



Condensed Interim Consolidated Financial Statements
For the three and six months ended October 31, 2017 and 2016



Condensed Interim Consolidated Statements of Financial Position

(unaudited)

As at: <i>In thousands of US dollars</i>	Notes	October 31, 2017	April 30, 2017		
Assets					
Current assets:					
Cash		\$ 711	\$ 1,355		
Prepaid expenses and deposits		1,196	495		
Investment tax credit receivable		109	63		
Other assets		293	216		
Clinical supplies		3,016	3,343		
Due from Zenith Capital Corp.		-	182		
Total current assets		5,325	5,654		
Non-current assets:					
Property and equipment		536	628		
Intangible assets		1,951	2,136		
Prepaid expenses and deposits		445	442		
Deferred financing costs		163	314		
Clinical supplies		1,350	1,693		
Total non-current assets		4,445	5,213		
Total assets		\$ 9,770	\$ 10,867		
Liabilities					
Current liabilities:					
Trade and other payables		\$ 12,143	\$ 12,155		
Accrued interest and fees		3,853	1,429		
Unearned revenue	10	6,200	-		
Warrant liability	7 (d)	6,489	7,515		
Due to Zenith Capital Corp.		5	-		
Debt	5	53,320	48,637		
Total current liabilities		82,010	69,736		
Non-current liabilities:					
Royalty preferred shares	6	46,600	42,700		
Total liabilities		128,610	112,436		
Shareholders' equity (deficit):					
Share capital	7 (a)	183,440	174,622		
Contributed surplus		39,335	39,234		
Warrants	7 (e)	481	440		
Deficit		(342,096)	(315,865)		
Total shareholders' deficit		(118,840)	(101,569)		
Total liabilities and shareholders' equity (deficit)		\$ 9,770	\$ 10,867		
Future operations (note 3)					
Commitments (note 9)					
Subsequent events (note 11)					
Signed on behalf of the Board:					
Signed:	<u>"Dr. Eldon Smith"</u>	Director	Signed:	<u>"Kenneth Zuerblis"</u>	Director

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

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three and six months ended October 31

(unaudited)

<i>In thousands of US dollars</i>	Notes	Three months ended October 31,		Six months ended October 31,	
		2017	2016	2017	2016
Expenses:					
Research and development, net of recoveries	8	\$ 8,447	\$ 6,361	\$ 16,504	\$ 12,525
Investment tax credits		(7)	(15)	(40)	(31)
Net research and development		8,440	6,346	16,464	12,494
General and administrative, net of recoveries	8	1,141	1,253	2,026	2,219
		9,581	7,599	18,490	14,713
Finance costs (income):					
(Gain) loss on change in fair value of warrant liability	7 (d)	(1,471)	3,697	(3,567)	419
Loss on change in fair value of royalty preferred shares	6	2,400	3,000	3,900	4,800
Interest, fees and accretion		2,253	1,748	4,190	3,430
Financing costs		137	-	245	-
Foreign exchange (gain) loss		(2,038)	(894)	2,951	(1,764)
Net finance costs		1,281	7,551	7,719	6,885
Loss before income taxes		10,862	15,150	26,209	21,598
Income taxes		13	15	22	46
Net and total comprehensive loss		\$ 10,875	\$ 15,165	\$ 26,231	\$ 21,644
Net loss per share (note 7 (f))					
Basic and diluted		\$ 0.10	\$ 0.14	\$ 0.24	\$ 0.21

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

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit
For the six months ended October 31
(unaudited)

