RESVERLOGIX

Consolidated Financial Statements

Years Ended April 30, 2018 and 2017

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Resverlogix Corp. (the "Company") have been approved by the Board of Directors and have been prepared in accordance with International Financial Reporting Standards, 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.

KPMG LLP Chartered 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

July 27, 2018

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Independent Auditors' Report

To the Shareholders of Resverlogix Corp.

We have audited the accompanying consolidated financial statements of Resverlogix Corp., which comprise the consolidated statements of financial position as at April 30, 2018 and 2017, the consolidated statements of comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Resverlogix Corp. as at April 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 in the consolidated financial statements, which indicates that Resverlogix Corp. has insufficient cash to fulfill its contractual commitments and to fund its planned business operations over the next 12 months. These conditions, and other matters as set forth in Note 3 in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Resverlogix Corp.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
July 27, 2018

Consolidated Statements of Financial Position
As at:

In thousands of US dollars	Notes	April 30, 2018	April 30, 2017
Assets			
Current assets:			
Cash		$ 121	$ 1,355
Prepaid expenses and deposits		494	495
Investment tax credit receivable		98	63
Other assets		157	216
Clinical supplies		3,056	3,343
Due from related parties	17	118	182
Total current assets		4,044	5,654
Non-current assets:			
Property and equipment	7	468	628
Intangible assets	8	2,181	2,136
Prepaid expenses and deposits		104	442
Deferred financing costs		214	314
Clinical supplies		1,267	1,693
Total non-current assets		4,234	5,213
Total assets		$ 8,278	$ 10,867
Liabilities			
Current liabilities:			
Trade and other payables		$ 22,204	$ 12,155
Accrued interest		-	1,429
Promissory notes	9	708	-
Unearned licensing rights fee	10	6,230	-
Warrant liability	13 (d)	8,813	7,515
Debt	11	-	48,637
Total current liabilities		37,955	69,736
Non-current liabilities:			
Royalty preferred shares	12	54,000	42,700
Total liabilities		91,955	112,436
Shareholders' equity (deficit):			
Share capital	13 (a)	249,589	174,622
Contributed surplus		39,640	39,234
Warrants	13 (e)	1,269	440
Deficit		(374,175)	(315,865)
Total shareholders' equity (deficit)		(83,677)	(101,569)
Total liabilities and shareholders' equity (deficit)		$ 8,278	$ 10,867

Future operations (note 3) Commitments (note 16) Subsequent events (note 19)

Signed on behalf of the Board:

Signed: "Dr. Eldon Smith" 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	2018	2017
Expenses:			
Research and development, net of recoveries	15	$ 37,884	$ 29,943
Investment tax credits		(98)	(68)
Net research and development		37,786	29,875
General and administrative, net of recoveries	15	4,070	4,269
		41,856	34,144
Finance (income) costs:			
Gain on change in fair value of warrant liability	13 (d)	(4,246)	(710)
Loss on change in fair value of royalty preferred shares	12	11,300	8,500
Interest and accretion		5,066	7,034
Financing costs		385	-
Foreign exchange loss (gain)		3,902	(2,841)
Net finance (income) costs		16,407	11,983
Loss before income taxes		58,263	46,127
Income taxes		47	83
Net and total comprehensive loss		$ 58,310	$ 46,210
Net loss per share *(note 13 (f))*			
Basic and diluted		$ 0.42	$ 0.44

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

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the years ended April 30

In thousands of US dollars	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 private placement	223	-	-	-	223
Common shares issued in connection with stock option and long term incentive plans	297	(541)	-	-	(244)
Share issue cost	(13)	-	-	-	(13)
Share-based payment transactions	-	1,104	-	-	1,104
Net and total comprehensive loss	-	-	-	(46,210)	(46,210)
Balance, April 30, 2017	$ 174,622	$ 39,234	$ 440	$ (315,865)	$ (101,569)
Common shares issued in connection with private placements	74,925	-	-	-	74,925
Common shares issued in connection with prospectus offering	2,714	-	-	-	2,714
Common shares issued in connection with stock option plan	113	(56)	-	-	57
Share issue cost	(2,785)	-	-	-	(2,785)
Warrants issued in connection with prospectus offering	-	-	829	-	829
Share-based payment transactions	-	462	-	-	462
Net and total comprehensive loss	-	-	-	(58,310)	(58,310)
Balance, April 30, 2018	$ 249,589	$ 39,640	$ 1,269	$ (374,175)	$ (83,677)

