-
Interest and accretion expense		82	29	161	63
Financing costs	5	102	-	102	-
Foreign exchange loss (gain)		12	14	(6)	57
Net finance costs		159	38	341	176
Loss before income taxes		2,079	1,808	4,349	3,554
Income taxes		8	9	14	15
Net loss and total comprehensive loss		$ 2,087	$ 1,817	$ 4,363	$ 3,569
Net loss per share *(note 9 (f))*					
Basic and diluted		$ 0.02	$ 0.01	$ 0.03	$ 0.03

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

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

For the six months ended October 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	5,026	-	-	-	5,026
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	498	-	-	-	498
Common shares issued in connection with stock option plan	15	(6)	-	-	9
Share issue costs	(912)	-	590	-	(322)
Share-based payment transactions	-	577	-	-	577
Net loss and total comprehensive loss	-	-	-	(3,569)	(3,569)
Balance, October 31, 2020	$ 80,699	$ 4,228	$ 1,149	$ (94,099)	$ (8,023)
Balance, April 30, 2021	$ 80,084	$ 4,657	$ 2,305	$ (97,443)	$ (10,397)
Common shares and warrants issued in connection with private placements	144	-	23	-	167
Settlement of accrued bonuses and director fees with restricted stock units	-	1,105	-	-	1,105
Expiry of warrants	-	1,811	(1,811)	-	-
Common shares issued in connection with warrant exercises	35	-	(1)	-	34
Warrants issued in connection with promissory note	-	-	102	-	102
Share issue costs	(1)	-	-	-	(1)
Share-based payment transactions	-	1,505	-	-	1,505
Net loss and total comprehensive loss	-	-	-	(4,363)	(4,363)
Balance, October 31, 2021	$ 80,262	$ 9,078	$ 618	$ (101,806)	$ (11,848)

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

Condensed Interim Consolidated Statements of Cash Flows
For the six months ended October 31
(unaudited)

In thousands of US dollars	Notes	2021	2020
Cash provided by (used in):			
Cash flows used in operating activities:			
Net loss		$ (4,363)	$ (3,569)
Items not involving cash:			
Equity-settled share-based payment transactions	10	1,505	577
Depreciation and amortization		95	96
Impairment of intangible assets		-	68
Change in fair value of financing rights	8	(32)	55
Change in fair value of derivative liability		-	(3)
Change in fair value of warrant liability	9 (d)	(10)	4
Loss on extinguishment of payables	9 (c)	126	-
Interest and accretion expense		161	63
Income taxes		14	15
Financing costs	5	102	-
Changes in non-cash working capital:			
Prepaid expenses and deposits		25	171
Investment tax credit receivable		52	(4)
Other assets		277	30
Clinical supplies		50	(129)
Unearned deposits		205	(622)
Unearned licensing revenue		-	420
Trade and other payables		731	(2,039)
Increase (decrease) in due to Resverlogix Corp.		558	(207)
		(504)	(5,074)
Income tax paid		(5)	(28)
Net cash used in operating activities		(509)	(5,102)
Cash flows provided by financing activities:			
Proceeds from private placements	9 (a)	181	5,000
Share issuance costs		(1)	(122)
Proceeds from convertible debenture		-	500
Proceeds from exercise of warrants		34	-
Proceeds from exercise of stock options		-	9
Deferred financing costs		(3)	-
Proceeds from promissory notes	5	665	137
Repayment of promissory notes	5	(80)	(415)
Interest paid on promissory notes		(55)	(18)
Changes in non-cash financing working capital		(3)	(7)
Net cash provided by financing activities		738	5,084
Cash flows used in investing activities:			
Intangible asset expenditures		(81)	(169)
Changes in non-cash investing working capital		(71)	(26)
Net cash used in investing activities		(152)	(195)
Effect of foreign currency translation on cash		-	3
Increase (decrease) in cash		77	(210)
Cash, beginning of period		7	214
Cash, end of period		$ 84	$ 4

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 six months ended October 31, 2021 and 2020

(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 December 16, 2021.

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

(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

(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 October 31, 2021, the Company had $0.1 million of cash and was committed to pay $2.0 million of trade and other payables, $0.9 million due to Resverlogix, $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 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 $0.5 million.