<i>In thousands of US dollars</i>	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Deficit
Balance, April 30, 2016	\$ 174,115	\$ 38,671	\$ 440	\$ (269,655)	\$ (56,429)
Common shares issued in connection with stock option and long term incentive plans	302	(501)	-	-	(199)
Share-based payment transactions	-	559	-	-	559
Net and total comprehensive loss	-	-	-	(21,644)	(21,644)
Balance, October 31, 2016	\$ 174,417	\$ 38,729	\$ 440	\$ (291,299)	\$ (77,713)
Balance, April 30, 2017	\$ 174,622	\$ 39,234	\$ 440	\$ (315,865)	\$ (101,569)
Common shares issued in connection with private placements	6,438	-	-	-	6,438
Common shares issued in connection with prospectus offering	2,714	-	-	-	2,714
Common shares issued in connection with stock option and long term incentive plans	109	(54)	-	-	55
Share issue cost	(443)	-	-	-	(443)
Warrants issued in connection with prospectus offering	-	-	41	-	41
Share-based payment transactions	-	155	-	-	155
Net and total comprehensive loss	-	-	-	(26,231)	(26,231)
Balance, October 31, 2017	\$ 183,440	\$ 39,335	\$ 481	\$ (342,096)	\$ (118,840)

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



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

<i>In thousands of US dollars</i>	2017	2016
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Net loss	\$ (26,231)	\$ (21,644)
Items not involving cash:		
Equity-settled share-based payment transactions	155	559
Depreciation and amortization	190	217
Change in fair value of warrant liability	(3,567)	419
Change in fair value of royalty preferred shares	3,900	4,800
Impairment of intangible assets	294	-
Unrealized foreign exchange	2,925	(3,159)
Interest, fees and accretion	4,190	3,430
Net current income taxes	22	46
Changes in non-cash working capital:		
Investment tax credit receivable	(46)	(27)
Clinical supplies	670	(2,107)
Prepaid expenses and deposits	(704)	84
Unearned revenue	6,200	-
Other assets	(78)	(3)
Due from Zenith Capital Corp.	187	5,601
Trade and other payables	(250)	194
	(12,143)	(11,590)
Interest received	1	110
Financing costs	150	-
Income tax paid	(40)	(70)
Net cash used in operating activities	(12,032)	(11,550)
Cash flows generated from (used in) financing activities:		
Proceeds from equity units issued in connection with private placements	8,229	-
Proceeds from equity units issued in connection with prospectus offering	3,464	-
Share issuance costs	(363)	-
Financing costs	(150)	-
Deferred financing costs, net of recovery	16	-
Proceeds from exercise of stock options	55	25
Restricted stock unit costs	-	(224)
Interest and fees paid	(8)	(2,075)
Changes in non-cash financing working capital	242	-
Net cash generated from (used in) financing activities	11,485	(2,274)
Cash flows used in investing activities:		
Property and equipment additions	-	(10)
Intangible asset additions	(206)	(253)
Changes in non-cash investing working capital	82	(130)
Net cash used in investing activities	(124)	(393)
Effect of foreign currency translation on cash	27	(1,097)
Decrease in cash	(644)	(15,314)
Cash, beginning of period	1,355	28,109
Cash, end of period	\$ 711	\$ 12,795

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

Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended October 31, 2017 and 2016

(unaudited)

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

1. General information

Resverlogix Corp. (the “Company”) is a company domiciled in Canada. The condensed interim consolidated financial statements comprise the Company and its wholly-owned subsidiary Resverlogix Inc. (together referred to as “Resverlogix” or the “Group”). Resverlogix Corp. is incorporated under the laws of Alberta. Resverlogix Inc. is incorporated under the laws of Delaware. The Company’s head office is located at Suite 300, 4820 Richard Road S.W., Calgary, Alberta, T3E 6L1. The registered and records office is located at Suite 600, 815 - 8th Avenue S.W., Calgary, Alberta, T2P 3P2.

