Consolidated Financial Statements

Years Ended April 30, 2023 and 2022

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Zenith Capital Corp. (the "Company") have been approved by the Board of Directors and have been prepared in accordance with International Financial Reporting, which recognize the necessity of relying on some best estimates and informed judgements. The financial information contained in the management's discussion and analysis is consistent with the consolidated financial statements. The Company undertakes steps to ensure the information presented is accurate and conforms to applicable laws and standards, including:

- Management maintains accounting systems and related internal controls and supporting procedures to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and complete and accurate financial records are maintained to provide reliable information for the preparation of the consolidated financial statements in a timely manner.
- The Board of Directors oversees the management of the business and the affairs for the Company including ensuring management fulfills its responsibility for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.
- The Audit Committee of the Board of Directors, comprised of three members considered to be independent directors, has reviewed the consolidated financial statements with management and the external auditors.

RSM Canada LLP Chartered Professional Accountants, the Company's external auditors, who are appointed by the Company's shareholders, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.

(signed)
Donald J. McCaffrey
President and Chief Executive Officer

(signed)
A. Brad Cann
Chief Financial Officer

August 29, 2023

RSM

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zenith Capital Corp.

Opinion

We have audited the consolidated financial statements of Zenith Capital Corp. (the "Company"), which comprise the consolidated statement of financial position as at April 30, 2023 and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at April 30, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Company has incurred significant losses to date, and with no assumption of revenues, is dependent on its ability to raise additional financial capital if it is to remain as a going concern. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of Company for the year ended April 30, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on September 15, 2022.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis (MD&A).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Canada LLP

Chartered Professional Accountants
August 29, 2023
Calgary, Alberta

Consolidated Statements of Financial Position
As at:

In thousands of US dollars	Notes	April 30, 2023	April 30, 2022
Assets			
Current assets:			
Cash		$ 29	$ 8
Prepaid expenses and deposits		22	516
Investment tax credit receivable		236	158
Other assets		59	13
Clinical supplies		107	305
Due from Resverlogix Corp.	17	923	-
Total current assets		1,376	1,000
Non-current assets:			
Property and equipment	7	95	222
Licensing costs	11	699	699
Intangible assets	8	1,001	882
Deferred financing costs		-	10
Clinical supplies		-	64
Total non-current assets		1,795	1,877
Total assets		$ 3,171	$ 2,877
Liabilities			
Current liabilities:			
Trade and other payables		$ 2,067	$ 1,647
Promissory notes	10	3,966	2,018
Accrued interest	12	10	-
Due to Resverlogix Corp.	17	-	159
Debt	12	465	1,461
Financing rights	13	170	79
Total current liabilities		6,678	5,364
Non-current liabilities:			
Unearned licensing revenue	11	11,352	11,352
Total liabilities		18,030	16,716
Shareholders' deficiency:			
Share capital	14 (a)	89,622	80,938
Contributed surplus		11,735	9,652
Conversion option		14	-
Warrants	14 (e)	2,130	811
Deficit		(118,360)	(105,240)
Total shareholders' deficiency		(14,859)	(13,839)
Total liabilities and shareholders' deficiency		$ 3,171	$ 2,877

Going concern (note 3)　　Commitments (note 16)

Signed on behalf of the Board:

Signed: "Donald McCaffrey" Director　　Signed: "Kenneth Zuerblis" Director

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

Consolidated Statements of Comprehensive Loss

For the years ended April 30

In thousands of US dollars	Notes	2023	2022
Expenses:			
Research and development, net of recoveries	15	$ 8,401	$ 4,186
Investment tax credits		(88)	(161)
Net research and development		8,313	4,025
General and administrative	15	2,851	3,353
		11,164	7,378
Finance costs (income):			
Gain on change in fair value of financing rights	13	-	(169)
Gain on change in fair value of warrant liability	14 (d)	-	(24)
(Gain) loss on extinguishment of trade payables	14 (c)	(53)	126
Interest and accretion expense		293	269
Financing costs	10	422	238
Foreign exchange gain		(80)	(50)
Net finance costs		582	390
Other	14 (a)	1,350	-
Loss before income taxes		13,096	7,768
Income taxes	18	24	29
Net loss and total comprehensive loss		$ 13,120	$ 7,797
Net loss per share *(note 14 (f))*			
Basic and diluted		$ 0.09	$ 0.06

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

Consolidated Statements of Changes in Shareholders' Deficiency

For the years ended April 30

In thousands of US dollars	Share Capital	Contributed Surplus	Conversion Option	Warrants	Deficit	Total Shareholders' Deficiency
Balance, April 30, 2021	$ 80,084	$ 4,657	$ -	$ 2,305	$ (97,443)	$ (10,397)
Common shares and warrants issued in connection with private placements	527	-	-	128	-	655
Settlement of accrued bonuses and director fees with restricted stock	-	1,105	-	-	-	1,105
Warrants expiries	-	1,860	-	(1,860)	-	-
Common shares issued in connection with warrant exercises	35	-	-	(1)	-	34
Common shares issued in connection with long term incentive plan	298	(298)	-	-	-	-
Warrants issued in connection with promissory note	-	-	-	239	-	239
Share issue costs	(6)	-	-	-	-	(6)
Share-based payment transactions	-	2,328	-	-	-	2,328
Net loss and total comprehensive loss	-	-	-	-	(7,797)	(7,797)
Balance, April 30, 2022	$ 80,938	$ 9,652	$ -	$ 811	$ (105,240)	$ (13,839)
Common shares and warrants issued in connection with private placements	8,121	-	-	1,217	-	9,338
Common shares issued in connection with settlement of fees	384	-	-	-	-	384
Common shares issued in connection with warrant exercises	421	-	-	(84)	-	337
Common shares issued in connection with anti-dilution rights	79	-	-	-	-	79
Warrants expiries	-	256	-	(256)	-	-
Warrants issued in connection with promissory notes	-	-	-	418	-	418
Warrants and conversion option issued in connection with convertible debenture	-	-	14	24	-	38
Common shares issued in connection with long term incentive plan	80	(10)	-	-	-	70
Share issue costs	(401)	-	-	-	-	(401)
Share-based payment transactions	-	1,837	-	-	-	1,837
Net loss and total comprehensive loss	-	-	-	-	(13,120)	(13,120)
Balance, April 30, 2023	$ 89,622	$ 11,735	$ 14	$ 2,130	$ (118,360)	$ (14,859)

