RESVERLOGIX

Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2015 and 2014

Condensed Interim Consolidated Statements of Financial Position

(unaudited)

As at: *In thousands of US dollars*	Notes	July 31, 2015	April 30, 2015
Assets			
Current assets:			
Cash		$ 48,007	$ 16,211
Prepaid expenses and deposits		145	164
Investment tax credit receivable		34	21
Other assets		43	76
Clinical supplies		1,953	322
Due from related parties		2,287	1,955
Total current assets		52,469	18,749
Non-current assets:			
Property and equipment		947	982
Intangible assets		1,250	1,097
Deposits		311	317
Deferred financing costs	5	4	11
Total non-current assets		2,512	2,407
Total assets		$ 54,981	$ 21,156
Liabilities			
Current liabilities:			
Trade and other payables		$ 2,321	$ 1,936
Accrued interest		2,255	1,759
Warrant liability	8 (d)	12,631	18,651
Total current liabilities		17,207	22,346
Non-current liabilities:			
Long-term debt	6	42,570	44,737
Royalty preferred shares	7	30,100	27,800
Total liabilities		89,877	94,883
Shareholders' deficit:			
Share capital	8 (a)	172,284	136,499
Contributed surplus		37,908	37,945
Warrants	8 (e)	440	-
Deficit		(245,528)	(248,171)
Total shareholders' deficit		(34,896)	(73,727)
Total liabilities and shareholders' deficit		$ 54,981	$ 21,156

Future operations (note 3)
Commitments (note 10)
Subsequent event (note 11)

Signed on behalf of the Board:

Signed: "Dr. Peter Johann" 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 Income

For the three months ended July 31
(unaudited)

In thousands of US dollars	Notes	2015	2014
Expenses:			
Research and development, net of recoveries	9	$ 2,191	$ 729
Investment tax credits		(15)	(4)
Net research and development		2,176	725
General and administrative, net of recoveries	9	1,318	1,041
		3,494	1,766
Finance income:			
(Gain) loss on change in fair value of warrant liability	8 (d)	(7,835)	464
Loss (gain) on change in fair value of royalty preferred shares	7	2,300	(10,000)
Interest and accretion		1,666	966
Foreign exchange (gain) loss		(2,249)	146
Net finance income		(6,118)	(8,424)
Income before income taxes		(2,624)	(6,658)
Income Taxes:			
Income tax (recovery) expense		(19)	36
Net and total comprehensive income		$ (2,643)	$ (6,622)
Net earnings per share *(note 8 (f))*			
Basic and diluted		$ (0.03)	$ (0.08)

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

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit

For the three months ended July 31
(unaudited)

In thousands of US dollars	Notes	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Deficit
Balance, April 30, 2014		$ 132,337	$ 34,296	$ -	$ (229,848)	$ (63,215)
Common shares issued in connection with private placement	8 (a)	2,075	-	-	-	2,075
Common shares issued in connection with long term incentive plan		131	(131)	-	-	-
Share issue costs		(6)	-	-	-	(6)
Share-based payment transactions		-	518	-	-	518
Net and total comprehensive income		-	-	-	6,622	6,622
Balance, July 31, 2014		$ 134,537	$ 34,683	$ -	$ (223,226)	$ (54,006)
Balance, April 30, 2015		$ 136,499	$ 37,945	$ -	$ (248,171)	$ (73,727)
Common shares issued in connection with private placement	8 (a)	36,925	-	-	-	36,925
Common shares issued in connection with warrant exercises		171	-	-	-	171
Common shares issued in connection with stock option and long term incentive plans		330	(435)	-	-	(105)
Share issue costs		(1,641)	-	-	-	(1,641)
Warrants issued in connection with private placement	8 (e)	-	-	440	-	440
Share-based payment transactions		-	398	-	-	398
Net and total comprehensive income		-	-	-	2,643	2,643
Balance, July 31, 2015		$ 172,284	$ 37,908	$ 440	$ (245,528)	$ (34,896)