Resverlogix is developing apabetalone (RVX-208), a first-in-class, small molecule that is a selective BET (bromodomain and extra-terminal) inhibitor. BET bromodomain inhibition is an epigenetic mechanism that can regulate disease-causing genes. Apabetalone is the first and only BET inhibitor selective for the second bromodomain (BD2) within the BET protein called BRD4. This selective inhibition of apabetalone on BD2 produces a specific set of biological effects with potentially important benefits for patients with high-risk cardiovascular disease (CVD), diabetes mellitus (DM), chronic kidney disease, dialysis, Alzheimer’s disease, Fabry disease, other orphan diseases, and peripheral artery disease, while maintaining a well described safety profile. Apabetalone is the only selective BET bromodomain inhibitor in human clinical trials. Apabetalone is currently being studied in a Phase 3 trial, BETonMACE, in 13 countries worldwide, in high-risk CVD patients with type 2 DM and low high-density lipoprotein (HDL), and is expected to be initiated in a Phase 2a kidney dialysis trial designed to evaluate biomarker changes and safety parameters in up to 30 patients with end-stage renal disease treated with hemodialysis. The Company is considered to be in the development stage as most of its efforts have been devoted to research and development and it has not earned any revenue to date.

2. Basis of preparation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting*. These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on December 12, 2017.

Certain information, in particular the accompanying notes normally included in the annual financial statements prepared in accordance with IFRS, has been omitted or condensed. These condensed interim consolidated financial statements do not include all disclosures required under IFRS and, accordingly, should be read in conjunction with the annual financial statements for the year ended April 30, 2017 and the notes thereto prepared in accordance with International Financial Reporting Standards (“IFRS”) as prescribed by the International Accounting Standards Board (“IASB”).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of the liability classified warrants and liability classified royalty preferred shares, which are measured at fair value each reporting period. Debt is measured initially at fair value and subsequently at amortized cost. Historical cost is based on the fair value of the consideration given in exchange for assets recorded on the date of the transaction.

(c) Functional and presentation currency

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

(d) Use of estimates and judgment

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in these condensed interim consolidated financial statements and notes. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgment used in the preparation of the condensed interim consolidated financial statements remain unchanged from those described in the Group’s consolidated financial statements for the year ended April 30, 2017.

Notes to the Condensed Interim Consolidated Financial Statements

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(unaudited)

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

3. Future operations

The success of the Company is dependent on the continuation of its research and development activities, progressing the core technologies through clinical trials to commercialization 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 accompanying condensed interim consolidated financial statements have been prepared pursuant to International Financial Reporting Standards applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company has incurred significant losses to date, and with no assumption of revenues, is dependent on its ability to raise additional financial capital by continuing to demonstrate the successful progression of its research and development activities if it is to remain as a going concern.

As at October 31, 2017, the Company had \$0.7 million of cash and was committed to pay \$12.1 million of trade and other payables, \$7.0 million for research and development and \$0.7 million of lease obligations over the next twelve months as described further in Note 9. In addition, expenditures over the next twelve months under cancellable agreements with contract research organizations and central laboratories conducting the BETonMACE and other trials were estimated to total approximately \$15 - 20 million. As described further in Note 5, during the three and six months ended October 31, 2017, the Company's CAD\$68.8 million (US\$53.3 million) loan was extended and was repayable on or before maturity on December 26, 2017. As described in Note 11, on December 6, 2017 the Company repaid its loan and all related interest and fees.

Zenith Capital Corp. ("Zenith") agreed to pay the Company for its proportionate share of operating lease payments and operating costs for office and laboratory premises of an estimated \$0.2 million and \$0.1 million, respectively, for the next twelve months.

As described in Note 11, on December 1, 2017, the Company closed a private placement, of 60,416,667 equity units with Shenzhen Hepalink Pharmaceutical Co. Ltd. ("Hepalink") at a price of CAD\$1.44 per unit, for gross proceeds of CAD\$87 million (US\$68.5 million). The Company's cash as at October 31, 2017, combined with the cash received subsequent to October 31, 2017 from the private placement, will not be sufficient to fund the Company's contractual commitments or the Company's planned business operations over the next year based on anticipated patient enrollment for BETonMACE. Therefore, the Company will have to raise additional capital. The Company is examining both non-dilutive and dilutive arrangements, with a preference for non-dilutive alternatives, in the following priority: co-development, licensing, rights (on indications or potential follow-on compounds, for instance) or other partnering arrangements, private placements and/or public offerings (equity and/or debt); therefore, the Company frequently engages in such discussions. However, there is no assurance that any of these measures will be completed.