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

Consolidated Statements of Cash Flows
For the years ended April 30

In thousands of US dollars	Notes	2023	2022
Cash provided by (used in):			
Cash flows used in operating activities:			
Net loss		$ (13,120)	$ (7,797)
Items not involving cash:			
Equity-settled share-based payment transactions	15	1,837	2,327
Depreciation and amortization	7, 8	200	192
Change in fair value of financing rights	13	-	(169)
Change in fair value of warrant liability	14 (d)	-	(24)
Other	14 (a)	1,350	-
(Gain) loss on extinguishment of payables	14 (c)	(53)	126
Interest and accretion expense		293	269
Income taxes	18	24	29
Financing costs	10	422	238
Changes in non-cash working capital:			
Prepaid expenses and deposits		494	61
Investment tax credit receivable		(78)	(20)
Other assets		(46)	281
Clinical supplies		262	300
Unearned licensing revenue	11	-	3,150
Trade and other payables		421	355
Change in due to/from Resverlogix Corp.		(1,082)	(160)
		(9,076)	(842)
Interest received		1	-
Income tax paid		(9)	(5)
Net cash used in operating activities		(9,084)	(847)
Cash flows provided by financing activities:			
Proceeds from private placements	14 (a)	8,108	481
Share issuance costs		(8)	(6)
Proceeds from convertible debenture	12	500	-
Repayment of debt	12	(1,500)	-
Debt issuance costs		(4)	(2)
Financing costs		(3)	(10)
Proceeds from exercise of warrants		337	34
Proceeds from promissory notes	10	2,194	1,476
Repayment of promissory notes	10	(169)	(752)
Interest paid on promissory notes		-	(28)
Changes in non-cash financing working capital		(175)	(89)
Net cash provided by financing activities		9,280	1,104
Cash flows used in investing activities:			
Intangible asset expenditures		(192)	(162)
Changes in non-cash investing working capital		18	(94)
Net cash used in investing activities		(174)	(256)
Effect of foreign currency translation on cash		(1)	-
Increase in cash		21	1
Cash, beginning of year		8	7
Cash, end of year		$ 29	$ 8

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

Notes to the Consolidated Financial Statements

For the years ended April 30, 2023 and 2022

(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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 29, 2023.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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.

As at April 30, 2023, the Company had $0.03 million of cash and was committed to pay $2.1 million of trade and other payables, $4.0 million of promissory notes, and $0.5 million of debt. The Company is also committed to pay $0.5 million for research and development commitments and an estimated $0.7 million for National Cancer Institute funding (for studies to develop ZEN-3694) over the next twelve months as described further in Note 16. 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.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2023 and 2022

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

3. Going concern (continued)

The Company's cash as at April 30, 2023, in combination with the remainder of the $10 million of expenditures to be made by Newsoara BioPharma Co., Ltd. ("Newsoara") (as described further under "Investment from Newsoara" in Note 14 (a)), 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 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 accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated. The accounting policies have been applied consistently by the Company's subsidiaries.

Consolidation

The consolidated financial statements include the accounts of Zenith Capital Corp. and its wholly-owned subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. The Company achieves control when it is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Company considers its voting and contractual rights and all other relevant facts and circumstances in assessing whether it has the power to direct the relevant activities of an entity.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

Financial instruments

Classification and measurement of financial assets and financial liabilities

Financial assets

Financial assets are initially measured at fair value. In the case of a financial asset not at fair value through profit or loss, the financial asset is initially measured at fair value plus or minus transaction costs.

Under IFRS 9 *Financial Instruments* ("IFRS 9"), financial assets are subsequently measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the financial asset's contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The Group's financial assets include cash, investment tax credit receivable, deposits and Due from Resverlogix Corp. The classification and measurement of these financial assets are at amortized cost, as these assets are held within the Group's business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2023 and 2022

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

4. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Financial liabilities are initially measured at fair value and are subsequently measured at amortized cost except for financing rights. The Group's financial liabilities are classified and measured as follows:

Financial Liability	Classification	Measurement
Trade and other payables	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost
Due to Resverlogix Corp.	Other liabilities	Amortized cost
Debt	Other liabilities	Amortized cost
Financing rights	FVTPL	Fair value

Impairment

Under IFRS 9, accounting for impairment losses for financial assets uses a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires that a loss allowance is recorded for ECLs on all financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Fair Value Measurement

Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. In determining the fair value measurement of the Group's financial instruments, the related inputs used in measuring fair value are prioritized according to the following hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;

Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The fair values of the financing rights and derivative liability are based on level 3 (significant unobservable) inputs.

Debt

The non-interest bearing, unsecured debt (refer to Note 12 (a)) was a financial instrument measured at amortized cost; the initial recognition was at fair value, with a discount to incorporate the absence of interest. The difference between the fair value at initial recognition (incorporating the absence of interest) and the transaction price was recognized as a gain at initial recognition (within financing costs in profit or loss).

Convertible Debenture

The unsecured convertible debenture (refer to Note 12 (b)) is a hybrid instrument consisting of a financial instrument and an embedded derivative, being the equity-classified conversion option. The embedded derivative was separated 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. The convertible debenture contains a fixed conversion price for a fixed number of shares; therefore, the conversion option is equity-classified. The fair value of the conversion option was based on level 2 (significant observable) and level 3 (unobservable) inputs.

Impairment

The Group assesses at each reporting date whether there is any indication that an asset or a group of assets is impaired.

Clinical supplies, property and equipment, due from Resverlogix Corp., and intangible assets may be impaired when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels (cash-generating units or "CGU") for which there are separately identifiable cash flows that are largely independent of the cash flows of other assets or CGUs. The recoverable amount is the higher of an asset's

Notes to the Consolidated Financial Statements

For the years ended April 30, 2023 and 2022

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

4. Significant accounting policies (continued)

Impairment (continued)

fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant assets or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Group re-evaluates impairment losses for potential reversals when events or circumstances warrant such consideration. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any depreciation or amortization, if no impairment loss had been recognized.

Clinical supplies

Clinical supplies are initially capitalized when incurred, and the expense is recognized at a future date when the supplies are used. They are carried at cost, and these costs are recognized as the clinical supplies are consumed in research and development activities in the statement of comprehensive loss or when the clinical supplies are no longer expected to be used in clinical trials.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. Purchased software that is integral to the functionality of the related computer hardware is capitalized as part of that computer hardware. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are expensed as incurred.

The major categories of property and equipment are depreciated as follows:

Asset	Method	Rate
Laboratory equipment	Straight-line	5-10 years
Office furniture and equipment	Straight-line	5 years
Computer hardware and software	Straight-line	3 years
Tenant improvements	Straight-line	Term of lease

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. Items of property and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component, and are depreciated from the date they are installed and ready for use.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive loss.