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	2018	2017
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Net loss	$ (58,310)	$ (46,210)
Items not involving cash:		
Equity-settled share-based payment transactions	462	1,104
Depreciation and amortization	358	377
Change in fair value of warrant liability	(4,246)	(710)
Change in fair value of royalty preferred shares	11,300	8,500
Impairment of intangible assets	294	-
Impairment of clinical supplies	-	119
Unrealized foreign exchange	2,927	(4,160)
Interest and accretion	5,066	7,034
Net current income taxes	47	83
Changes in non-cash working capital:		
Investment tax credit receivable	(35)	(12)
Clinical supplies	713	(2,778)
Prepaid expenses and deposits	339	273
Unearned licensing rights fee	6,231	-
Other assets	59	(197)
Due from related parties	64	5,505
Trade and other payables	9,285	8,351
	(25,446)	(22,721)
Interest received	5	137
Financing costs	385	-
Income tax paid	(77)	(85)
Net cash used in operating activities	(25,133)	(22,669)
Cash flows generated from (used in) financing activities:		
Proceeds from equity units issued in connection with private placements	79,718	223
Proceeds from equity units issued in connection with prospectus offering	3,464	-
Proceeds from issuance of promissory notes	708	-
Share issuance costs	(1,887)	(13)
Financing costs	(283)	-
Deferred financing costs, net of recovery	(71)	(276)
Proceeds from exercise of stock options	57	27
Restricted stock unit costs	-	(271)
Repayment of debt	(54,189)	-
Interest and fees paid	(4,790)	(2,083)
Changes in non-cash financing working capital	577	13
Net cash generated from (used in) financing activities	23,304	(2,380)
Cash flows used in investing activities:		
Property and equipment additions	-	(22)
Intangible asset additions	(537)	(537)
Changes in non-cash investing working capital	177	(93)
Net cash used in investing activities	(360)	(652)
Effect of foreign currency translation on cash	955	(1,053)
Decrease in cash	(1,234)	(26,754)
Cash, beginning of year	1,355	28,109
Cash, end of year	$ 121	$ 1,355

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

1. General information

Resverlogix Corp. (the "Company") is a company domiciled in Canada. The annual 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 a BET inhibitor selective for the second bromodomain (BD2) within the BET proteins. 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, end-stage renal disease treated with hemodialysis, neurodegenerative disease, Fabry disease, peripheral artery disease, and, other orphan diseases 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). 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 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 July 27, 2018.

(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.

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 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.

3. Future operations (continued)

As at April 30, 2018, the Company had $0.1 million of cash and was committed to pay $22.2 million of trade and other payables, $6.4 million for research and development, $0.7 million of lease obligations over the next twelve months and $0.9 million in fees to Third Eye Capital ("Third Eye"), as described further in Note 16. 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 $20 - 25 million.

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 19, subsequent to April 30, 2018, the Company closed a US$30.0 million senior secured loan (the "Third Eye Loan") with Third Eye. The loan bears interest at 10% per annum and will mature on May 4, 2019. Pursuant to the loan agreement with Third Eye the Company must maintain a cash balance greater than $5 million, a current ratio greater than 1:1, and a market capitalization greater than CAD$150 million, as well as other customary covenants. The Third Eye Loan is subject to mandatory prepayment provisions requiring at least 50% of the net cash proceeds of asset dispositions, licensing, distribution or partnership agreements, royalties, debt or equity issuances, grants and tax refunds to be applied to repayment of the Third Eye Loan.

The Company's cash as at April 30, 2018 in combination with the $30 million raised subsequently will not be sufficient to fund the Company's contractual commitments or the Company's planned business operations over the next year and repay the loan. Therefore, the Company will have to raise additional capital to fund its contractual commitments and its planned business operations, and to continue to comply with its loan covenants. The Company continues to pursue and/or examine both non-dilutive and dilutive arrangements, with a preference for non-dilutive alternatives, including co-development, licensing, rights (on indications or potential follow-on compounds) or other partnering arrangements, private placements and/or public offerings (equity and/or debt). 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, or may be forced to cease operations.

