RESVERLOGIX

Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2018 and 2017

Condensed Interim Consolidated Statements of Financial Position

As at:
(unaudited)

In thousands of US dollars	Notes	July 31, 2018	April 30, 2018
Assets			
Current assets:			
Cash		$ 5,765	$ 121
Prepaid expenses and deposits		866	494
Investment tax credit receivable		126	98
Other assets		130	157
Clinical supplies		3,083	3,056
Due from related parties		331	118
Total current assets		10,301	4,044
Non-current assets:			
Property and equipment		439	468
Intangible assets		2,216	2,181
Prepaid expenses and deposits		104	104
Deferred financing costs		-	214
Clinical supplies		1,285	1,267
Total non-current assets		4,044	4,234
Total assets		$ 14,345	$ 8,278
Liabilities			
Current liabilities:			
Trade and other payables		$ 7,933	$ 22,204
Promissory notes		700	708
Unearned licensing rights fee		6,151	6,230
Warrant liability	7 (d)	26,610	8,813
Debt	5	27,943	-
Total current liabilities		69,337	37,955
Non-current liabilities:			
Royalty preferred shares	6	77,900	54,000
Total liabilities		147,237	91,955
Shareholders' equity (deficit):			
Share capital	7 (a)	250,073	249,589
Contributed surplus		39,432	39,640
Warrants	7 (e)	1,269	1,269
Deficit		(423,666)	(374,175)
Total shareholders' equity (deficit)		(132,892)	(83,677)
Total liabilities and shareholders' equity (deficit)		$ 14,345	$ 8,278

Future operations (note 3) Commitments (note 9) Subsequent event (note 10)

Signed on behalf of the Board:

Signed: "Dr. Eldon Smith" Director Signed: "Kenneth Zuerblis" Director

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

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three months ended July 31

(unaudited)

In thousands of US dollars	Notes	2018	2017
Expenses:			
Research and development, net of recoveries	8	$ 6,683	$ 8,057
Investment tax credits		(30)	(33)
Net research and development		6,653	8,024
General and administrative, net of recoveries	8	1,007	885
		7,660	8,909
Finance (income) costs:			
Loss (gain) on change in fair value of warrant liability	7 (d)	16,378	(2,096)
Loss on change in fair value of royalty preferred shares	6	23,900	1,500
Interest and accretion		1,495	1,937
Financing costs		159	108
Foreign exchange (gain) loss		(101)	4,989
Net finance costs		41,831	6,438
Loss before income taxes		49,491	15,347
Income taxes		-	9
Net and total comprehensive loss		$ 49,491	$ 15,356
Net loss per share *(note 7 (f))*			
Basic and diluted		$ 0.28	$ 0.14

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

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

For the three months ended July 31

(unaudited)

In thousands of US dollars	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Deficit
Balance, April 30, 2017	$ 174,622	$ 39,234	$ 440	$ (315,865)	$ (101,569)
Common shares issued in connection with private placement	3,257	-	-	-	3,257
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	(429)	-	-	-	(429)
Warrants issued in connection with prospectus offering	-	-	41	-	41
Share-based payment transactions	-	55	-	-	55
Net and total comprehensive loss	-	-	-	(15,356)	(15,356)
Balance, July 31, 2017	$ 180,273	$ 39,235	$ 481	$ (331,221)	$ (111,232)
Balance, April 30, 2018	$ 249,589	$ 39,640	$ 1,269	$ (374,175)	$ (83,677)
Common shares issued in connection with stock option and long term incentive plans	484	(259)	-	-	225
Share-based payment transactions	-	51	-	-	51
Net and total comprehensive loss	-	-	-	(49,491)	(49,491)
Balance, July 31, 2018	$ 250,073	$ 39,432	$ 1,269	$ (423,666)	$ (132,892)

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

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended July 31

(unaudited)

In thousands of US dollars	2018	2017
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Net loss	$ (49,491)	$ (15,356)
Items not involving cash:		
Equity-settled share-based payment transactions	51	55
Depreciation and amortization	85	103
Change in fair value of warrant liability	16,378	(2,096)
Change in fair value of royalty preferred shares	23,900	1,500
Unrealized foreign exchange	-	4,934
Interest and accretion	1,495	1,937
Net current income taxes	-	9
Changes in non-cash working capital:		
Prepaid expenses and deposits	(104)	254
Investment tax credit receivable	(28)	(38)
Other assets	28	(816)
Clinical supplies	(45)	737
Due from related parties	(213)	177
Promissory note	(8)	-
Unearned licensing rights fee	(79)	-
Trade and other payables	(13,550)	361
	(21,581)	(8,239)
Interest received	5	1
Financing costs	159	108
Income tax paid	-	(11)
Net cash used in operating activities	(21,417)	(8,141)
Cash flows generated from financing activities:		
Proceeds from Third Eye Capital loan	30,000	-
Debt issuance costs	(1,287)	-
Financing costs	(58)	(108)
Proceeds from equity units issued in connection with private placement	-	4,006
Proceeds from equity units issued in connection with prospectus offering	-	3,464
Share issuance costs	-	(349)
Deferred financing costs	-	(7)
Proceeds from exercise of stock options	225	55
Interest and fees paid	(1,000)	(4)
Changes in non-cash financing working capital	(517)	145
Net cash generated from financing activities	27,363	7,202
Cash flows used in investing activities:		
Property and equipment additions	(3)	-
Intangible asset additions	(88)	(113)
Changes in non-cash investing working capital	(210)	53
Net cash used in investing activities	(301)	(60)
Effect of foreign currency translation on cash	(1)	33
Increase (decrease) in cash	5,644	(966)
Cash, beginning of period	121	1,355
Cash, end of period	$ 5,765	$ 389

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

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 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 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 September 12, 2018.