Intangible assets

(i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are charged as an expense in the period in which they are incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

(ii) Other intangible assets, subsequent expenditures, and amortization

Separately acquired patents and non-integrated software have a finite useful life and are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2023 and 2022

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

4. Significant accounting policies (continued)

Intangible assets (continued)

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The major categories of intangibles assets are depreciated as follows:

Asset	Method	Rate
Patents and intellectual property	Straight-line	20-21 years
Non-integrated software	Straight-line	3 years

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term incentive plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reasonably.

Revenue

Revenue relates to a long-term contract associated with a License Agreement (the “License Agreement”) between the Company and Newsoara, as described further in Note 11. The Company uses the five-step analysis of transactions outlined in IFRS 15 – *Revenues from Contracts with Customers* to determine the nature of the Company’s obligations to perform and whether, how much and when revenue is recognized. Proceeds from the contract include non-refundable upfront payments, development and regulatory milestone payments, royalties and sales-based milestone payments. Zenith accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Under the License Agreement, Zenith has granted a regional license (for China, Hong Kong, Taiwan, and Macau) to Zenith’s intellectual property related to its lead compound, ZEN-3694. Zenith will recognize revenue related to the upfront license payments at the point in time at which the Company’s performance obligations under the License Agreement have been fully satisfied. Management must use judgement in making assumptions and estimates regarding the point in time at which the Company’s performance obligations under the License Agreement have been fully satisfied.

The License Agreement with Newsoara also provides for development and regulatory milestone payments. These amounts are contingent on the occurrence of a future event and therefore give rise to variable consideration. Zenith estimates variable consideration at the most likely amount to which it expects to be entitled. Zenith includes estimated amounts in the transaction price when it becomes highly probable that the amount will not be subject to significant reversal when the uncertainty associated with the variable consideration is resolved. Additionally, the License Agreement provides for payments that are dependent on future sales. These proceeds are recognized when the future sales occur.

Zenith’s estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of Zenith’s anticipated performance and all information (historical, current and forecasted) that is reasonably available to the Company. Based on this information and related analysis, any quarterly adjustments to revenue are recognized as necessary in the period they become known.

Revenue from sales-based royalties, if earned in the future, and the achievement of annual sales volumes will be recognized when the subsequent sales occur, as the license of the intellectual property is the predominant item to which the royalty relates. We consider payments associated with the achievement of annual sales volumes to be, in substance, royalty payments and we will recognize such sales-based payments upon achievement of such sales volumes, provided that collection is reasonably assured.

Unearned licensing revenue - Unearned licensing revenue includes upfront license fees and billings in excess of revenue recognized. Unearned licensing revenue is recognized as revenue as or when Zenith performs under the contract.

Licensing costs – Incremental costs of obtaining a license agreement are capitalized if the costs are expected to be recovered. The licensing costs will be recognized into profit or loss during the period in which the corresponding licensing revenue is recognized.

4. Significant accounting policies (continued)

Joint Arrangements

A joint arrangement is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control of an economic activity. IFRS 11 *Joint Arrangements* establishes two types of joint arrangements. The classification of a joint arrangement as a joint venture or a joint operation determines the parties' accounting. A party in a joint venture must account for its interest using the equity method. A party in a joint operation accounts for its share of assets, liabilities, revenues, and expenses based on its direct rights and obligations in accordance with the relevant guidance applicable to the specific assets, liabilities, revenues, and expenses. If the arrangement is not structured through a separate vehicle, it is a joint operation. Each party in a joint operation usually uses its own resources and carries out its own part of a joint operation separate from the activities of the other party or parties. Each party incurs its own expenses.

The arrangement between the Company and Newsoara, whereby Newsoara agreed to complete $10 million of certain ZEN-3694 development program activities, is classified as a joint operation. Therefore, the expenditures that Newsoara incurs related to the development program activities are reflected in the Company's assets and expenses in the period that Newsoara incurs them and the corresponding equity units are issued. The Company expects that Newsoara will spend the remainder of the $10 million on the agreed upon development program activities by or around the end of Calendar 2023.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees, officers, and directors is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

The fair value of the Company's share-based payment awards is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Any consideration received upon exercise of the options and similar instruments together with the amount of non-cash compensation cost recognized in contributed surplus is recorded as an increase in common shares. Restricted stock units that are settled net of required tax withholdings are classified entirely as equity-settled transactions.

Government grants

Grants resulting from government assistance programs, including investment tax credits for research and development expenditures, are reflected as reductions of the cost of the assets or expenditures to which they relate at the time the assistance becomes receivable.

Finance income and costs

Finance income and costs is comprised of interest income on funds invested and fair value gains (losses) on financial liabilities at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest rate method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax

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For the years ended April 30, 2023 and 2022

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4. Significant accounting policies (continued)

Income tax (continued)

asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Earnings per share

Basic (earnings) loss per share (“EPS”) is calculated by dividing the net (earnings) loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company uses the treasury stock method to determine the dilutive effect of issued instruments (stock options, restricted stock units and warrants). This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the period.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

5. Significant judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in these consolidated financial statements and notes. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant judgements and estimates made by management affecting the consolidated financial statements include:

Unearned licensing revenue

Zenith entered into a License Agreement which provides for upfront license fees, among other payments, in exchange for a regional license of its intellectual property. Management uses its judgement in determining the performance obligations in the License Agreement, and the extent of progress towards completion of the performance obligations. Revenue recognition requires assumptions and estimates regarding the point in time at which the Company’s performance obligations under the License Agreement have been fully satisfied.

Share-based payment transactions

The Company measures share-based payment transactions by reference to the fair value of the stock options and restricted stock units at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model. These assumptions include the estimated fair value of the Company’s common shares, which has been based on a market transaction approach. Assumptions regarding the expected life of the stock options, volatility and dividend yield were also made. Estimating the fair value of certain granted stock options and restricted stock units requires estimating the probability of performance conditions, which also requires management to exercise judgement. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 14 (b).

5. Significant judgements, estimates and assumptions (continued)

Warrants

The Company measures equity-classified warrants, the initial liability-classified warrants and subsequent revaluations of the liability-classified warrants by reference to the fair value of the warrants at the date at which they were granted, and subsequently revalues the liability-classified warrants at each reporting date. Estimating fair value for these warrants requires management to determine the most appropriate valuation model. This estimate also requires management to make assumptions about the most appropriate inputs to the valuation model including estimated fair value of the Company's common shares, the expected life of the warrants, volatility and dividend yield.