These conditions result in a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. If the Company is not able to raise capital, the Company will also have to reduce its cash requirements by eliminating or deferring spending on research, development and corporate activities.

The Company will also require additional capital to fund research, development and corporate activities beyond the next year. The Company will continue to explore alternatives to generate additional cash including raising additional equity and/or debt and/or partnering; however, there is no assurance that these initiatives will be successful.

These 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.

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

4. Significant accounting policies

The condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended April 30, 2017 prepared in accordance with IFRS applicable to those annual consolidated financial statements. The same accounting policies, presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the Company's consolidated financial statements for the year ended April 30, 2017.

5. Debt

	October 31, 2017	April 30, 2017
CAD\$68.8 million, 4.6046% due December 26, 2017	\$ 53,320	\$ 50,348
Discount on debt, net of accretion	-	(541)
Unamortized transaction costs, net of accretion	-	(1,170)
Carrying value of debt	\$ 53,320	\$ 48,637

On August 27, 2012, the Company entered into a CAD\$25 million Loan Agreement with Citibank, N.A. ("Citibank"). The Company received the CAD\$25 million on August 30, 2012. On March 8, 2013, the Company entered into a Loan Amendment with Citibank to increase the loan from CAD\$25 million to CAD\$38.8 million, all other existing terms and conditions remained unchanged. The Company received the additional CAD\$13.8 million upon closing of the loan on March 11, 2013. On July 3, 2014, the Company entered into a Second Loan Amendment with Citibank which provided for the existing loan granted to the Company by Citibank to be increased by CAD\$30 million to CAD\$68.8 million. All other existing terms and conditions remained unchanged. The Company received the additional CAD\$30.0 million upon closing on August 15, 2014.

Effective August 27, 2017, the maturity date of the Company's CAD\$68.8 million loan was extended from August 28, 2017 to December 26, 2017.

The entire loan is repayable upon maturity on December 26, 2017 and may be repaid prior to maturity in whole or in part without penalty. The Company does not currently have the funds to repay the loan. Effective August 27, 2017, the annual interest rate was reset from 4.0560% to 4.6046%. Interest on the loan continues to accrue and is payable upon the amended maturity date. The interest rate is reset annually to a rate equal to Canadian one-year LIBOR swap rate plus 3.14%. In connection with the loan extension, the loan was assigned from Citibank to a lender affiliated, directly or indirectly with Eastern Capital Limited ("the Lender"). The loan is secured by an irrevocable CAD\$68.8 million Standby Letter of Credit (the "Letter of Credit") in favour of the Lender arranged by Eastern Capital Limited ("Eastern"), which will be maintained until maturity of the loan. In addition, in connection with the extension of the loan, the Company granted to the Lender a security interest in all of its assets as security for the loan and the fee payable to Eastern on the undrawn amount of the Letter of Credit increased from 0.03 percent to 12 percent per annum. Management's estimate of the market interest rate is equal to the interest rate and other fees related to the debt as at October 31, 2017.

As described in Note 11, on December 6, 2017 the Company repaid its loan and all related interest and fees.

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

6. Royalty preferred shares

(i) **Authorized:**

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:**

Preferred shares	Number of shares	Amount
Balance, April 30, 2016	75,202,620	\$ 34,200
Revaluation of royalty preferred shares	-	8,500
Balance, April 30, 2017	75,202,620	42,700
Revaluation of royalty preferred shares	-	3,900
Balance, October 31, 2017	75,202,620	\$ 46,600

As at October 31, 2017, the Company had 75,202,620 royalty preferred shares outstanding, all of which were held by Zenith. For fair value measurement purposes, the royalty preferred shares liability has been categorized within level 3 of the fair value measurement hierarchy. The fair value of the royalty preferred shares is based on management's judgments, estimates and assumptions which include significant unobservable inputs including the timing and amounts of the Company's discounted risk adjusted future net cash flows. The estimate incorporates the following assumptions: a cumulative probability rate of generating forecasted future cash flows of 35% as at October 31, 2017 (April 30, 2017 - 35%) reflecting in each case, among other factors, the Company's clinical results and communication with regulatory bodies; a discount rate of 23.6% as at October 31, 2017 (April 30, 2017 - 23.4%); commencement of revenue beginning between 2021 and 2023 (based on clinical development paths across various jurisdictions) as at October 31, 2017 (April 30, 2017 - between 2021 and 2023); apabetalone market share percentages; and product pricing.