As described in Note 12, subsequent to October 31, 2021, the Company received $3.2 million from Newsoara BioPharma Co., Ltd. ("Newsoara") pursuant to a licensing agreement. The Company's cash as at October 31, 2021, in combination with the $3.2 million received subsequent to October 31, 2021, 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 outbreak 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		665
Repayments of promissory notes		(80)
Revaluation of Canadian dollar denominated promissory notes		(4)
Outstanding, October 31, 2021	$	1,917

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

5. Promissory notes (continued)

As at October 31, 2021, promissory notes totaling $1.9 million are due to four related party lenders and one third party. During the six months ended October 31, 2021:

- the Chief Executive Officer / Chairman of the Company lent an additional CAD$0.2 million and was repaid CAD$0.1 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 (the outstanding $0.3 million (CAD$0.4 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 $0.3 million (the outstanding $0.9 million promissory note bears interest at 11% per annum, is payable on demand and is secured);
- the Chief Financial Officer lent CAD$20 thousand (the outstanding promissory notes bears interest at 8% per annum, is unsecured and is payable on demand); and
- a third party lent $63 thousand (the outstanding promissory notes bears interest at 8% per annum, is unsecured and is payable on demand).

In connection with the $0.3 million promissory note advanced by a relative of the Chief Executive Officer / Chairman of the Company, the Company issued 150,000 warrants. Each warrant is exercisable at a price of $0.75 per underlying common share for a period of five years from the grant date. The fair value of the 150,000 warrants was determined to be $0.1 million and was recognized as a financing cost during the six months ended October 31, 2021.

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 six months ended October 31, 2021, the Company received the remaining $0.85 million (of the $2.9 million) from Pfizer. Research and development expenses on the consolidated statements of comprehensive loss for the six months ended October 31, 2021 include recoveries of $0.4 million (2020 – $0.6 million) related to the TNBC trial. The cost recoveries were applied to the collaboration funding received; as at October 31, 2021, an unearned deposit amount of $0.2 million remained (April 30, 2021 - a receivable amount from Pfizer of $0.3 million was included in Other assets, which was settled with the $0.85 million received from Pfizer in the current period).

7. Debt

In March 2021, the Company closed a $1.5 million loan with Newsoara. The loan is non-interest bearing, unsecured and has a maturity date of March 5, 2022. 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.

The following table summarizes the changes in the Newsoara loan during the six months ended October 31, 2021.

		Debt
Balance, April 30, 2021	$	1,318
Accretion		106
Balance, October 31, 2021	$	1,424

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2021 and 2020

(unaudited)

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

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, 2021	3,738,334	$ 235
Granted	120,334	13
Expired	(3,466,667)	-
Revaluation of financing rights liability	-	(32)
Outstanding, October 31, 2021	392,001	$ 216

Pursuant to the terms of certain private placements that the Company closed during the six months ended October 31, 2021 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 six months ended October 31, 2021, 3,466,667 anti-dilution rights expired; 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 six months ended October 31, 2021 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 October 31, 2021, 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.

9. 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 warrant exercise	11,250	35
Share issue costs	-	(1)
Balance, October 31, 2021	135,434,077	$ 80,262

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

9. Shareholders' equity (deficiency) (continued)

(a) Common shares (continued)

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 8 "Financing rights", under certain conditions, the subscribers of the June, July and August 2021 private placements are entitled to receive additional shares.

(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 six months ended October 31, 2021. 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").

	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, October 31, 2021	4,777,534	$ 0.91

The following table summarizes information about the stock options outstanding and exercisable at October 31, 2021.

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	0.80	$ 0.58	964,200
$0.64 - $0.65	968,200	1.56	0.64	968,200
$0.97 - $1.05	2,041,734	3.07	1.01	1,339,424
$1.38 - $1.39	803,400	4.60	1.39	-
	4,777,534	2.56	$ 0.91	3,271,824

The number of stock options exercisable at October 31, 2021 was 3,271,824 (2020 – 3,145,190) with a weighted average exercise strike price of CAD$0.77 (2020 – 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 six months ended October 31, 2021 and 2020, respectively:

	2021	2020
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

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For the three and six months ended October 31, 2021 and 2020

(unaudited)

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

9. Shareholders' equity (deficiency) (continued)

(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 six months ended October 31, 2021, the Company granted 2,512,420 RSUs (2020 – 246,823 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.