Convertible debenture

The Company's unsecured convertible debenture is a hybrid instrument consisting of a financial instrument and an embedded derivative, being the conversion option. The embedded derivative is separated from the host contract and accounted for separately as the economic characteristics and risks of the host contract and the embedded derivative are not closely related. The convertible debenture contains a fixed conversion price for a fixed number of shares; therefore, the conversion option is equity-classified. The fair value of the convertible debenture was determined by applying a market interest rate to discount the principal amount. The initial discount amount was allocated to the fair value of the warrants issued in connection with the convertible debenture and the residual amount allocated to the equity-classified conversion option. This valuation method requires management to make significant judgments about an appropriate market interest rate to discount the principal amount.

Financing rights

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. The Company revalues the financing rights at each reporting date.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Currently, the Company is accumulating tax loss carry forward balances, creating a deferred tax asset. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management's judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

To date, the Company has determined that none of the deferred tax assets should be recognized other than the provincial portion of the Investment tax credit receivable. The deferred tax assets are mainly comprised of the net operating losses from prior years, prior year research and development expenses, and investment tax credits. These tax pools relate to entities within the Group that have a history of losses, have varying expiry dates, and may not be used to offset taxable income of other entities within the Group. As well, there are no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

6. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- liquidity risk;
- market risk; and
- credit risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework, including the development and monitoring of the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

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6. Financial risk management (continued)

(a) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective in managing liquidity is to ensure, to the greatest extent possible, that it will have sufficient liquidity to meet its liabilities when due.

The future cash requirements of the Group are estimated by preparing a budget annually which is reviewed and approved by the Company's Board of Directors. The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities. Actual spending relative to budgeted expenditures is monitored regularly by management and reviewed by the Company's Board of Directors quarterly.

The Group's exposure to liquidity risk is dependent on its research and development programs and associated commitments and obligations, and its ability to raise capital. There are no assurances that funds will be available to the Group when required (see Note 3). The Group holds cash on deposit of which, as at April 30, 2023, is not subject to any external restrictions. The Group also continuously monitors actual and projected expenditures and cash flows.

The table below presents a maturity analysis of the Group's financial liabilities on the expected cash flows from April 30, 2023 to the contractual maturity date. The carrying amounts are equivalent to the following contractual undiscounted cash flows. The Debt amount on the Consolidated Statements of Financial Position is recorded net of unamortized transaction costs.

	2024	2025	2026	Total
Trade and other payables	$ 2,066	$ -	$ -	$ 2,066
Promissory notes	3,966	-	-	3,966
Accrued interest	10	-	-	10
Debt (principal balance)	500	-	-	500
	$ 6,542	$ -	$ -	$ 6,542

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures.

Currency risk

The Group is exposed to currency risk on transactions that are denominated in a currency other than the functional currency of the Group. The currency in which these foreign transactions primarily are denominated is the Canadian dollar. The Group is also exposed to foreign exchange risk on its Canadian dollar denominated cash. The Group manages its exposure to currency fluctuations by holding cash denominated in Canadian dollars sufficient to satisfy current and anticipated Canadian dollar denominated financial liabilities.

The Group had no forward exchange contract to manage its foreign currency risk. As at April 30, 2023, the Group had Canadian dollar denominated assets and liabilities of: cash in the amount of CAD$18 thousand (2022 – CAD$1 thousand), other assets of CAD$0.01 million (2022 – CAD$0.02 million), and accounts payable and promissory notes totaling CAD$4.8 million (2022 – CAD$1.7 million). A change of $0.01 in exchange rate as measured on April 30, 2023 would result in a foreign currency gain or loss of $0.05 million (2022 – $0.02 million).

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Group to credit risk consist primarily of cash.

The Group manages its cash in accordance with an investment policy that established guidelines for investment eligibility, credit quality, liquidity and foreign currency exposure. The Company manages its exposure to credit loss by holding cash on deposit with major financial institutions.

As at April 30, 2023, the carrying amounts of the Group's cash, trade and other receivables, and trade and other payables approximate their fair value due to their short-term nature.

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7. Property and equipment

	Laboratory equipment	Office furniture and equipment	Computer hardware and software	Tenant improvements	Total
Cost					
Balance at April 30, 2021	$ 450	$ 139	$ 69	$ 1,028	$ 1,686
Balance at April 30, 2022	450	139	69	1,028	1,686
Disposals	(56)	(36)	-	-	(92)
Balance at April 30, 2023	**$ 394**	**$ 103**	**$ 69**	**$ 1,028**	**$ 1,594**
Accumulated depreciation					
Balance at April 30, 2021	$ 380	$ 139	$ 63	$ 751	$ 1,333
Depreciation	19	-	5	107	131
Balance at April 30, 2022	399	139	68	858	1,464
Depreciation	19	-	1	107	127
Disposals	(56)	(36)	-	-	(92)
Balance at April 30, 2023	**$ 362**	**$ 103**	**$ 69**	**$ 965**	**$ 1,499**
Net book value					
As at April 30, 2022	$ 51	$ -	$ 1	$ 170	$ 222
As at April 30, 2023	**32**	**-**	**-**	**63**	**95**

8. Intangible assets

	Patents and intellectual property	Non-integrated software	Total
Cost			
Balance at April 30, 2021	$ 915	$ 40	$ 955
Additions	162	-	162
Balance at April 30, 2022	1,077	40	1,117
Additions	192	-	192
Disposals	-	(7)	(7)
Balance at April 30, 2023	**$ 1,269**	**$ 33**	**$ 1,302**
Accumulated amortization			
Balance at April 30, 2021	$ 134	$ 40	$ 174
Amortization	61	-	61
Balance at April 30, 2022	195	40	235
Amortization	73	-	73
Impairment	-	-	-
Disposals	-	(7)	(7)
Balance at April 30, 2023	**$ 268**	**$ 33**	**$ 301**
Net book value			
As at April 30, 2022	$ 882	$ -	$ 882
As at April 30, 2023	**1,001**	**-**	**1,001**

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

9. Royalty preferred shares

As at April 30, 2023, the Company holds 75,202,620 royalty preferred shares of Resverlogix. The Company, the sole holder of the royalty preferred shares of Resverlogix, is entitled to dividends in the amount of 6-12% of Resverlogix's Net Revenue (as defined in Resverlogix's Articles of Amendment), if any.