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.

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 subsidiary.

Consolidation

The consolidated financial statements include the accounts of Resverlogix Corp. and its wholly-owned subsidiary. 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.

4. Significant accounting policies (continued)

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

The Group initially recognizes financial assets and financial liabilities, including derivatives, when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

All financial instruments are required to be measured at fair value on initial recognition, adjusted for transaction costs for instruments measured at amortized cost. Subsequent measurement of these assets and liabilities is based on either fair value or amortized cost using the effective interest method, depending upon their classification.

The Group classifies financial instruments, at the time of initial recognition, according to their characteristics and Management's choices and intentions related thereto for the purposes of ongoing measurement. Classification choices for financial assets include a) fair value through profit or loss ("FVTPL"), b) held to maturity, c) available for sale, and d) loans and receivables. Classification choices for financial liabilities include a) FVTPL and b) other liabilities.

The Group's financial assets and financial liabilities are generally classified and measured as follows:

Asset/Liability	Category	Measurement
Cash	Loans and receivables	Amortized cost
Investment tax credit receivable	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Prepaid expenses and deposits	Loans and receivables	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost
Unearned revenue	Other liabilities	Amortized cost
Warrant liability	FVTPL	Fair value
Debt	Other liabilities	Amortized cost
Royalty preferred shares	FVTPL	Fair value

4. Significant accounting policies (continued)

Financial instruments (continued)

Financial instruments classified as FVTPL are measured at fair value, with changes in fair value recorded in net income in the period in which they arise. All those designated as such were designated upon initial recognition, none are considered held for trading. Financial instruments classified as loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. Financial instruments classified as other financial liabilities are measured at amortized cost subsequent to initial recognition, using the effective interest method with gains and losses recognized in net income in the period that the liability is derecognized.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

Fair Value Measurement

The accounting guidance for fair value measurements prioritizes the inputs used in measuring fair value into 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 value of the warrant liability is based on level 2 (significant observable) and level 3 (unobservable) inputs. The fair value of the royalty preferred shares is based on level 3 inputs.

Clinical supplies

Clinical supplies consist of apabetalone (drug substance or capsules) and certain concomitant medications (statins) for use primarily in our clinical trials. Expenditures on 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 (income) loss.

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
Office furniture and equipment	Straight line	5 years
Computer hardware and software	Straight line	3 years
Leasehold improvements	Straight line	Term of lease

4. Significant accounting policies (continued)

Property and equipment (continued)

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 in the statement of comprehensive (income) 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.

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	20-24 years
Non-integrated software	Straight line	3 years

Impairment

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

A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables.

Clinical supplies, property and equipment 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 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.

4. Significant accounting policies (continued)

Impairment (continued)

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.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as an operating lease. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as a finance lease. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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.

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.

4. Significant accounting policies (continued)

Finance income and costs

Finance income and costs is comprised of interest income on funds invested, accretion and interest expense on loans outstanding, and fair value gains (losses) on financial liabilities at fair value through profit or loss. Interest 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 income 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 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 or options 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.

4. Significant accounting policies (continued)

Recent accounting pronouncements

The following are new IFRS pronouncements that have been issued, that are not yet effective, that have not been early adopted, and that may have an impact on the Group in the future, as discussed below.

Financial Instruments

In July 2014 the IASB issued IFRS 9 *Financial Instruments* which replaced the classification and measurement requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for financial assets. This altered the options for valuing financial assets and proposed changes to how changes in certain financial liabilities are accounted for. The mandatory effective date is for periods beginning on or after January 1, 2018 and must be applied retrospectively. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on May 1, 2018. The Company has analyzed the impact of changes related to IFRS 9 and there will not be a material impact to the financial statements going forward.

Leases

In January 2016 the IASB issued IFRS 16 *Leases* which specifies how an IFRS reporter will recognize, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The mandatory effective date is for periods beginning on or after January 1, 2019. The extent of the impact of adoption has not yet been determined.