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, 2018 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, 2018.

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.

As at July 31, 2018, the Company had $5.8 million of cash and was committed to pay $7.9 million of trade and other payables, $8.1 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 $18 - 23 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 5, during the three months ended July 31, 2018, the Company closed a US$30.0 million senior secured loan (the "Third Eye Loan") with Third Eye Capital ("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 (excluding warrant liability, unearned licensing rights fee and debt from current liabilities), 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.

As described in Note 10, subsequent to July 31, 2018, the Company closed a $20.0 million private placement. The Company then repaid $10.3 million of the Third Eye Loan corresponding to 50% of the net cash proceeds from the $20.0 million private placement and $0.6 million of warrant exercise proceeds subsequent to July 31, 2018. The Company's cash as at July 31, 2018, in addition to the $20.0 million raised subsequent to July 31, 2018, 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 Third Eye Loan or comply with the loan covenants. 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.

(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, 2018 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, 2018.

New standards and interpretations adopted

The Company has adopted the following new standard, with a date of initial application of May 1, 2018:

IFRS 9 – Financial Instruments

IFRS 9 – *Financial Instruments* ("IFRS 9") replaces IAS 39 – *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018. IFRS 9 includes guidance on the classification and measurement of financial assets and impairment of financial assets. The Company has applied IFRS 9 retrospectively, with the initial application date of May 1, 2018. There were no changes to the measurement of the Company's financial assets and liabilities or adjustments to comparative information as a result of the adoption of IFRS 9.

5. Debt

	July 31, 2018	April 30, 2018
US$30.0 million, 10% due May 4, 2019	$ 30,000	$ -
Unamortized transaction costs, net of accretion	(2,191)	-
Exit fee, net of accretion	134	-
Carrying value of debt	$ 27,943	$ -

Third Eye Capital Loan

On May 4, 2018 the Company closed a US$30.0 million senior secured loan (the "Third Eye Loan") with Third Eye Capital ("Third Eye"). The loan bears interest at 10% per annum, calculated and payable monthly in arrears, and will mature on May 4, 2019. Pursuant to the loan agreement with Third Eye, the borrower covenants the Company must comply with include: maintaining a cash balance greater than $5 million, a current ratio greater than 1:1 (excluding warrant liability, unearned licensing rights fee and debt from current liabilities), 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 repaid $10.3 million of the Third Eye Loan corresponding to 50% of the net cash proceeds from the $20.0 million private placement (described in Note 10) and $0.6 million of warrant exercise proceeds subsequent to July 31, 2018. The Company is in compliance with the Third Eye Loan debt covenants as at July 31, 2018.

Interest for approximately the first four months of the term ($1.0 million of non-refundable interest) was pre-paid in advance at closing pursuant to the terms of the Third Eye Loan. The Company paid to Third Eye a one-time commitment fee of $0.9 million and is obligated to pay a $0.6 million exit fee upon full and final repayment or termination of the Third Eye Loan. As well, the Company issued 3.5 million warrants to Third Eye in connection with the Third Eye Loan. Each warrant is exercisable at a price of CAD$1.40 per underlying common share for a period of three years from the closing of the Third Eye Loan.

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

6. 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, 2017	75,202,620	$ 42,700
Revaluation of royalty preferred shares	-	11,300
Balance, April 30, 2018	75,202,620	54,000
Revaluation of royalty preferred shares	-	23,900
Balance, July 31, 2018	75,202,620	$ 77,900

As at July 31, 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 42% as at July 31, 2018 (April 30, 2018 – 35%) reflecting in each case, among other factors, the Company's clinical results and communication with regulatory bodies; a discount rate of 21.5% as at July 31, 2018 (April 30, 2018 – 21.7%); commencement of revenue beginning between late 2021 and 2022 (based on clinical development paths across various jurisdictions) as at July 31, 2018 (April 30, 2018 – between late 2021 and 2023); apabetalone market share percentages; and product pricing.

On June 14, 2018 the Company announced that it had received confirmation from the U.S. Food and Drug Administration ("FDA") 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"). As at July 31, 2018, management updated the estimated fair value to: reflect the reduced length of time (due to the passage of time) from July 31, 2018 to future cash flows based on the estimated timing and commencement of revenue, to decrease the discount rate due to a decrease in the risk-free rate of return, and to reflect the increased cumulative probability rate of generating forecasted future cash flows (to reflect the FDA communication that the BETonMACE study, if successful, is likely to support the filing and approval of an NDA).