The holder of the preferred shares does not have the right to participate in any additional dividends declared, if any, to common shareholders nor do they carry the right to vote. The holder of the preferred shares does not have any claim on Resverlogix's residual net assets other than an amount equal to the greater of (i) $1.00 divided by the number of outstanding royalty preferred shares; and (ii) the amount of any accrued, but unpaid royalty dividend payment and additional royalty dividend payment.

The royalty preferred shares have not been recognized in the statement of financial position. The Company has not recognized the royalty preferred shares for accounting purposes because assets that were acquired through the distribution in connection with the Plan of Arrangement with Resverlogix (completed on June 3, 2013) were accounted for at Resverlogix's historical carrying values and such assets were not previously recognized in Resverlogix's financial statements. The Company will recognize a royalty receivable when royalties are reasonably determinable and the economic benefits are probable to flow to the Company.

10. Promissory notes

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

	Liability amount
Outstanding, April 30, 2021	$ 1,336
Additions of promissory notes	1,476
Repayments of promissory notes	(752)
Revaluation of Canadian dollar denominated promissory notes	(42)
Outstanding, April 30, 2022	2,018
Additions of promissory notes	2,194
Repayment of promissory notes	(169)
Revaluation of Canadian dollar denominated promissory notes	(77)
Outstanding, April 30, 2023	$ 3,966

During the year ended April 30, 2022:

- the Chief Executive Officer / Chairman of the Company lent an additional CAD$0.7 million and was repaid CAD$0.4 million (the outstanding $0.7 million (CAD$0.9 million) promissory note bears interest at 5% per annum, is payable on demand and is secured by the Company's assets);
- another director of the Company lent an additional CAD$0.2 million to the Company and was repaid CAD $0.1 million (the outstanding $0.3 million (CAD$0.4 million) promissory note bears interest at 5% per annum, is payable on demand and is unsecured);
- 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 by the Company's assets);
- the Chief Financial Officer lent CAD$30 thousand and was repaid CAD$20 thousand (the outstanding CAD$10 thousand promissory note bears interest at 8% per annum, is payable on demand and unsecured); 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 during the year ended April 30, 2022. 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 year ended April 30, 2022.

As at April 30, 2023, promissory notes totaling $4.0 million are due to three related party lenders. During the year ended April 30, 2023, the Chief Executive Officer / Chairman of the Company lent an additional CAD$0.8 million (and was repaid CAD$0.2

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For the years ended April 30, 2023 and 2022

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10. Promissory notes (continued)

million), and a relative of the Chief Executive Officer / Chairman of the Company lent an additional CAD$2.1 million. The Chief Financial Officer was repaid CAD$10 thousand. As at April 30, 2023:

- the Chief Executive Officer / Chairman of the Company – the outstanding $1.1 million (CAD$1.5 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 – the 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 – the outstanding $2.6 million (USD$1.0 million and CAD$2.1 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 CAD$2.1 million advanced by a relative of the Chief Executive Officer / Chairman of the Company, and the promissory note outstanding from another director of the Company, the Company issued a total of 2,300,000 warrants during the year ended April 30, 2023. 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 2,300,000 warrants was determined to be $0.4 million and was recognized as a financing cost during the year ended April 30, 2023.

11. Revenue and unearned licensing revenue

Newsoara License Agreement

In July 2019, Zenith Epigenetics Ltd. entered into a License Agreement with Newsoara for its lead compound, ZEN-3694, in China, Hong Kong, Taiwan, and Macau (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. 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, however we would not necessarily develop, market and/or distribute the replacement compound (outside the Territories). Pursuant to the License Agreement, Newsoara agreed to pay Zenith Epigenetics Ltd. upfront and near-term development milestone payments totaling $15.0 million. Initial non-refundable upfront payments of $1.0 million and $2.5 million (less applicable tax withholdings) were received in July and September 2019, respectively. In December 2019, the Company received a development milestone payment of $5.0 million, less applicable tax withholdings, from Newsoara upon completion of the Company's Phase 2 clinical study with ZEN-3694 in metastatic castration-resistant prostate cancer to Newsoara's satisfaction and election to continue development. $7.7 million of the unearned licensing revenue at April 30, 2023 is comprised of the upfront payments and development milestone payments (less applicable tax withholdings).

Pursuant to the License Agreement, Newsoara also agreed to pay the Company a $6.5 million development milestone payment for/upon completion of either a Phase 3 clinical trial or a clinical study which results in the Company receiving accelerated approval by the US Food and Drug Administration ("FDA") (subject to Newsoara's satisfaction with the study's results). In addition, the Company is eligible to receive tiered royalty payments on sales of products once commercialization commences and Newsoara achieves sales. No amounts have been recognized for these milestone or royalty payments at April 30, 2023 as the conditions described above have not yet been met. In connection with the private placement with Newsoara during the year ended April 30, 2021, the License Agreement between Newsoara and the Company was amended to remove the potential $6.5 million future clinical development milestone payment and to assign certain patents in the Territories to Newsoara.

Beyond Therapeutics License Agreement

In December 2020, Zenith Epigenetics Ltd. entered into an agreement with Beyond Therapeutics Corp. (the "Licensee") for an outlicense of one of the Company's compounds (excluding ZEN-3694) worldwide excluding China, Hong Kong, Taiwan and Macau. Pursuant to the license agreement, within one year of the effective date, the Licensee must select one compound to license, from up to three compounds that it shall select. In connection with the license agreement, the Company received a non-refundable upfront payment of $0.5 million. The $0.5 million received is included in unearned licensing revenue at April 30, 2023.

Expanded Licensing 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 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

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11. Revenue and unearned licensing revenue (continued)

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. The $3.2 million received is included in unearned licensing revenue at April 30, 2023.

Licensing Costs

During the year ended April 30, 2020, the Company capitalized $0.5 million in licensing costs in connection with the Newsoara license agreement. During the year ended April 30, 2022, 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.

12. Debt

(a) $1.5 million loan with Newsoara

In March 2021, the Company closed a $1.5 million loan with Newsoara. The loan was 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. Recognizing the loan initially at fair value resulted in a $0.2 million gain within financing costs in the year ended April 20, 2021.

In March 2022, the maturity date of the $1.5 million loan was amended from March 5, 2022 to June 30, 2022. In June 2022, the maturity date of the $1.5 million loan was further amended from June 30, 2022 to September 30, 2022. The additional amendment was accounted for as a debt modification. A modification gain of $0.1 million, related to the further extension of the maturity date, was recognized within accretion on the statement of comprehensive loss. In September 2022, the Company repaid the $1.5 million loan.

