RESVERLOGIX

Consolidated Financial Statements

Years ended April 30, 2019 and 2018

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 26, 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Resverlogix Corp.

Opinion

We have audited the consolidated financial statements of Resverlogix Corp. ("the Entity"), which comprise:

- the consolidated statements of financial position as at April 30, 2019 and 2018
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity (deficit) for the years then ended
- the consolidated statements of cash flows for the years then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at April 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that the Entity has insufficient cash to fulfill its contractual commitments and to fund its planned business operations over the next 12 months.

As stated in Note 3 in the financial statements, these events or conditions, along with other matters as set forth in Note 3 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

We obtained the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Reinier Deurwaarder.

KPMG LLP

Chartered Professional Accountants

July 26, 2019
Calgary, Canada

Consolidated Statements of Financial Position

As at:

In thousands of US dollars	Notes	April 30, 2019	April 30, 2018
Assets			
Current assets:			
Cash		$ 7,689	$ 121
Prepaid expenses and deposits		604	494
Investment tax credit receivable		113	98
Other assets		213	157
Clinical supplies		1,156	3,056
Due from related parties		865	118
Total current assets		10,640	4,044
Non-current assets:			
Property and equipment	7	350	468
Intangible assets	8	2,564	2,181
Prepaid expenses and deposits		102	104
Deferred financing costs		25	214
Clinical supplies		2,606	1,267
Total non-current assets		5,647	4,234
Total assets		$ 16,287	$ 8,278
Liabilities			
Current liabilities:			
Trade and other payables		$ 8,190	$ 22,204
Accrued interest		120	-
Promissory notes	9	306	708
Unearned licensing rights fee	10	-	6,230
Warrant liability	13 (e)	63,526	8,813
Debt	11	14,467	-
Total current liabilities		86,609	37,955
Non-current liabilities:			
Royalty preferred shares	12	137,400	54,000
Total liabilities		224,009	91,955
Shareholders' equity (deficit):			
Share capital	13 (a)	284,905	249,589
Contributed surplus		43,117	39,640
Warrants	13 (f)	1,229	1,269
Deficit		(536,973)	(374,175)
Total shareholders' equity (deficit)		(207,722)	(83,677)
Total liabilities and shareholders' equity (deficit)		$ 16,287	$ 8,278

Future operations (note 3) Commitments (note 16) Subsequent event (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	2019	2018
Expenses:			
Research and development, net of recoveries	15	$ 32,344	$ 37,884
Investment tax credits		(114)	(98)
Net research and development		32,230	37,786
General and administrative, net of recoveries	15	6,510	4,070
		38,740	41,856
Finance costs (income):			
Loss (gain) on change in fair value of warrant liability	13 (e)	41,153	(4,246)
Loss on change in fair value of royalty preferred shares	12	83,400	11,300
Interest and accretion		4,958	5,066
Financing costs		674	385
Foreign exchange (gain) loss		(173)	3,902
Net finance costs (income)		130,012	16,407
Other income - licensing rights fee income	10	(5,983)	-
Loss before income taxes		162,769	58,263
Income taxes		29	47
Net and total comprehensive loss		$ 162,798	$ 58,310
Net loss per share *(note 13 (g))*			
Basic and diluted		$ 0.87	$ 0.42

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, 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 and long term incentive plans	113	(56)	-	-	57
Share issue cost	(2,785)	-	-	-	(2,785)
Warrants issued in connection with prospectus offering and private placement	-	-	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)
Common shares issued in connection with private placements	33,509	-	-	-	33,509
Common shares issued in connection with stock option and long term incentive plans	552	(313)	-	-	239
Share issue cost	(458)	-	-	-	(458)
Common shares issued in connection with exercise of warrants	1,713	-	(40)	-	1,673
Share-based payment transactions	-	3,790	-	-	3,790
Net and total comprehensive loss	-	-	-	(162,798)	(162,798)
Balance, April 30, 2019	$ 284,905	$ 43,117	$ 1,229	$ (536,973)	$ (207,722)