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 six months ended October 31, 2021, 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 October 31, 2021, 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 six months ended October 31, 2021 was $1.02 per RSU (2020 - $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, October 31, 2021	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	-	-	(10)
Outstanding, October 31, 2021	100,000	$ 1.50	$ 14

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended October 31, 2021 and 2020
(unaudited)
(Tabular amounts in thousands of US dollars, except for number of shares)

9. Shareholders' equity (deficiency) (continued)

(d) Warrant liability (continued)

The weighted average fair value of the warrants issued during the six months ended October 31, 2020 was $0.20 per warrant, using the Black-Scholes option pricing model with the following weighted average assumptions:

	2020
Risk-free interest rate	0.3%
Expected life	2.0 years
Expected volatility	75%
Share value at grant date	USD$1.13

The following table summarizes information about the liability-classified warrants outstanding and exercisable at October 31, 2021.

Exercise Price (USD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (USD)
$1.50	100,000	0.51	$ 1.50
	100,000	0.51	$ 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 six months ended October 31, 2021, 6,112,500 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 note	150,000	0.75	102
Exercise of warrants	(11,250)	3.00	(1)
Expiry of warrants	(6,112,500)	1.77	(1,811)
Outstanding, October 31, 2021	1,577,699	$ 2.14	$ 618

The weighted average fair value of the warrants issued during the six months ended October 31, 2021 was $0.60 per warrant (2020 – $0.13 per warrant), using the Black-Scholes option pricing model with the following weighted average assumptions:

	2021	2020
Risk-free interest rate	1.1%	0.2%
Expected life	4.1 years	0.6 years
Expected volatility	112%	85%
Share value at grant date	USD$1.13	USD$1.13

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2021 and 2020

(unaudited)

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

9. Shareholders' equity (deficiency) (continued)

(e) Equity-classified warrants (continued)

The following table summarizes information about the equity-classified warrants outstanding and exercisable at October 31, 2021.

Exercise Price (USD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (USD)
$0.75	150,000	4.99	$ 0.75
$1.50	603,532	1.56	1.50
$2.00	112,667	1.17	2.00
$3.00	711,500	0.72	3.00
	1,577,699	1.48	$ 2.14

(f) Per share amounts

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

	Three months ended October 31, 2021	2020	Six months ended October 31, 2021	2020
Weighted average common shares outstanding - basic and diluted	135,427,620	134,063,643	135,375,216	132,875,720

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.

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 October 31, 2021	2020	Six months ended October 31, 2021	2020
Research and development expenses:				
Operating expenses	$ 433	$ 618	$ 828	$ 1,280
Personnel costs (short-term employee benefits)	379	398	790	767
Government assistance (COVID-19 payroll subsidy)	-	-	-	(45)
Impairment of intangible assets	-	-	-	68
Share-based payment transaction costs	82	115	509	226
Amortization and depreciation	43	43	86	86
Total research and development expenses	$ 937	$ 1,174	$ 2,213	$ 2,382
General and administrative expenses:				
General expenses	$ 299	$ 286	$ 566	$ 358
Personnel costs (short-term employee benefits)	136	138	276	277
Share-based payment transaction costs	569	167	996	351
Amortization and depreciation	5	5	9	10
Total general and administrative expenses	$ 1,009	$ 596	$ 1,847	$ 996

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2021 and 2020

(unaudited)

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

11. Commitments

As at October 31, 2021, 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 $0.5 million (April 30, 2021 – $1.4 million).

As at October 31, 2021, 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 October 31, 2021, 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.

12. Subsequent Event

Expanded Licensing and Investment 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 for Zenith Epigenetics' lead compound, ZEN-3694, in Asia excluding Middle East and North Africa ("MENA"), India, and ten Eurasian countries (the "Territories"). Under the terms of the agreement, Newsoara will have the rights to develop, market, and distribute ZEN-3694 for all indications in the Territories. Zenith received an upfront payment of $3.5 million (less applicable tax withholdings) in November 2021. Zenith will also receive sales-based milestones and single digit royalties.

Concurrent with the execution of the license agreement, 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 next 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.