The following table summarizes the changes in the Newsoara loan during the year ended April 30, 2023.

		Debt
Balance, April 30, 2022	$	1,461
Accretion of transaction costs, prior to maturity date extension		39
Modification gain for maturity date extension		(58)
Accretion		58
Repayment of debt		(1,500)
Balance, April 30, 2023	$	-

(b) $0.5 million convertible debenture

The following table summarizes the changes in the convertible debenture during the year ended April 30, 2023.

		Convertible Debenture
Balance, April 30, 2022	$	-
Issuance of Convertible Debenture		500
Fair value of conversion feature		(18)
Fair value of warrants		(21)
Transaction costs		(4)
		457
Accretion		8
Balance, April 30, 2023	$	465

In February 2023, the Company closed a $0.5 million unsecured convertible debenture (the "Debenture") with NGN BioMed Opportunity II, LP and another shareholder. The Debenture bears interest at 10% per annum and matures one year after the closing dates of the two tranches: $0.2 million matures on February 10, 2024 and $0.3 million matures on February 24, 2024. The holders of the Debenture are able to elect to convert the Debenture into units of the Company at a conversion price equal to US$0.60 per share.

The unsecured convertible debenture 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

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12. Debt (continued)

(b) $0.5 million convertible debenture (continued)

convertible debenture 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 Debenture, 150,000 warrants were issued to the Debenture holders. 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 $0.02 million.

13. 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	(3,738,334)	-
Revaluation of financing rights liability	-	(169)
Outstanding, April 30, 2022	120,334	$ 79
Granted	3,354,305	170
Anti-dilution rights converted into additional shares issued	(120,334)	(79)
Outstanding, April 30, 2023	3,354,305	$ 170

Pursuant to the terms of certain private placements that the Company closed during the years ended April 30, 2023 and 2022 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 $1.50 (for the anti-dilution rights granted during the year ended April 30, 2022) and below $0.75 or $0.60 (for the anti-dilution rights granted during the year ended April 30, 2023), 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. During the year ended April 30, 2022, 3,738,334 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 years ended April 30, 2023 and 2022 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 various previous private placements, various subscribers were entitled to receive additional shares (for no additional consideration) on the adjustment dates which were one year following the respective closings; following the adjustment dates, the subscribers are no longer entitled to receive additional shares. Accordingly, during the year ended April 30, 2023, the Company issued 120,334 shares to various subscribers, reflecting an adjusted subscription price of $0.75 per share, compared to the original subscription price of $1.50 per unit, in connection with 120,334 anti-dilution rights associated with $0.2 million of private placements that closed in June, July and August 2021. The fair value of the anti-dilution rights settled with additional shares was $0.1 million.

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

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

13. Financing rights (continued)

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 April 30, 2023, 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.

14. 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, 2021	135,302,493	$ 80,084
Issued in connection with private placements	420,334	338
Issued in connection with settlement of fees	189,000	189
Issued in connection with warrant exercise	11,250	35
Issued in connection with long term incentive plan	591,337	298
Share issue costs	-	(6)
Balance, April 30, 2022	136,514,414	80,938
Issued in connection with private placements	10,841,182	8,121
Issued in connection with settlement of fees	400,043	384
Issued in connection with warrant exercises	448,698	421
Issued in connection with anti-dilution rights	120,334	79
Issued in connection with long term incentive plan	174,791	80
Share issue costs	-	(401)
Balance, April 30, 2023	148,499,462	$ 89,622

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.

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 shall be 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). In September 2022, the Company closed the first ($1.5 million) tranche of the private placement. The Company used the proceeds to repay $1.5 million of debt. In January to April 2023, the Company issued 5,986,877 equity units to Newsoara for gross proceeds of $6.0 million ($4.9 million of the $6.0 million was recorded as research and development expenses in profit or loss).

Settlement of Fees

During the year ended April 30, 2022, in connection with the $3.5 million unearned licensing revenue received in November 2021 from Newsoara (refer to Note 12), the Company incurred commissions of $0.2 million. These fees were settled with the issuance of 189,000 shares.

During the year ended April 30, 2023, in connection with the 5,986,877 equity units issued to Newsoara in connection with the November 2021 subscription agreement, the Company incurred commissions of $0.4 million. These fees were settled with the

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For the years ended April 30, 2023 and 2022

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

14. Shareholders' deficiency (continued)

(a) Common shares (continued)

issuance of 359,210 shares. The Company also incurred commissions of $0.02 million in connection with the November 2023 private placement; these fees were settled with the issuance of 40,833 shares.

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

In March 2022, the Company issued a total of 300,000 equity units pursuant to a private placement 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 granted in March 2022 is exercisable at a price of $1.00 per underlying common share for a period of five years from the closing of the private placements.

In October 2022, the Company issued 56,985 equity units pursuant to a private placement at a price of $0.75 per unit for gross proceeds of $43 thousand. Each equity unit consisted of one common share and one common share purchase warrant. Each warrant granted with the October 2022 private placement is exercisable at a price of $1.00 per underlying common share for a period of two years from the closing of the private placement.

In November 2022, the Company issued 816,667 equity units pursuant to a private placement at a price of $0.60 per unit for gross proceeds of $0.5 million. Each equity unit consisted of one common share and two common share purchase warrants. Each warrant granted with the November 2022 private placement is exercisable at a price of $0.60 per underlying common share for a period of five years from the closing of the private placement.

In January 2023, the Company issued 147,318 equity units pursuant to a private placement at a price of $0.60 per unit for gross proceeds of $0.1 million. Each equity unit consisted of one common share and two common share purchase warrants. Each warrant granted with the January 2023 private placement is exercisable at a price of $0.60 per underlying common share for a period of five years from the closing of the private placement.

In April 2023, the Company issued 2,333,335 equity units pursuant to a private placement at a price of $0.60 per unit, or $1.4 million in total. Each equity unit consisted of one common share and two common share purchase warrants. Each warrant granted with the April 2023 private placement is exercisable at a price of $0.60 per underlying common share for a period of five years from the closing of the private placement. The Company recorded a corresponding $1.4 million expense due to an isolated email compromise which resulted in the misdirection of the proceeds from the private placement.

Warrant Exercises

In October 2020, the full principal amount of a $0.5 million convertible debenture and $0.02 million of accrued interest was converted into 348,698 equity units. Each equity unit consisted of one common share and one common share purchase warrant. Each warrant was exercisable at a price of $1.50 per underlying share until May 6, 2022. During the year ended April 30, 2023, the exercise price of the warrants was amended to $0.75 per share and all of the 348,698 warrants were exercised. In addition, the exercise price of the 100,000 liability-classified warrants (refer to Note 14 (d)) was amended to $0.75 per share and all of the 100,000 liability-classified warrants were exercised. In total, 448,698 warrants were exercised for gross proceeds of $0.3 million, and $0.1 million attributed to the previous valuation of the warrants was reclassified to share capital.