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	2019	2018
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Net loss	$ (162,798)	$ (58,310)
Items not involving cash:		
Equity-settled share-based payment transactions	3,790	462
Depreciation and amortization	356	358
Change in fair value of warrant liability	41,153	(4,246)
Change in fair value of royalty preferred shares	83,400	11,300
Impairment of intangible assets	-	294
Unrealized foreign exchange	-	2,927
Interest, fees and accretion	4,958	5,066
Net current income taxes	29	47
Financing costs	674	385
Changes in non-cash working capital:		
Prepaid expenses and deposits	(108)	339
Investment tax credit receivable	(15)	(35)
Other assets	(56)	59
Clinical supplies	561	713
Due from related parties	(747)	64
Unearned licensing rights fee	(6,230)	6,230
Trade and other payables	(13,852)	9,286
	(48,885)	(25,061)
Interest received	71	5
Income tax paid	(20)	(77)
Net cash used in operating activities	(48,834)	(25,133)
Cash flows provided by (used in) financing activities:		
Proceeds from debt	30,000	-
Debt issuance costs	(1,487)	-
Financing costs	(574)	(283)
Repayment of debt	(15,463)	(54,189)
Interest and fees paid	(1,938)	(4,790)
Proceeds from equity units issued in connection with private placements	46,689	79,718
Proceeds from equity units issued in connection with prospectus offering	-	3,464
Share issuance costs	(458)	(1,887)
Deferred financing costs, net of recovery	(25)	(71)
Proceeds from exercise of stock options	239	57
Proceeds from exercise of warrants	635	-
Proceeds from issuance of promissory notes	-	708
Repayment of promissory note	(402)	-
Changes in non-cash financing working capital	(79)	577
Net cash provided by financing activities	57,137	23,304
Cash flows used in investing activities:		
Property and equipment additions	(8)	-
Intangible asset additions	(614)	(537)
Changes in non-cash investing working capital	(109)	177
Net cash used in investing activities	(731)	(360)
Effect of foreign currency translation on cash	(4)	955
Increase (decrease) in cash	7,568	(1,234)
Cash, beginning of year	121	1,355
Cash, end of year	$ 7,689	$ 121

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 26, 2019.

(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.

(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.

As at April 30, 2019, the Company had $7.7 million of cash. The Company needs to fund research, development and corporate activities within the next year. As at April 30, 2019, the Company was committed to pay $8.2 million of trade and other payables, $4.7 million for research and development, and $0.7 million of lease obligations over the next twelve months as described further in Note 16. Furthermore, the Company's $14.5 million loan with Third Eye Capital is due on August 4, 2019. The Company is currently in discussions with Third Eye Capital regarding the repayment and/or extension of the Third Eye Loan beyond August 4, 2019. The Company is required to pay a further $0.7 million to Third Eye Capital related to interest and other payments on or before the loan's maturity. 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 up to approximately $15 – 20 million.

3. Future operations (continued)

The Company's cash as at April 30, 2019, in combination with the $11.4 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 Third Eye Loan or comply with the loan covenants for the entire remaining term of the Third Eye 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 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.

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

Adoption of IFRS 9 – Financial Instruments, with a date of initial application of May 1, 2018:

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 liabilities and impairment of financial assets. The Company has applied IFRS 9, with an initial application date of May 1, 2018. There were no changes to the measurement of the Company's financial assets and liabilities as a result of the adoption of IFRS 9.

4. Significant accounting policies (continued)

Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities

Financial assets

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

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

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

Financial liabilities

Financial liabilities are initially measured at fair value and are subsequently measured at amortized cost. The Group's financials liabilities are classified and measured as follows:

Financial Liability	Classification	Measurement
Trade and other payables	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost
Unearned licensing rights fee	Other liabilities	Amortized cost
Warrant liability	FVTPL	Fair value
Debt	Other liabilities	Amortized cost
Royalty preferred shares	FVTPL	Fair value

Impairment

Under IFRS 9, accounting for impairment losses for financial assets uses a forward-looking expected credit loss ("ECL") approach.

IFRS 9 requires that a loss allowance is recorded for ECLs on all financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Fair Value Measurement

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

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

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

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

The fair 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.

4. Significant accounting policies (continued)

Impairment

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

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.

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

Clinical supplies

Clinical supplies 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 or when the clinical supplies are no longer expected to be used in clinical trials.

Property and equipment

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

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

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

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

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included 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.

4. Significant accounting policies (continued)

Intangible assets (continued)

(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

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.