5. Significant judgments, estimates and assumptions

The preparation of the 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 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:

Royalty preferred shares

The Company uses significant judgments related to the fair value measurement of the royalty preferred shares. The fair value measurement requires management to exercise judgment concerning valuation approaches and methods, discount rates, and estimates of future cash flows, including the timing and amounts of discounted risk adjusted future net cash flows. The assumptions and model used for estimating fair value for the royalty preferred shares are disclosed in Note 12.

Share-based payment transactions

The Company measures share-based payment transactions by reference to the fair value of the stock options 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, including the expected life of the option, volatility and dividend yield. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 13.

Warrant liability

The Company measures the initial warrant liability and subsequent revaluations of the warrant liability by reference to the fair value of the warrants at the date at which they were issued and subsequently revalues them 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 significant judgments about the capacity in which warrant holders receive warrants, and to make assumptions about the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield. The assumptions and model used for estimating fair value for the warrant liability are disclosed in Note 13 (d).

5. Significant judgments, estimates and assumptions (continued)

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 judgment 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.

(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 the raising of capital. The Group relies on external financing to support its operations. To date, the programs have been funded primarily through the sale of common shares, term loans, convertible debentures and the exercise of common share purchase warrants. Management constantly monitors capital markets. There are no assurances that funds will be available to the Group when required (also see note 3). The Group holds cash on deposit; as at April 30, 2018, the Group’s cash is not subject to any external restrictions. The Group also continuously monitors actual and projected expenditures and cash flows.

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

6. Financial risk management (continued)

(a) Liquidity risk (continued)

The table below presents a maturity analysis of the Company's financial liabilities on the expected cash flows from April 30, 2018 to the contractual maturity date, including estimated interest payments. The amounts are equivalent to the following contractual undiscounted cash flows.

Trade and other payables balance		April 30, 2018		April 30, 2017
3 months or less	$	22,204	$	12,155
3 - 12 months		-		-
Trade and other payables total		22,204		12,155
Interest on long-term debt				
12 months or less		-		2,131
More than 12 months		-		-
Interest on long-term debt total		-		2,131
Debt and Promissory notes				
12 months or less		708		50,348
More than 12 months		-		-
Long-term debt total		708		50,348
Total	$	22,912	$	64,634

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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's entities. The currency in which these foreign transactions primarily are denominated in 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 in a certain ratio equivalent to current and anticipated Canadian dollar financial liabilities.

The Group has no forward exchange contract to manage its foreign currency risk. As at April 30, 2018, the Group had Canadian denominated assets and liabilities of: cash in the amount of CAD$0.1 million (2017 – CAD$1.4 million), accounts receivable in the amount of CAD$0.02 million (2017 – CAD$0.02 million), accounts payable in the amount of CAD$2.5 million (2017 – CAD$0.9 million), and debt plus accrued interest of CAD $nil (2017 – CAD $68.4 million). An increase of $0.01 in the CAD to USD exchange rate as measured on April 30, 2018 would result in a foreign currency loss of $0.02 million (2017 – $0.9 million loss).

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

6. Financial risk management (continued)

(c) Credit risk

Credit risk is the risk of financial loss to the Group if the 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 and amounts receivable from Zenith.

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 Group manages its exposure to credit loss by holding cash on deposit with major financial institutions.

As at April 30, 2018, the carrying amounts of the Group's cash and trade and other receivables approximate their fair value due to their short-term nature.

7. Property and equipment

	Office furniture and equipment	Computer hardware and software	Leasehold improvements	Total
Cost				
Balance at April 30, 2016	$ 388	$ 121	$ 702	$ 1,211
Additions	6	16	-	22
Disposals	(75)	(7)	(9)	(91)
Balance at April 30, 2017	319	130	693	1,142
Disposals	(45)	(20)	-	(65)
Balance at April 30, 2018	$ 274	$ 110	$ 693	$ 1,077
Accumulated depreciation				
Balance at April 30, 2016	$ 149	$ 83	$ 149	$ 381
Depreciation	122	25	77	224
Disposals	(75)	(7)	(9)	(91)
Balance at April 30, 2017	196	101	217	514
Depreciation	69	19	72	160
Disposals	(45)	(20)	-	(65)
Balance at April 30, 2018	$ 220	$ 100	$ 289	$ 609
Net book value				
As at April 30, 2017	$ 123	$ 29	$ 476	$ 628
As at April 30, 2018	54	10	404	468