As at October 31, 2017, management updated the estimated fair value to reflect the reduced length of time (due to the passage of time) from October 31, 2017 to future cash flows based on the estimated timing and commencement of revenue, which remained unchanged from and increased the discount rate due to an increase in the risk-free rate of return.

The fair value of the royalty preferred shares is subject to significant volatility. Small changes in the aforementioned assumptions may have a significant impact on the fair value of the royalty preferred shares. Holding all other assumptions constant, a 1% increase in the discount rate would result in a \$4.0 million decrease in the fair value of the royalty preferred shares. Assuming commencement of revenue one year later would result in a \$3.6 million decrease in the fair value of the royalty preferred shares.

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(unaudited)

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

7. Shareholders' equity (deficit)

(a) Common shares

(i) Authorized:

Unlimited number of common shares

(ii) Issued and outstanding:

Common shares	Number of shares	Amount
Balance, April 30, 2016	105,195,416	\$ 174,115
Issued in connection with private placement	150,000	223
Issued in connection with long term incentive plan	262,361	243
Issued in connection with stock option plan	34,667	54
Share issue costs	-	(13)
Balance, April 30, 2017	105,642,444	174,622
Issued in connection with private placements	6,370,057	6,438
Issued in connection with prospectus offering	2,552,489	2,714
Issued in connection with stock option plan	59,099	109
Share issue costs	-	(443)
Balance, October 31, 2017	114,624,089	\$ 183,440

Private placements and prospectus offering

On April 20, 2017, the Company issued 150,000 common shares at CAD\$2.00 per unit pursuant to a private placement for gross proceeds of \$0.2 million (CAD\$0.3 million).

On June 20, 2017, the Company issued a total of \$7.5 million (CAD\$10 million) of equity units pursuant to a private placement and prospectus offering. Eastern and Hepalink purchased 1,617,980 and 1,333,333 equity units, respectively at a price of CAD\$1.80 per unit pursuant to a private placement for gross proceeds of \$4.0 million (CAD\$5.3 million). Other subscribers purchased an additional 2,552,489 equity units at a price of CAD\$1.80 per unit pursuant to a prospectus offering for gross proceeds of an additional \$3.5 million (CAD\$4.6 million). Each equity unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at a price of CAD\$2.05 per underlying common share for a period of four years from the closing of the private placement and prospectus offering.

On September 8, 2017, the Company issued 3,418,744 equity units, consisting of one common share and one half common share purchase warrant, at CAD\$1.50 per unit pursuant to a private placement for gross proceeds of \$4.2 million (CAD\$5.1 million).

Base shelf prospectus

On October 5, 2015, the Company obtained a receipt for a final short-form base shelf prospectus filed on October 1, 2015 with the securities commissions in each of the provinces of Canada except Quebec. Subject to securities regulations, the short form base shelf prospectus (the "base shelf prospectus") allows the Company to make offerings of common shares, preferred shares, debt securities, warrants, units, or any combination of such securities up to an aggregate offering price of CAD\$125 million during the 25 month period that the base shelf prospectus remains effective.

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(unaudited)

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

7. Shareholders' equity (deficit) (continued)

(a) Common shares (continued)

Share issue costs

During the six months ended October 31, 2017, the Company recognized total share issue costs of \$0.4 million. No share issue costs were incurred during the six months ended October 31, 2016. An immaterial adjustment of \$1.8 million was made to Share capital, at April 30, 2016, to correct the treatment of issue costs related to common share warrants classified as liabilities issued as part of several equity placements in previous years. The reduction in Share capital was offset by an increase in Deficit for the same amount.