4. Significant accounting policies (continued)

Government grants

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

Finance income and costs

Finance income and costs is comprised of interest income on funds invested, 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

IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16 – *Leases* which replaces IAS 17. The new standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

Resverlogix adopted IFRS 16 on May 1, 2019, and has selected the modified retrospective transition approach. Resverlogix has also elected to apply the optional exemptions for short-term and low-value leases. Management is still quantifying the impact of IFRS 16 adoption. IFRS 16 is expected to increase the Corporation's assets and liabilities, increase depreciation expense, increase interest, accretion and finance costs and reduce general and administrative expenses and research and development expenses. Cash payments associated with operating leases are currently presented within operating activities; under IFRS 16, the cash flows will be allocated between financing activities for the repayment of the principal liability and operating activities for the financing expense portion. The overall impact to cash flow will be unchanged.

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 forfeitures. 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 (e).

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, 2019, the Group's cash is not subject to any external restrictions (other than the minimum cash balance of $3 million required to be maintained pursuant to the Company's amended loan agreement discussed in Note 11). The Group also continuously monitors actual and projected expenditures and cash flows. The Company's commitments are disclosed in Note 16.

The table below presents a maturity analysis of the Company's financial liabilities on the expected cash flows from April 30, 2019 to the contractual maturity date, including estimated interest payments. The amounts are equivalent to the following contractual undiscounted cash flows.

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

6. Financial risk management (continued)

(a) Liquidity risk (continued)

Trade and other payables balance	April 30, 2019	April 30, 2018
3 months or less	$ 8,190	$ 22,204
3 - 12 months	-	-
Trade and other payables total	8,190	22,204
Interest on debt		
12 months or less	120	-
More than 12 months	-	-
Interest on debt total	120	-
Debt and Promissory notes		
12 months or less	14,773	708
More than 12 months	-	-
Debt and Promissory notes total	14,773	708
Total	$ 23,083	$ 22,912

(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, 2019, the Group had Canadian denominated assets and liabilities of: cash in the amount of CAD$0.2 million (2018 – CAD$0.1 million), accounts receivable in the amount of CAD$0.02 million (2018 – CAD$0.02 million), accounts payable in the amount of CAD$1.8 million (2018 – CAD$2.5 million), and promissory notes in the amount of CAD$0.4 million (2018 – CAD$0.9 million). An increase of $0.01 in the CAD to USD exchange rate as measured on April 30, 2019 would result in a foreign currency loss of $0.03 million (2018 – $0.04 million loss).

(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 Capital Corp. ("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, 2019, the carrying amounts of the Group's cash and trade and other receivables approximate their fair value due to their short-term nature.

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

7. Property and equipment

	Office furniture and equipment	Computer hardware and software	Leasehold improvements	Total
Cost				
Balance at April 30, 2017	$ 319	$ 130	$ 693	$ 1,142
Disposals	(45)	(20)	-	(65)
Balance at April 30, 2018	274	110	693	1,077
Additions	-	7	-	7
Disposals	-	(7)	-	(7)
Balance at April 30, 2019	$ 274	$ 110	$ 693	$ 1,077
Accumulated depreciation				
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
Depreciation	44	9	72	125
Disposals	-	(7)	-	(7)
Balance at April 30, 2019	$ 264	$ 102	$ 361	$ 727
Net book value				
As at April 30, 2018	$ 54	$ 10	$ 404	$ 468
As at April 30, 2019	10	8	332	350

(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, 2017	$ 2,468	$ 114	$ 2,582
Additions	525	12	537
Disposals	(324)	-	(324)
Balance at April 30, 2018	2,669	126	2,795
Additions	614	-	614
Balance at April 30, 2019	**$ 3,283**	**$ 126**	**$ 3,409**
Accumulated amortization and impairment losses			
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
Amortization	203	28	231
Balance at April 30, 2019	**$ 729**	**$ 116**	**$ 845**
Net book value			
As at April 30, 2018	$ 2,143	$ 38	$ 2,181
As at April 30, 2019	**2,554**	**10**	**2,564**

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 year ended April 30, 2018, a relative of the Chairman of the Company lent CAD$0.5 million to the Company. This promissory note was payable on demand and bore interest at 8% per annum. The CAD$0.5 million promissory note along with accrued interest was repaid in August 2018.

During the year 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; the combined CAD$0.4 million promissory notes remain outstanding as at April 30, 2019.