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

8. Intangible assets

	Patents and intellectual property	Non-integrated software	Total
Cost			
Balance at April 30, 2016	$ 1,992	$ 53	$ 2,045
Additions	476	61	537
Balance at April 30, 2017	2,468	114	2,582
Additions	525	12	537
Disposals	(324)	-	(324)
Balance at April 30, 2018	**$ 2,669**	**$ 126**	**$ 2,795**
Accumulated amortization and impairment losses			
Balance at April 30, 2016	$ 243	$ 49	$ 292
Amortization	144	10	154
Balance at April 30, 2017	387	59	446
Amortization	169	29	198
Impairment	294	-	294
Disposals	(324)	-	(324)
Balance at April 30, 2018	**$ 526**	**$ 88**	**$ 614**
Net book value			
As at April 30, 2017	$ 2,081	$ 55	$ 2,136
As at April 30, 2018	**2,143**	**38**	**2,181**

During the year ended April 30, 2018 the Company made the determination that it no longer intended to perform further research or commercialize the technology relating to certain intangible assets, thus the Company recognized a $0.3 million impairment loss on intellectual property (included in research and development on the statement of comprehensive loss).

9. Promissory notes

During the three months ended April 30, 2018, a relative of the Chairman of the Company lent CAD$0.5 million to the Company. This promissory note is payable on demand and bears interest at 8% per annum.

During the three months ended April 30, 2018, the Chairman of the Company and an officer of the Company lent CAD$0.2 million and CAD$0.2 million, respectively, to the Company. These promissory notes are payable on demand and are non-interest-bearing.

10. Unearned licensing rights fee

On October 23, 2017, the Company entered into a Right of First Refusal Agreement with Hepalink USA Inc. (Hepalink USA), a subsidiary of Shenzhen Hepalink Pharmaceutical Co., Ltd. ("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 (the “Fee”). 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. The Agreement may be terminated by either party. The amount received will be recorded as Unearned Licensing Rights Fee until credited against payments due from Hepalink USA under a license agreement, or until the Fee is no longer refundable.

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

11. Debt

	2018	2017
CAD$68.8 million, 4.6046% due December 26, 2017	$ -	$ 50,348
Discount on debt, net of accretion	-	(541)
Unamortized transaction costs, net of accretion	-	(1,170)
Carrying value of debt	$ -	$ 48,637

On December 6, 2017, the Company repaid the CAD$68.8 million loan and all related interest and fees.

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.

Effective August 27, 2017, the annual interest rate was reset from 4.0560% to 4.6046%. Interest on the loan continued to accrue and was payable upon the amended maturity date. The interest rate was 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 was 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 was 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 during the loan extension period was equal to the interest rate and other fees related to the debt.

12. Royalty preferred shares

(i) Authorized:

Unlimited number of royalty 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	-	11,300
Balance, April 30, 2018	75,202,620	$ 54,000

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

12. Royalty preferred shares (continued)

As at April 30, 2018, 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 April 30, 2018 (2017 – 35%) reflecting in each case, among other factors, the Company's clinical results and communication with regulatory bodies; a discount rate of 21.7% as at April 30, 2018 (2017 – 23.4%); commencement of revenue beginning between late 2021 and 2023 (based on clinical development paths across various jurisdictions) as at April 30, 2018 (2017 – between 2021 and 2023); apabetalone market share percentages; and product pricing.

As at April 30, 2018, management updated the estimated fair value to: reflect the reduced length of time (due to the passage of time) from April 30, 2018 to future cash flows based on the estimated timing and commencement of revenue, which has been extended by 6 months; and to decrease the discount rate due to a decrease in the equity risk premium and size premium for the Company. As described in Note 19 "Subsequent Events", on June 14, 2018 the Company announced that it had received confirmation from the U.S. Food and Drug Administration that the Company's on-going Phase 3 study, if successful, is likely to support the filing and approval of a New Drug Application ("NDA"). Management has not assessed the full impact of the approval but it is expected to have a material impact on subsequent royalty preferred shares liability fair value (for accounting purposes).