(b) Stock options

The Company's amended stock option plan has been approved as a rolling 10% plan that allows for reservation of a number of common shares under the plan equal to 10% of the Company's issued and outstanding common shares on an undiluted basis. Additionally, the plan is a reloading plan, which allows for the number of common shares reserved for issuance related to the options under the plan to automatically become eligible to be reallocated pursuant to stock option based grants upon option expiry, cancellation or exercise. The Company may grant options to its directors, officers, employees and consultants.

The majority of options fully vest over one to three years and have a five year term. Certain stock options have performance conditions which must be satisfied in order for the options to vest. The options are settled by way of the issuance of equity instruments of the Company ("equity-settled").

	Number of options	Weighted average exercise price (CAD)
Outstanding, April 30, 2016	3,878,233	\$ 1.74
Granted	843,800	1.41
Exercised	(34,667)	1.06
Expired	(1,215,368)	1.46
Forfeited	(22,499)	1.08
Outstanding, April 30, 2017	3,449,499	1.77
Exercised	(59,099)	1.28
Expired	(166,200)	1.22
Forfeited	(310,000)	1.60
Outstanding, October 31, 2017	2,914,200	\$ 1.83

The following table summarizes information about the options outstanding and exercisable at October 31, 2017.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
\$0.65 - \$0.75	425,200	1.71	\$ 0.69	425,200
\$1.04 - \$1.82	1,464,400	2.47	1.38	893,473
\$2.26 - \$2.86	612,000	1.33	2.74	603,938
\$3.19 - \$3.27	412,600	0.55	3.24	412,600
	2,914,200	1.85	\$ 1.83	2,335,211

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7. Shareholders' equity (deficit) (continued)

(b) Stock options (continued)

The number of options exercisable at October 31, 2017 was 2,335,211 (2016 – 2,068,173) with a weighted average exercise strike price of CAD\$1.93 (2016 – CAD\$1.93).

The fair value of each option granted is estimated as of the grant date using the Black-Scholes option pricing model. During the six months ended October 31, 2017, no stock options were granted. The following weighted average assumptions were used in arriving at the weighted average fair values of \$0.91 per option associated with stock options granted during the six months ended October 31, 2016:

	2016
Risk-free interest rate	0.8%
Expected life	4.2 years
Expected volatility	162%
Share price at grant date	CAD\$1.31
Expected dividends	Nil

(c) Restricted stock units

The Company's long term incentive plan allows for the reservation of a number of common shares not to exceed 10% of the Company's issued and outstanding common shares on an undiluted basis less the number of common shares reserved under the Company's amended stock option plan. The Company may grant restricted stock units ("RSUs") to directors, officers, employees, and consultants.

During the six months ended October 31, 2017, no RSUs were granted (2016 – 405,000 RSUs). The RSUs vest over a period of one to three years. The weighted average fair value of the RSUs granted in the six months ended October 31, 2016 was \$0.98 per RSU. The Company estimates the fair value of RSUs based on the market price of the underlying stock on the date of grant.

On September 30, 2016 and December 21, 2016, the Company allowed the exercise of restricted stock units on a "net of tax" basis, whereby the number of shares issued was equal to the number determined net of the respective taxes attributable to the exercise; 424,718 RSUs were exercised on a net of tax basis, resulting in the issuance of 238,127 common shares.