10. Unearned licensing rights fee and licensing rights fee income

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"). Pursuant to the Agreement, if Resverlogix and Hepalink USA entered into a license agreement with respect to the US Licensing Rights, the Fee would have been credited against any payment obligations of Hepalink USA thereunder. Otherwise, the Fee was refundable, in whole or in part, until termination of the Agreement. The Unearned Licensing Rights Fee was recognized as a current liability from the commencement of the Agreement until the April 15, 2019 termination date (at which time it was no longer refundable), and at which time the Fee was considered earned, and recorded as other income.

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

11. Debt

	April 30, 2019	April 30, 2018
US$30.0 million (initial principal), 10% due August 4, 2019	$ 14,537	$ -
Unamortized transaction costs, net of accretion	(587)	-
Exit fee, net of accretion	517	-
Carrying value of debt	$ 14,467	$ -

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. On April 30, 2019, the Company entered into a loan amendment to extend the maturity date of the loan from May 4, 2019 to August 4, 2019. The Company is currently in discussions with Third Eye regarding the repayment and/or extension of the Third Eye Loan beyond August 4, 2019. The amendment was accounted as a debt modification. The change in timing and amount of the estimated cash flows related to the loan resulted in an adjustment to the carrying value of the loan, and a modification gain $0.5 million was recognized at the April 30, 2019 amendment date (disclosed as part of accretion expense). A $0.2 million amendment fee was incurred on amending the loan on April 30, 2019; by recognizing the $0.2 million amendment fee as part of the carrying value of the loan, the effective interest rate of the loan increased from 22.7% to 28.2% for the remaining term of the loan.

Pursuant to the loan amendment, the borrower covenants the Company must comply with include: maintaining a cash balance greater than US$3 million, a current ratio greater than 1:1 (with the current ratio calculation excluding warrant liability, unearned licensing rights fee and debt from the current liabilities denominator), and a market capitalization greater than CAD$150 million (as of the last trading day of each month), 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 (unless waived by Third Eye). During the year ended April 30, 2019, the Company repaid $15.5 million of the Third Eye Loan, corresponding to 50% of the net cash proceeds totaling approximately $30.9 million from private placements and warrant exercises in the period. During the year ended April 30, 2019, Third Eye waived repayments associated with net cash proceeds totaling approximately $16.4 million from private placements. The Company is in compliance with the Third Eye Loan debt covenants as at April 30, 2019.

Interest for approximately the first four months of the term ($1.0 million of non-refundable interest) was prepaid 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.

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, as described in Note 13 (e).

Citibank Loan

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

In connection with the August 2017 loan extension (which extended the maturity date of the loan from August 28, 2017 to December 26, 2017), the loan was assigned from Citibank to a lender affiliated, directly or indirectly with Eastern Capital Limited. Effective August 27, 2017, the annual interest rate on the loan 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%.

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

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, 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	-	83,400
Balance, April 30, 2019	75,202,620	$ 137,400

The holder of the royalty preferred shares is entitled to dividends in the amount of 6-12% of the Company's Net Revenue, as defined in the Company's articles. As at April 30, 2019, the Company had 75,202,620 royalty preferred shares outstanding, all of which were held by Zenith Capital Corp. ("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 April 30, 2019 (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 19.5% as at April 30, 2019 (April 30, 2018 – 21.7%); commencement of revenue beginning between late 2021 and 2022 (based on clinical development paths across various jurisdictions) as at April 30, 2019 (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"), which resulted in an increased cumulative probability rate of generating forecasted future cash flows compared to April 30, 2018.

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 $11.1 million decrease in the fair value of the royalty preferred shares; assuming commencement of revenue one year later would result in a $31.4 million decrease in the fair value of the royalty preferred shares; and a 1% increase in the probability rate of generating forecasted future cash flows would result in a $4.2 million increase in the fair value of the royalty preferred shares.

(amounts in thousands of US dollars, except for number of 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, 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 private placements	22,155,851	33,509
Issued in connection with warrant exercises	701,241	1,713
Issued in connection with stock option plan	229,268	476
Issued in connection with long term incentive plan	55,567	76
Share issue cost	-	(458)
Balance, April 30, 2019	200,327,919	$ 284,905

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.