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. For instance, holding all other assumptions constant, a 1% increase in the discount rate would result in a $4.6 million decrease in the fair value of the royalty preferred shares. Furthermore, assuming commencement of revenue one year later would result in a $8.6 million decrease in the fair value of the royalty preferred shares.

13. 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 cost	-	(13)
Balance, April 30, 2017	105,642,444	174,622
Issued in connection with private placements	68,927,960	74,925
Issued in connection with prospectus offering	2,552,489	2,714
Issued in connection with stock option plan	63,099	113
Share issue cost	-	(2,785)
Balance, April 30, 2018	177,185,992	$ 249,589

13. Shareholders' equity (deficit) (continued)

(a) Common shares (continued)

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).

On December 1, 2017, the Company issued 60,416,667 equity units to Hepalink at CAD$1.44 per unit pursuant to a private placement for gross proceeds of $68.5 million (CAD$87.0 million). Each equity unit consists of one common share and 0.082759 of a common share purchase warrant. Each warrant is exercisable at a price of CAD$1.64 per underlying common share for a period of four years from the closing of the private placement.

On April 12, 2018 the Company issued 364,914 equity units at CAD$1.75 per unit pursuant to a private placement for gross proceeds of $0.5 million (CAD$0.6 million). Each unit consists of one common share and 0.5 of a common share purchase warrant. Each warrant is exercisable at a price of CAD$2.00 per underlying common share for a period of two years from the closing of the private placement.

During the three months ended April 30, 2018, the Company issued 1,776,322 shares at a weighted average price of CAD$1.78 pursuant to additional private placements for gross proceeds of $2.5 million (CAD$3.2 million).

Share issue costs

During the year ended April 30, 2018, the Company recognized total share issue costs of $2.8 million, including $0.8 million associated with warrants issued to the financial advisor involved with the December 1, 2017 private placement, as described in Note 13 (e). During the year ended April 30, 2017, the Company recognized total share issues costs of $0.01 million. 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.

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

13. Shareholders' equity (deficit) (continued)

(b) Stock options (continued)

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	(63,099)	1.24
Expired	(262,734)	1.49
Forfeited	(312,066)	1.60
Outstanding, April 30, 2018	2,811,600	$ 1.83

The following table summarizes information about the options outstanding and exercisable at April 30, 2018.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.65 - $0.75	411,200	1.21	$ 0.69	411,200
$1.04 - $1.80	1,401,800	2.19	1.36	1,007,608
$2.26 - $2.86	586,000	0.88	2.74	578,271
$3.19 - $3.27	412,600	0.07	3.24	412,600
	2,811,600	1.46	$ 1.83	2,409,679

The number of options exercisable at April 30, 2018 was 2,409,676 (2017 – 2,173,138) with a weighted average exercise strike price of CAD$1.89 (2017 – CAD$1.90).

The fair value of each option granted is estimated as of the grant date using the Black-Scholes option pricing model. During the year ended April 30, 2018, no stock options were granted. The following weighted average assumptions were used in arriving at the weighted average fair values of $0.96 per option associated with stock options granted during the year ended April 30, 2017:

	2017
Risk-free interest rate	0.8%
Expected life	4.2 years
Expected volatility	162%
Share price at grant date	CAD$1.38
Expected dividends	Nil

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

13. Shareholders' equity (deficit) (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 amended stock option plan. The Company may grant restricted stock units ("RSUs") to directors, officers, employees, and consultants.

During the year ended April 30, 2018, no RSUs were granted (2017 – 405,000). The RSUs vest over a period of one to three years. The weighted average fair value of the RSUs granted in the year ended April 30, 2017 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	534,179	1.19
Forfeited	(5,599)	1.11
Outstanding, April 30, 2018	528,580	$ 1.19

(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	9,843,165	1.75	4,793
Issued in connection with prospectus offering	2,552,489	2.05	751
Expired	(2,048,640)	1.70	-
Revaluation of warrant liability	-	-	(4,246)
Outstanding, April 30, 2018	19,347,251	$ 1.57	$ 8,813

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

13. Shareholders' equity (deficit) (continued)

(d) Warrant liability (continued)

The following table summarizes information about the liability classified warrants outstanding and exercisable at April 30, 2018.