	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, April 30, 2016	589,097	\$ 1.30
Granted	405,000	0.98
Exercised	(448,952)	1.14
Forfeited	(10,966)	1.15
Outstanding, April 30, 2017 and October 31, 2017	534,179	\$ 1.19

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7. Shareholders' equity (deficit) (continued)

(d) Warrant liability

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

	Number of warrants	Weighted average exercise price (CAD)	Liability amount
Outstanding, April 30, 2016	12,006,487	\$ 1.47	\$ 8,225
Exercised	(3,006,250)	2.05	-
Revaluation of warrant liability	-	-	(710)
Outstanding, April 30, 2017	9,000,237	1.28	7,515
Issued in connection with private placements	4,660,685	1.85	1,790
Issued in connection with prospectus offering	2,552,489	2.05	751
Expiry of warrants	(1,320,000)	1.44	-
Revaluation of warrant liability	-	-	(3,567)
Outstanding, October 31, 2017	14,893,411	\$ 1.57	\$ 6,489

The following table summarizes information about the liability classified warrants outstanding and exercisable at October 31, 2017.

Exercise Price (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
\$0.75	5,000,000	1.79	\$ 0.75
\$0.90	529,592	0.79	0.90
\$1.50	1,709,372	3.86	1.50
\$2.05	5,503,802	3.64	2.05
\$2.16	728,640	0.35	2.16
\$2.67	1,422,005	2.72	2.67
	14,893,411	2.69	\$ 1.57

Under IFRS, the prescribed accounting treatment for warrants issued as part of an equity financing unit or as part of a debt financing, with an exercise price denominated in a foreign currency, is to treat these warrants as a liability measured at fair value with subsequent changes in fair value each reporting period accounted for through profit or loss. The fair value of these warrants is determined using the Black Scholes option pricing model. The fair value of the warrants is subject to significant volatility. Small changes in certain Black Scholes model inputs, including the market price of the Company's common shares and estimated volatility may have a significant impact on the fair value of the warrants.

The Company's warrants summarized above satisfy liability classification requirements and are exercisable at any time and thus the value of these warrants are presented as a current liability on the consolidated statement of financial position. As these warrants are exercised, the fair value of the recorded warrant liability on date of exercise is included in share capital along with the proceeds from the exercise. If these warrants expire, the related decrease in warrant liability is recognized in profit or loss, as part of the change in fair value of warrant liability. There is no cash flow impact as a result of this accounting treatment.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2017 and 2016

(unaudited)

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

7. Shareholders' equity (deficit) (continued)

(d) Warrant liability (continued)

During the three months ended October 31, 2017, 1,709,372 liability-classified warrants were issued (2016 – nil) pursuant to the private placement completed on September 8, 2017. The weighted average fair value of the warrants granted during the three months ended October 31, 2017 was \$0.49 per warrant, using the Black-Scholes option pricing model, with the following weighted average assumptions, along with an illiquidity discount of 13.75%.

	2017
Risk-free interest rate	1.7%
Expected life	4 years
Expected volatility	84%

During the six months ended October 31, 2017, 7,213,174 liability-classified warrants were issued (2016 – nil). Of the total, 2,552,489 warrants were issued as part of the prospectus offering discussed in Note 7 (a), and were listed for trading. The value of these warrants in a public market represents a Level 1 input in the fair value hierarchy, and will be used to value these warrants at each reporting period. As at October 31, 2017, the weighted average fair value of these warrants was CAD\$0.60 per warrant.

The remaining 4,660,685 warrants were issued as part of the private placements completed on June 20, 2017 (2,951,313 warrants issued to Eastern and Hepalink) and on September 8, 2017 (1,709,372 warrants issued). These unlisted warrants have the same intrinsic factors as the listed warrants and the fair value per warrant, described above, has been used to value these unlisted warrants, less an illiquidity discount of 13.75%, at the initial grant date and at each reporting period.

The change in fair value of the liability classified warrants is based on several factors including changes in the market price of our shares, as well as decreases in the remaining terms of the various series of warrants, and changes in estimated future volatility of our common shares.