During the three months ended April 30, 2018, the Company issued 1,776,322 common shares at a weighted average price of CAD$1.78 per share pursuant to additional private placements for gross proceeds of $2.5 million (CAD$3.2 million). In addition, 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 was comprised of one common share and one-half 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.

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

13. Shareholders' equity (deficit) (continued)

(a) Common shares (continued)

In August 2018, the Company issued 10,403,216 equity units at CAD$2.50 per unit pursuant to a private placement for gross proceeds of $20.0 million (CAD$26.0 million). Each unit consisted 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 underlying common share for a period of three years from the closing of the private placement.

In November 2018, the Company issued 4,500,000 equity units at CAD$3.00 per unit pursuant to a private placement for gross proceeds of $10.3 million (CAD$13.5 million). Each unit consisted of one common share and one-half of a common share purchase warrant. Each warrant is exercisable at a price of CAD$3.10 per underlying common share for a period of three years from the closing of the private placement.

In January 2019, the Company issued 2,213,398 equity units to Hepalink at CAD$3.00 per unit pursuant to a private placement for gross proceeds of $5.1 million (CAD$6.6 million). Each unit consisted of one common share and one-half of a common share purchase warrant. Each warrant is exercisable at a price of CAD$3.21 per underlying common share for a period of three years from the closing of the private placement.

On March 29, 2019, the Company issued 4,479,793 equity units to Hepalink at CAD$3.00 per unit pursuant to a private placement for gross proceeds of $10.1 million (CAD$13.4 million). In addition, during the three months ended April 30, 2019, the Company issued 559,444 units at CAD$3.00 per unit pursuant to additional private placements to other subscribers for gross proceeds of $1.3 million (CAD$1.7 million). Each unit consisted of one common share and one-half of a common share purchase warrant. Each warrant is exercisable at a price of CAD$3.21 per underlying common share for a period of three years from the closing of the private placements.

Share issue costs

During the year ended April 30, 2019, the Company recognized total share issue costs of $0.5 million. 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 (f).

(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
Granted	50,000	3.18
Exercised	(229,268)	1.38
Expired	(977,934)	2.68
Forfeited	(30,932)	1.52
Outstanding, April 30, 2019	1,623,466	$ 1.42

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

13. Shareholders' equity (deficit) (continued)

(b) Stock options (continued)

The following table summarizes information about the options outstanding and exercisable at April 30, 2019.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.65 - $0.75	394,800	0.25	$ 0.70	394,800
$1.04 - $1.73	950,966	1.95	1.35	912,573
$2.26 - $2.82	227,700	1.03	2.60	227,700
$3.01 - $3.35	50,000	4.86	3.18	-
	1,623,466	1.50	$ 1.42	1,535,073

The number of options exercisable at April 30, 2019 was 1,535,073 (2018 – 2,409,676) with a weighted average exercise price of CAD$1.37 (2018 – CAD$1.89).

The fair value of each option granted is estimated as of the grant date using the Black-Scholes option pricing model. The following weighted average assumptions were used in arriving at the weighted average fair values of $1.53 per option associated with stock options granted during the year ended April 30, 2019. During the year ended April 30, 2018, no stock options were granted.

	2019
Risk-free interest rate	1.8%
Expected life	4.3 years
Expected volatility	81%
Share price at grant date	CAD$3.29
Expected dividends	Nil

(c) Restricted stock units

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

During the year ended April 30, 2019, 1,946,100 RSUs were granted (2018 – Nil). The RSUs vest over a period of six months 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
Granted	1,946,100	2.52
Exercised	(55,567)	1.36
Forfeited	(9,566)	0.98
Outstanding, April 30, 2019	2,409,547	$ 2.26

The number of RSUs exercisable at April 30, 2019 was 1,004,595 (2018 – 288,421).

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

13. Shareholders' equity (deficit) (continued)

(d) Deferred share units

The Company's deferred share unit plan limits the maximum number of Common Shares issuable pursuant to outstanding deferred share units ("DSUs") at any time to 5% of the aggregate number of issued and outstanding Common Shares, provided that the combined maximum number of Common Shares issuable by the Company pursuant to outstanding DSUs and all of its other security based compensation arrangements may not exceed 10% of the Common Shares outstanding from time to time. The Company may grant DSUs to directors.

During the year ended April 30, 2019, 155,001 DSUs were granted (2018 – Nil). The DSUs fully vest at grant date. The Company estimates the fair value of DSUs based on the market price of the underlying stock on the date of grant.