Shares Issued Pursuant to Anti-Dilution Rights

During the year ended April 30, 2023, the Company issued 120,334 shares to various subscribers, reflecting an adjusted subscription price of $0.75 per share, compared to the original subscription price of $1.50 per unit, in connection with 120,334 anti-dilution rights associated with $0.2 million of private placements that closed in June, July and August 2021. The fair value of the anti-dilution rights settled with additional shares was $0.1 million.

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For the years ended April 30, 2023 and 2022

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

14. Shareholders' deficiency (continued)

(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. 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, April 30, 2022	4,777,534	0.91
Granted	375,000	0.56
Expired	(1,174,436)	0.70
Forfeited	(102,198)	1.24
Outstanding, April 30, 2023	3,875,900	$ 0.94

The following table summarizes information about the stock options outstanding and exercisable at April 30, 2023.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.56 - $0.58	566,100	3.56	$ 0.57	191,100
$0.64 - $0.65	836,800	0.07	0.64	836,800
$0.97 - $1.05	1,757,500	1.60	1.01	1,664,969
$1.38 - $1.39	715,500	3.10	1.39	325,403
	3,875,900	1.83	$ 0.94	3,018,272

The number of stock options exercisable at April 30, 2023 was 3,018,272 (2022 – 3,271,824) with a weighted average exercise strike price of CAD$0.92 (2022 – CAD$0.77).

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 $0.15 and $0.73 per stock option associated with stock options granted during the year ended April 30, 2023 and 2022, respectively:

	2023	2022
Risk-free interest rate	3.9%	0.7%
Expected life	4.3 years	4.3 years
Expected volatility	107%	114%
Share value at grant date	CAD$0.31	CAD$1.39
Expected dividends	Nil	Nil

During the year ended April 30, 2023, 268,100 options previously granted to employees that were set to expire in October 2022 under the initial terms of the stock option agreements were extended two years to expire in October 2024. The extension of these options and the related $41 thousand incremental fair value (as measured at the modification date) was recognized as part of share-based payment transaction costs in the year. During the year ended April 30, 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 year.

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

14. Shareholders' 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 year ended April 30, 2023, the Company granted 3,307,204 RSUs. During the year ended April 30, 2023, 304,507 RSUs were granted to two vendors to settle trade payables of $0.12 million; the grant date fair value (equal to the closing stock price on the grant date) of the 304,507 RSUs was $0.07 million (recognized in share capital), resulting in a gain on payables extinguishment of $0.05 million (recognized in profit or loss).

During the year ended April 30, 2022, the Company granted 2,585,829 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 was recorded as a loss on extinguishment of payables in profit or 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, 2022, 2021 and 2020, it was estimated that the performance RSUs granted in the year ended April 30, 2020 would not likely vest within the prescribed period; therefore, none of the corresponding share-based compensation had been recognized on these performance RSUs prior to their forfeiture in the year ended April 30, 2022.

The weighted average fair value of the RSUs granted in the year ended April 30, 2023 was $0.48 per RSU (2022 – $1.01 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, 2021	6,665,453	$ 0.50
Granted	2,585,829	1.02
Exercised	(591,337)	0.50
Forfeited	(1,869,499)	0.68
Outstanding, April 30, 2022	6,790,446	0.65
Granted	3,307,204	0.48
Exercised	(174,791)	0.24
Cancelled	(562,155)	0.32
Forfeited	(21,597)	1.02
Outstanding, April 30, 2023	9,339,107	$ 0.61

(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. In connection with the March 2022 private placement, the exercise price of the warrants issued pursuant to the Debenture was further adjusted to $1.00 per underlying common share. The variable exercise price requires that these warrants are liability-classified and revalued each reporting period. During the year ended April 30, 2023, the exercise price of the warrants was amended to $0.75 per share and all of the 100,000 liability-classified warrants were exercised.

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For the years ended April 30, 2023 and 2022

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

14. Shareholders' deficiency (continued)

(d) Warrant liability (continued)

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	-	-	(24)
Outstanding, April 30, 2022	100,000	1.00	-
Exercise of liability-classified warrants	(100,000)	0.75	-
Outstanding, April 30, 2023	-	$ -	$ -

(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. In connection with the March 2022 private placement, the Company issued 300,000 warrants. Each warrant granted in March 2022 is exercisable at a price of $1.00 per underlying common share for a period of five years from the closing of the private placements. Due to the equity classification, the warrants issued in the prior year will not be revalued each reporting period. During the year ended April 30, 2022, 6,319,584 warrants expired, including 5,000,000 warrants that were granted in connection with the June 2020 private placement with Newsoara.

In connection with the September 2022 closing of the first ($1.5 million) tranche of the November 2021 private placement with Newsoara, the Company issued 750,000 warrants. In connection with the January to April 2023 closings of a further $6.0 million of the November 2021 private placement with Newsoara, the Company issued 2,993,438 warrants. Each warrant is 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 October 2022 private placement, the Company issued 56,985 warrants. Each warrant granted with the October 2022 private placement is exercisable at a price of $1.00 per underlying common share for a period of two years from the closing of the private placement. In connection with the November 2022 private placement, the Company issued 1,633,334 warrants. Each warrant granted with the November 2022 private placement is exercisable at a price of $0.60 per underlying common share for a period of five years from the closing of the private placement. In connection with the January 2023 private placement, the Company issued 294,636 warrants. Each warrant granted with the January 2023 private placement is exercisable at a price of $0.60 per underlying common share for a period of five years from the closing of the private placement. In connection with the February 2023 convertible debenture, the Company issued 150,000 warrants. Each warrant granted with the February 2023 convertible debenture is exercisable at a price of $0.60 per underlying common share for a period of five years from the closing of the private placement. In connection with the April 2023 private placement, the Company issued 4,666,665 warrants. Each warrant granted with the April 2023 private placement is exercisable at a price of $0.60 per underlying common share for a period of five years from the closing of the private placement. Due to the equity classification, the warrants in the current year will not be revalued each reporting period.

As described in Note 14 (a), in October 2020 the Company issued 348,698 warrants pursuant to a convertible debenture conversion, which had an exercise price of $1.50 per underlying common share and were to expire May 6, 2022. During the year ended April 30, 2023, the exercise price of the warrants was amended to $0.75 per share and all of the 348,698 warrants were exercised. $0.1 million attributed to the previous valuation of the warrants was reclassified to share capital.