Exercise Price (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
$0.75 - $0.90	5,529,592	1.20	$ 0.76
$1.50 - $1.64	6,709,395	3.53	1.60
$2.00 - $2.67	7,108,264	2.93	2.17
	19,347,251	2.64	$ 1.57

Under IFRS, the prescribed accounting treatment for warrants, 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 initial fair value of these warrants is determined using the Black Scholes option pricing model.

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.

During the year ended April 30, 2018, 12,395,654 liability-classified warrants were issued (2017 – nil). Of the total, 2,552,489 warrants were issued on June 20, 2017 in connection with the prospectus offering discussed in Note 13 (a), and were listed for trading. The market value of these listed warrants represents a Level 1 input in the fair value hierarchy, and is used to value these warrants at each reporting period. As at April 30, 2018, the fair value of these listed warrants was CAD$0.68 per warrant for a total value of $1.352 million.

An additional 9,843,165 warrants were issued in connection with the private placements completed on June 20, 2017 (2,951,313 warrants issued to Eastern and Hepalink), on September 8, 2017 (1,709,372 warrants issued), on December 1, 2017 (5,000,023 warrants issued to Hepalink) and on April 12, 2018 (182,457 warrants issued) and are unlisted. The warrants issued on June 20, 2017 have the same intrinsic factors as the listed warrants issued on June 20, 2017, and the fair value per listed warrant, described above, has been used to value the June 20, 2017 unlisted warrants, less an illiquidity discount of 13.75%, at the initial issue date and at each reporting period. This represents a level 3 input in the fair value hierarchy.

The fair value of the remaining warrants is determined using a Black Scholes option pricing model at initial issue 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. The fair value of the warrants is subject to significant volatility.

During the year ended April 30, 2017, no warrants were issued. During the year ended April 30, 2018, the weighted average fair value of the warrants issued on September 8, 2017, December 1, 2017 and April 12, 2018 was $0.68 per warrant, using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018
Risk-free interest rate	1.8%
Expected life	4.0 years
Expected volatility	82%
Share price at grant date	CAD$1.47

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

13. Shareholders' equity (deficit) (continued)

(e) Equity classified warrants

On June 20, 2017 and December 1, 2017, the Company issued 178,674 warrants and 1,342,593 warrants, respectively, to financial advisors involved with the June 20, 2017 prospectus offering and December 1, 2017 private placement described in Note 13 (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 on June 20, 2017 is exercisable at a price of CAD$2.05 for a period of two years and each warrant issued on December 1, 2017 is exercisable at a price of CAD$1.62 for a period of four years.

The weighted average fair value of the warrants issued during the year ended April 30, 2018 was $0.63 per warrant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018
Risk-free interest rate	1.7%
Expected life	3.8 years
Expected volatility	80%

The following table summarizes information about the equity classified warrants outstanding and exercisable at April 30, 2018.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)
$1.62	1,342,593	3.59
$2.05	178,674	1.14
$2.67	331,750	2.22
	1,853,017	3.11

(f) Per share amounts

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

	2018	2017
Weighted average common shares outstanding - basic and diluted	137,737,620	105,352,800

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.

14. Personnel costs

The following table summarizes the personnel expenses recognized in the years ended April 30, 2018 and 2017.

	2018	2017
Short-term employee benefits	$ 4,611	$ 4,179
Equity-settled share-based payments	462	1,104
Total personnel expenses	$ 5,073	$ 5,283

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

15. 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.

	2018	2017
Included in research and development expenses:		
Share-based payment transaction costs	$ 171	$ 329
Amortization and depreciation	254	264
Impairment of intangible assets	294	-
Impairment of clinical supplies	-	119
Included in general and administrative expenses:		
Share-based payment transaction costs	$ 291	$ 775
Amortization and depreciation	104	113

16. Commitments

As at April 30, 2018, the Group is committed to expenditures over the next twelve months of $6.4 million (2017 – $6.4 million) under various research and development contracts.

As at April 30, 2018, 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 $20-25 million (2017 – $20-25 million).

In connection with the loan agreement entered in to subsequent to April 30, 2018, as described in Note 19, the Company was committed as at April 30, 2018 to pay Third Eye a $0.9 million commitment fee.