	Number of deferred share units	Weighted average grant date fair value (USD)
Outstanding and exercisable, April 30, 2018 and 2017	-	$ -
Granted	155,001	2.52
Outstanding and exercisable, April 30, 2019	155,001	$ 2.52

(e) 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
Issued in connection with private placements	11,077,927	3.09	13,180
Exercised	(529,692)	0.90	(1,039)
Revaluation of warrant liability	-	-	41,153
Outstanding, April 30, 2019	33,395,486	$ 2.07	$ 63,526

The following table summarizes information about liability-classified warrants outstanding and exercisable at April 30, 2019.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
$0.75 - $0.90	5,000,000	0.29	$ 0.75
$1.40 - $1.64	10,209,395	2.36	1.53
$2.00 - $2.67	7,108,164	1.93	2.17
$3.00 - $3.21	11,077,927	2.54	3.09
	33,395,486	2.02	$ 2.07

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.

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

13. Shareholders' equity (deficit) (continued)

(e) Warrant liability (continued)

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 statements of financial position. Each full warrant entitles the holder to purchase one common share of the Company. 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.

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, except as discussed below.

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, which represents a level 3 input in the fair value hierarchy. The fair value of the warrants is subject to significant volatility.

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 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, 2019, the fair value of these listed warrants was CAD$2.65 per warrant for a total value of $5.049 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 discount represents a level 3 input in the fair value hierarchy.

During the year ended April 30, 2019, 3,500,000 warrants were issued in connection with the Third Eye Loan and 11,077,927 warrants were issued in connection with the August 2018, November 2018, January 2019, February 2019 and March 2019 private placements. The weighted average fair value of the warrants issued during the year ended April 30, 2019 was $1.00 per warrant, using the Black-Scholes option pricing model and the following assumptions for the two separate issuance types:

	Issued in connection with Third Eye loan	Issued in connection with private placements
Number of warrants issued	3,500,000	11,077,927
Risk-free interest rate	2.1%	2.0%
Expected life	3.0 years	3.0 years
Expected volatility	69%	72%
Share price at grant date (CAD)	$1.33	$3.21

(f) 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.

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

13. Shareholders' equity (deficit) (continued)

(f) Equity-classified warrants (continued)

The following table summarizes the changes in equity classified warrants outstanding.

	Number of warrants	Weighted average exercise price (CAD)	Equity amount
Outstanding, April 30, 2017	331,750	$ 2.67	$ 440
Issued in connection with prospectus offering	178,674	2.05	42
Issued in connection with private placement	1,342,593	1.62	787
Outstanding, April 30, 2018	1,853,017	1.85	1,269
Exercised	(171,549)	2.05	(40)
Outstanding, April 30, 2019	1,681,468	$ 1.83	$ 1,229

The following table summarizes information about the equity classified warrants outstanding and exercisable at April 30, 2019.

Exercise Price (CAD)	Number Outstanding and Exercisable	Weighted Average Remaining Life (years)
$1.62	1,342,593	2.59
$2.05	7,125	0.14
$2.67	331,750	1.22
	1,681,468	2.31

There were no equity-classified warrants issued during the year ended April 30, 2019. 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%

(g) Per share amounts

The basic and diluted earnings (loss) per share have been calculated based on the weighted average shares outstanding, as at April 30.

	2019	2018
Weighted average common shares outstanding - basic and diluted	188,102,071	137,737,620

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.

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

14. Personnel costs

The following table summarizes the personnel expenses recognized in the years ended April 30, 2019 and 2018.

	2019	2018
Short-term employee benefits	$ 4,429	$ 4,611
Equity-settled share-based payments	3,790	462
Total personnel expenses	$ 8,219	$ 5,073

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.

	2019	2018
Included in research and development expenses:		
Share-based payment transaction costs	$ 1,140	$ 171
Amortization and depreciation	261	254
Impairment of intangible assets	-	294
Included in general and administrative expenses:		
Share-based payment transaction costs	$ 2,650	$ 291
Amortization and depreciation	95	104

16. Commitments

As at April 30, 2019, the Group is committed to expenditures over the next twelve months of $4.7 million (2018 – $6.4 million) under various research and development contracts.