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

14. Shareholders' deficiency (continued)

(e) Equity-classified warrants (continued)

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	360,167	1.17	128
Issued in connection with promissory notes	350,000	0.75	239
Exercise of warrants	(11,250)	3.00	(1)
Expiry of warrants	(6,319,584)	1.79	(1,860)
Outstanding, April 30, 2022	1,870,615	1.80	811
Issued in connection with private placements	10,395,058	0.75	1,217
Issued in connection with promissory notes	2,300,000	0.75	418
Issued in connection with convertible debenture	150,000	0.60	24
Exercise of warrants	(348,698)	0.75	(84)
Expiry of warrants	(640,250)	2.98	(256)
Outstanding, April 30, 2023	13,726,725	$ 0.77	$ 2,130

The weighted average fair value of the warrants issued during the year ended April 30, 2023 was $0.13 per warrant (2022 – $0.52 per warrant), using the Black-Scholes option pricing model with the following weighted average assumptions:

	2023	2022
Risk-free interest rate	3.4%	1.8%
Expected life	3.7 years	4.7 years
Expected volatility	111%	112%
Share value at grant date	USD$0.26	USD$0.92

The following table summarizes information about the equity-classified warrants outstanding and exercisable at April 30, 2023.

Exercise Price (USD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (USD)
$0.60	6,744,635	4.87	$ 0.60
$0.75	2,650,000	4.61	0.75
$1.00	4,100,423	0.80	1.00
$1.50	171,500	2.83	1.50
$2.00	60,167	0.23	2.00
	13,726,725	3.56	$ 0.77

(f) Per share amounts

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

	2023	2022
Weighted average common shares outstanding - basic and diluted	138,843,136	135,622,306

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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15. 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.

	2023	2022
Research and development expenses:		
Operating expenses	$ 6,654	$ 1,887
Personnel costs (short-term employee benefits)	1,131	1,439
Share-based payment transaction costs	433	686
Amortization and depreciation	183	174
Total research and development expenses	$ 8,401	$ 4,186
General and administrative expenses:		
General expenses	$ 872	$ 1,089
Personnel costs (short-term employee benefits)	558	605
Share-based payment transaction costs	1,404	1,641
Amortization and depreciation	17	18
Total general and administrative expenses	$ 2,851	$ 3,353

16. Commitments

As at April 30, 2023, 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, 2022 – $0.1 million).

As at April 30, 2023, the Group is committed to expenditures over the next twelve months of $0.6 million (April 30, 2022 – $1.1 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 April 30, 2023, the Group is committed to provide additional funding totaling up to an estimated $2.1 million, anticipated over the next five years, including up to an estimated $0.7 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.

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

17. Related party transactions

Balances and transactions between the Company and its wholly owned subsidiary have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties consist of key management personnel compensation and transactions, transactions with Resverlogix and transactions with board members (see Note 10).

Key management personnel

Key management personnel of the Group consist of its executive management and Board of Directors. Compensation expenses, including salaries and fees, incurred directly by the Company or pursuant to the Assignment and Services Agreement with regards to key management personnel were as follows:

		2023		2022
Short-term employee benefits	$	596	$	696
Equity-settled share-based payments		1,710		1,451
Key management personnel compensation	$	2,306	$	2,147

As at April 30, 2023, $0.2 million (2022 – $0.1 million) of outstanding compensation is payable with regards to key management personnel. As described in Note 10, at April 30, 2023, a $1.1 million (CAD$1.5 million) promissory note is owed to the Chief Executive Officer / Chairman of the Company and a $0.3 million (CAD$0.4 million) promissory note is owed to another director of the Company.

Related party transactions with Resverlogix

Resverlogix and the Company have a majority 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 year ended April 30, 2023, the Company incurred an aggregate of $0.7 million (2022 - $0.9 million) of service fees and reimbursable expenses, comprised of $0.5 million (2022 - $0.6 million) for management and administrative services provided by Resverlogix, and $0.3 million (2022 - $0.4 million) of reimbursable expenses, net of $0.1 million (2022 - $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 agreements that Resverlogix has in place with the Company. Including additional advances made by the Company to Resverlogix during the year (to advance the Company's economic interest in Resverlogix royalty preferred shares), as at April 30, 2023, Resverlogix owes the Company $0.9 million (2022 – the Company owed Resverlogix $0.2 million). This balance is unsecured, payable on demand and non-interest bearing.

Effective January 1, 2015, the Company entered into a Services Agreement with Resverlogix whereby the Company supplies research services to Resverlogix. 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 year ended April 30, 2023, the Company provided $0.01 million of research services (2022 - $0.02 million). As at April 30, 2023, Resverlogix owes the Company $0.01 million related to work performed under the agreement (2022 - $0.01 million).

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

18. Income taxes

The provision for income taxes differs from the amount which would be obtained by applying the combined statutory federal and provincial income tax rate to the net loss in the year. A reconciliation of the expected tax and the actual provision for income taxes is as follows:

	2023	2022
Expected tax recovery expense - 23.0% (2022 - 23.0%)	$ (3,012)	$ (1,787)
Revaluation of financing rights	-	(39)
Share-based payments	423	535
Loss on other	311	-
Other	75	117
Current year losses and other for which no deferred tax asset is recognized	2,227	1,203
Income tax expense	$ 24	$ 29

Deferred tax assets are recognized, to the extent that it is probable that taxable income will be available, against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. The components of the unrecognized net deferred income tax asset are as follows:

	2023	2022
Non-capital losses	$ 22,863	$ 20,682
Scientific research and experimental development expenditures	3,313	3,188
Undepreciated capital cost and other	134	213
Unrecognized deferred tax	$ 26,310	$ 24,083

As at April 30, 2023, the Company has non-capital losses of approximately $99.3 million (2022 - $89.9 million) available to reduce future years' taxable income expiring at various times until 2043. The Company has non-refundable federal investment tax credits of approximately $2.4 million (2022 - $2.7 million) which are available to reduce future taxes payable, subject to approval by Canada Revenue Agency and expiring at various times until 2043. The Company has unclaimed scientific research and development expenditures available to reduce future years' taxable income of approximately $14.4 million (2022 - $13.9 million) over an indefinite future period. The Company has undepreciated capital cost pools of approximately $1.7 million (2022 - $2.0 million). The potential benefits of these tax pools have not been recorded in the financial statements.