As at April 30, 2018, the Group is also committed to operating lease payments for office and laboratory premises as follows:

	2018	2017
Less than 1 year	$ 678	$ 713
Between 1 and 5 years	2,241	2,412
More than 5 years	239	609
	$ 3,158	$ 3,734

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.

(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, as well as transactions with Zenith.

Key management personnel

Key management personnel of the Group consist of its executive management and Board of Directors (as the Directors are considered to have control of the Company). In addition to the salaries and fees paid to key management, the Group also provides compensation to both groups under its share-based compensation plans. Compensation expenses paid to key management personnel were as follows:

	2018	2017
Short-term benefits	$ 1,843	$ 1,718
Equity-settled share-based payments	199	837
Key management personnel compensation	$ 2,042	$ 2,555

Refer to Note 9 for a description of the promissory notes the Company entered into with related parties during the three months ended April 30, 2018.

Related party transactions with Zenith

The Company and Zenith have several directors in common, and thus are considered related parties. The Company provides management and administrative services to Zenith pursuant to the Assignment and Services Agreement. As consideration for the services, Zenith pays the Company 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, 2018, the Company provided an aggregate of $1.1 million (2017 - $1.2 million) of service fees and reimbursable expenses, comprised of $0.1 million (2017 - $0.1 million) for research services provided by Zenith, $0.7 million (2017 - $0.6 million) for administrative services, and $0.5 million (2017 - $0.7 million) of reimbursable expenses. As at April 30, 2018, Zenith owes the Company $0.1 million (2017 - $0.2 million). This balance is payable on demand and non-interest bearing.

Effective January 1, 2015 the Company entered into a Services Agreement whereby Zenith supplies research services to the Company. During the year ended April 30, 2018, Zenith provided $0.1 million of research services (2017 - $0.2 million). At April 30, 2018 the Company owed Zenith $0.1 million related to work performed under the agreement.

Hepalink

During the year ending April 30, 2018, the Company completed two private placements with Hepalink totaling CAD$89.4 million ($70.3 million) for a total of 61,750,000 shares and 6,333,356 warrants. As at April 30, 2018 Hepalink held 42.3% of the Company's outstanding common shares which, under IAS 24, would consider Hepalink as having significant influence.

(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:

	2018	2017
Expected tax recovery - 27% (2017 - 27%)	$ (15,731)	$ (12,454)
Revaluation of the royalty preferred shares	3,051	2,295
Revaluation of the fair value of the warrant liability	(1,146)	(192)
Stock-based compensation	125	298
Long term debt including accretion and unrealized foreign exchange	341	(186)
Other	5	77
Deferred tax assets not recognized	13,402	10,245
Income tax expense (recovery)	$ 47	$ 83

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 tax asset are as follows:

	2018	2017
Non-capital losses	$ 66,068	$ 55,381
Long term debt	-	(2,793)
Capital losses	-	144
Scientific research and experimental development expenditures	9,048	8,751
Share issue costs and debt issuance costs	669	287
Other	47	51
Unrecognized deferred tax	$ 75,832	$ 61,821

The Group has non-capital losses of approximately $244.7 million (2017 – $205.1 million) available to reduce future years' taxable income expiring at various times until 2038. As at April 30, 2018, the Group has non-refundable federal investment tax credits of approximately $7.6 million (2017 – $7.4 million) which are available to reduce future taxes payable, subject to approval by Canada Revenue Agency and expiring at various times until 2038. The Group has unclaimed scientific research and development expenditures available to reduce future years' taxable income of approximately $33.5 million (2017 – $32.4 million) over an indefinite future period. The potential benefits of these tax pools have not been recorded in the consolidated financial statements.

19. Subsequent events

Third Eye Capital Loan

On May 7, 2018 the Company announced it had closed a US$30.0 million senior secured loan (the "Loan") with Third Eye. The loan bears interest at 10% per annum and will mature on May 4, 2019. The loan contains borrower covenants, as described in Note 3, that the Company must comply with.

FDA Confirmation of Regulatory Filing Pathway

On June 14, 2018 the Company announced that it had received confirmation from the U.S. Food and Drug Administration that the Company's on-going Phase 3 study, if successful, is likely to support the filing and approval of a New Drug Application ("NDA"). Management has not assessed the full impact of the approval but notes that it will likely result in a material increase to the royalty preferred shares liability amount.