As at April 30, 2019, the Group is also committed to operating lease payments for office and laboratory premises as follows:

	2019	2018
Less than 1 year	$ 690	$ 678
Between 1 and 5 years	1,712	2,241
More than 5 years	-	239
	$ 2,402	$ 3,158

Zenith agreed to pay the Company for its proportionate share of operating lease payments and operating costs for office and laboratory of an estimated $0.3 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:

	2019	2018
Short-term benefits	$ 1,813	$ 1,843
Equity-settled share-based payments	2,980	199
Key management personnel compensation	$ 4,793	$ 2,042

The promissory notes the Company entered into with related parties during the year ended April 30, 2018 are described in Note 9.

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 a Management Services Agreement dated June 3, 2013 between the Company and Zenith. The purpose of the agreement is to enable the Company to achieve greater utilization of its resources. 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, 2019, the Company provided an aggregate of $1.1 million (2018 - $1.1 million) of services and reimbursable expenses, comprised of $0.7 million (2018 - $0.7 million) for management and administrative services, and $0.5 million (2018 - $0.5 million) of reimbursable expenses, less $0.1 million (2018 - $0.1 million) for services provided to Resverlogix by Zenith. As at April 30, 2019, Zenith owes the Company $0.9 million (2018 - $0.1 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. The purpose of the agreement is to enable the Company to obtain access to specialized research services on a more cost-effective basis than other alternatives. During the year ended April 30, 2019, Zenith provided $0.1 million of research services (2018 - $0.1 million). At April 30, 2019 the Company owed Zenith $0.2 million related to work performed under the agreement (2018 - $0.1 million).

Hepalink

During the year ending April 30, 2018, the Company completed two private placements with Hepalink totaling $70.3 million (CAD$89.4 million) for a total of 61,750,000 shares and 6,333,356 warrants. During the year ending April 30, 2019, the Company completed two private placements with Hepalink totaling $15.1 million (CAD$20.1 million) for a total of 6,693,191 shares and 3,346,596 warrants. As at April 30, 2019, Hepalink held 40.8% (2018 – 42.3%) of the Company's outstanding common shares and is considered to have significant influence over Resverlogix.

On July 8, 2015, the Company closed a license of apabetalone for China, Hong Kong, Taiwan and Macau (the "Territories") for all indications with Hepalink. The license between the Company and Hepalink stipulates that Hepalink is responsible for certain clinical and development costs in the Territories, including a patient population that is included in the Company's Phase 3 BETonMACE trial. Accordingly, during the year ended April 30, 2019, the Company charged Hepalink $0.4 million (2018 – $1.0 million) as a recovery to research and development expenses on the consolidated statements of comprehensive loss, related to costs incurred for patients in the Territories participating in BETonMACE.

(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:

	2019	2018
Expected tax recovery - 27% (2017 - 27%)	$ (43,948)	$ (15,731)
Revaluation of the royalty preferred shares	22,518	3,051
Revaluation of the fair value of the warrant liability	11,111	(1,146)
Share-based payments	1,023	125
Long term debt including accretion and unrealized foreign exchange	796	341
Other	50	5
Deferred tax assets not recognized	8,479	13,402
Income tax expense	$ 29	$ 47

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:

	2019	2018
Non-capital losses	$ 74,647	$ 66,068
Scientific research and experimental development expenditures	9,272	9,048
Share issue costs and debt issuance costs	612	669
Other	(33)	47
Unrecognized deferred tax	$ 84,498	$ 75,832

The Group has non-capital losses of approximately $276.5 million (2018 – $244.7 million) available to reduce future years' taxable income expiring at various times until 2039. As at April 30, 2019, the Group has non-refundable federal investment tax credits of approximately $7.7 million (2018 – $7.6 million) which are available to reduce future taxes payable, subject to approval by Canada Revenue Agency and expiring at various times until 2039. The Group has unclaimed scientific research and development expenditures available to reduce future years' taxable income of approximately $34.3 million (2018 – $33.5 million) over an indefinite future period. The potential benefits of these tax pools have not been recorded in the consolidated financial statements.

19. Subsequent event

Public Offering

On June 7, 2019, the Company issued a total of 3,798,936 equity units at a price of CAD$4.00 per unit for gross proceeds of $11.4 million (CAD$15.2 million). Each equity unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at a price of CAD$4.60 per underlying common share for a period of four years from the closing of the offering.