(e) Equity classified warrants

On June 20, 2017, the Company issued 178,764 warrants to the financial advisors involved with the prospectus offering as described in Note 7 (a). These warrants are classified as an equity instrument and accounted for under IFRS 2 – *Share-Based Payments* as they are a form of compensation for services rendered. Due to the equity classification the warrants will not be revalued each reporting period. Each warrant issued is exercisable at a price of CAD\$2.05 for a period of two years. The weighted average fair value of the warrants issued during the six months ended October 31, 2017 was \$0.23 per warrant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017
Risk-free interest rate	1.0%
Expected life	2.0 years
Expected volatility	70%

The following table summarizes information about the equity classified warrants outstanding and exercisable at October 31, 2017.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)
\$2.05	178,674	1.64
\$2.67	331,750	2.72
	510,424	2.34

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For the three and six months ended October 31, 2017 and 2016

(unaudited)

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

7. Shareholders' equity (deficit) (continued)

(f) Per share amounts

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

	Three months ended October 31,		Six months ended October 31,	
	2017	2016	2017	2016
Weighted average common shares outstanding - basic and diluted	113,196,482	105,253,158	110,687,997	105,225,823

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

8. Expenses by nature

Presentation of expenses is based on the function of each expense. The following details highlight certain components of the research and development and general and administrative expenses classified by nature. Remaining research and development and general and administrative expenses include personnel costs and expenses paid to third parties.

	Three months ended October 31,		Six months ended October 31,	
	2017	2016	2017	2016
Included in research and development expenses:				
Share-based payment transaction costs	\$ 45	\$ 74	\$ 102	\$ 165
Amortization and depreciation	60	110	137	160
Impairment of intangible assets	294	-	294	-
Included in general and administrative expenses:				
Share-based payment transaction costs	\$ 54	\$ 182	\$ 53	\$ 394
Amortization and depreciation	26	29	53	57

9. Commitments

As at October 31, 2017, the Group is committed to expenditures over the next twelve months of \$7.0 million (2016 - \$5.7 million) under various research and development contracts.

As at October 31, 2017, the Group is also party to cancellable agreements with a contract research organization and a central laboratory conducting the BETonMACE trial. Corresponding estimated aggregate expenditures over the next twelve months total approximately \$15 - 20 million (2016 - \$17 - 22 million).

As at October 31, 2017, the Group is also committed to operating lease payments for office and laboratory premises as follows:

	2017	2016
Less than 1 year	\$ 658	\$ 812
Between 1 and 5 years	2,374	2,565
More than 5 years	441	817
	\$ 3,473	\$ 4,194

Zenith agreed to pay the Company for its proportionate share of operating lease payments and operating costs for office and laboratory of an estimated \$0.2 million and \$0.1 million, respectively, for the next twelve months.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2017 and 2016

(unaudited)

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

10. Unearned revenue

On October 23, 2017, the Company entered into a Right of First Refusal Agreement with Hepalink USA Inc. (Hepalink USA), a subsidiary of Hepalink. Under the Agreement, Hepalink USA was granted a right of first refusal in connection with the licensing of the right to develop, manufacture, and commercialize pharmaceutical products containing RVX-208 (apabetalone) in the United States until April 15, 2019. Hepalink USA paid CAD\$8.0 million to Resverlogix in consideration for the right of first refusal granted. If Resverlogix and Hepalink USA enter into a license agreement with respect to the US Licensing Rights, the Fee shall be credited against any payment obligations of Hepalink USA thereunder. Otherwise, the Fee is refundable, in whole or in part, upon termination of the Agreement. During the first 60 day period, the Agreement may only be terminated upon mutual agreement of both parties; thereafter, the Agreement may be terminated by either party. The amount will be recorded as unearned revenue until credited against payments due from Hepalink USA under a license agreement, or until the fee is no longer refundable.

11. Subsequent events

Private placement

On December 1, 2017, the Company closed the previously announced private placement of 60,416,667 equity units to Hepalink at a price of CAD\$1.44 per unit for gross proceeds of CAD\$87.0 million (USD\$68.5 million). Each unit was comprised of one common share and 0.082759 of a common share purchase warrant. Each full warrant is exercisable at a price of \$1.64 per share for a period of four years from the closing of the offering.

Repayment of loan

On December 6, 2017, the Company repaid its loan and all related interest and fees.