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 $6.5 million decrease in the fair value of the royalty preferred shares. Furthermore, assuming commencement of revenue one year later would result in a $16.2 million decrease in the fair value of the royalty preferred shares.

(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, 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
Issued in connection with stock option plan	214,734	450
Issued in connection with long term incentive plan	27,133	34
Balance, July 31, 2018	177,427,859	$ 250,073

Private placements and prospectus offering

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 Capital Limited ("Eastern") and Shenzhen Hepalink Pharmaceutical Co., Ltd. ("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 7 (e).

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

7. Shareholders' equity (deficit) (continued)

(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, 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
Exercised	(214,734)	1.39
Expired	(977,934)	2.68
Forfeited	(30,932)	1.52
Outstanding, July 31, 2018	1,588,000	$ 1.37

The following table summarizes information about the options outstanding and exercisable at July 31, 2018.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.65 - $0.75	401,000	0.96	$ 0.69	401,000
$1.04 - $1.73	956,600	2.69	1.35	861,541
$2.26 - $2.82	230,400	1.77	2.60	230,400
	1,588,000	2.12	$ 1.37	1,492,941

The number of options exercisable at July 31, 2018 was 1,492,941 (2017 – 2,361,878) with a weighted average exercise strike price of CAD$1.35 (2017 – CAD$1.91).

The fair value of each option granted is estimated as of the grant date using the Black-Scholes option pricing model. During the three months ended July 31, 2018 and 2017, no stock options were granted.

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

7. 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 three months ended July 31, 2018 and 2017, no RSUs were granted. The RSUs vest over a period of one to three years. The Company estimates the fair value of RSUs based on the market price of the underlying stock on the date of grant.

	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, April 30, 2017	534,179	$ 1.19
Forfeited	(5,599)	1.11
Outstanding, April 30, 2018	528,580	1.19
Exercised	(27,133)	1.27
Forfeited	(9,566)	0.98
Outstanding, July 31, 2018	491,881	$ 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, 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
Issued in connection with Third Eye loan	3,500,000	1.40	1,419
Revaluation of warrant liability	-	-	16,378
Outstanding, July 31, 2018	22,847,251	$ 1.55	$ 26,610

The following table summarizes information about the liability-classified warrants outstanding and exercisable at July 31, 2018.

Exercise Price (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
$0.75 - $0.90	5,529,592	0.95	$ 0.76
$1.40 - $1.64	10,209,395	3.10	1.53
$2.00 - $2.67	7,108,264	2.68	2.17
	22,847,251	2.45	$ 1.55

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

7. Shareholders' equity (deficit) (continued)

(d) Warrant liability (continued)

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. Of the total, 2,552,489 warrants were issued on June 20, 2017 in connection with the prospectus offering discussed in Note 7 (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 July 31, 2018, the fair value of these listed warrants was CAD$1.16 per warrant for a total value of $2.277 million (April 30, 2018 - 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 the 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 three months ended July 31, 2018, 3,500,000 warrants were issued in connection with the Third Eye Loan. The weighted average fair value of the warrants issued during the three months ended July 31, 2018 was $0.41 per warrant, using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018
Risk-free interest rate	2.1%
Expected life	3.0 years
Expected volatility	69%
Share price at grant date	CAD$1.33

(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 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 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.

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

7. Shareholders' equity (deficit) (continued)

(e) Equity-classified warrants (continued)

There were no equity-classified warrants issued during the three months ended July 31, 2018. The weighted average fair value of the warrants issued during the three months ended July 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 July 31, 2018.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)
$1.62	1,342,593	3.34
$2.05	178,674	0.89
$2.67	331,750	1.97
	1,853,017	2.86

(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	177,266,421	108,173,828

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 July 31,	
	2018	2017
Included in research and development expenses:		
Share-based payment transaction costs	$ 13	$ 56
Amortization and depreciation	61	77
Included in general and administrative expenses:		
Share-based payment transaction costs	$ 38	$ (1)
Amortization and depreciation	24	26

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

9. Commitments

As at July 31, 2018, the Group is committed to expenditures over the next twelve months of $8.1 million (2017 – $8.2 million) under various research and development contracts.

As at July 31, 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 $18-23 million (2017 – $20-25 million).

As at July 31, 2018, the Group is also committed to operating lease payments for office and laboratory premises as follows:

	2018	2017
Less than 1 year	$ 684	$ 701
Between 1 and 5 years	2,146	2,495
More than 5 years	135	562
	$ 2,965	$ 3,758

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.

10. Subsequent event

Private placement

Subsequent to July 31, 2018, the Company closed a private placement and issued 10.4 million units at a price of CAD$2.50 per unit for gross proceeds of $20.0 million (CAD$26.0 million). Each unit was comprised of one common share and one-half of a common share purchase warrant. Each warrant is exercisable at a price of CAD$3.00 per share for a period of three years from the closing of the private placement.

The Company repaid $10.3 million of the Third Eye Loan corresponding to 50% of the net cash proceeds from the $20.0 million private placement and $0.6 million of warrant exercise proceeds subsequent to July 31, 2018.