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	2015	2014
Cash provided by (used in):		
Cash flows used in operating activities:		
Net income	$ 2,643	$ 6,622
Items not involving cash:		
Equity-settled share-based payment transactions	398	518
Depreciation and amortization	67	48
Change in fair value of warrant liability	(7,835)	464
Change in fair value of royalty preferred shares	2,300	(10,000)
Unrealized foreign exchange (gain) loss	(3,381)	163
Interest and accretion	1,666	966
Income taxes	(19)	36
Changes in non-cash working capital:		
Investment tax credit receivable	(13)	(3)
Clinical supplies	(1,631)	-
Prepaid expenses and deposits	19	7
Deposits	6	-
Other assets	30	(1)
Due from related parties	(332)	(559)
Trade and other payables	1,732	59
	(4,350)	(1,680)
Interest received	49	-
Income tax paid	(7)	(73)
Net cash used in operating activities	(4,308)	(1,753)
Cash flows generated from financing activities:		
Proceeds from the issuance of common shares and warrants	38,810	2,075
Share issuance costs	(1,190)	(6)
Deferred financing costs	(4)	(31)
Proceeds from exercise of warrants	102	-
Proceeds from exercise of stock options	38	-
Restricted stock unit costs	(143)	-
Interest and fees paid	(4)	-
Changes in non-cash financing working capital	94	39
Net cash generated from financing activities	37,703	2,077
Cash flows used in investing activities:		
Property and equipment additions	(9)	(59)
Intangible asset additions	(176)	(169)
Changes in non-cash investing working capital	5	(222)
Net cash used in investing activities	(180)	(450)
Effect of foreign currency translation on cash	(1,419)	(3)
Increase (decrease) in cash	31,796	(129)
Cash, beginning of period	16,211	590
Cash, end of period	$ 48,007	$ 461

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 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 Corp. is a clinical stage biotechnology company developing RVX-208, a first-in-class small molecule selective Bromodomain and ExtraTerminal domain ("BET") inhibitor for the potential treatment of patients with cardiovascular disease, diabetes mellitus, Alzheimer's disease, peripheral artery disease and chronic kidney disease. 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 8, 2015.

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, 2015 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 condensed interim 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. Long-term 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.

Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the three months ended July 31, 2015.

(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, 2015.

3. Future operations

The success of the Company is dependent on the continuation of its research and development activities, progressing the core technologies through clinical trials to commercialization and its ability to finance its cash requirements.

It is not possible to predict the outcome of future research and development programs, the Company's ability to fund these programs in the future, or the commercialization of products by the Company.

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

As at July 31, 2015, the Company had $48.0 million of cash and is committed to pay $2.3 million of trade and other payables, and $2.9 million for research and development and $0.7 million of lease obligations over the next twelve months as described further in Note 10 "Commitments".

On August 27, 2015, the Company paid CAD$3.2 million of interest on the CAD$68.8 million loan outstanding.

We believe the Company's cash as at July 31, 2015 will be sufficient to fund the Company's contractual commitments for at least the next year, and will be sufficient to fund all of the Company's planned business operations over the next year.

The Company may 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 product licensing; however, there is no assurance that these initiatives will be successful.

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, 2015 prepared in accordance with IFRS applicable to those annual consolidated financial statements. Except as disclosed below, 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, 2015.

New standards and interpretations adopted

The Company has adopted the following new standards and amendments to standards, with a date of initial application of May 1, 2015:

Annual Improvements

The IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements released on December 12, 2013 to be implemented for periods beginning on or after July 1, 2014. These altered the definition of "vesting condition" in IFRS 2 *Share-based payment* which is to be applied prospectively to new grants; and "related party" in IAS 24 *Related Party Disclosures* which is to be applied retrospectively. The amendments did not have a material impact on the financial statements.

5. Deferred financing costs

Deferred financing costs are comprised of fees and other costs incurred in connection with potential future financings.

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

6. Long-term debt

	July 31, 2015	April 30, 2015
CAD$68.8 million, 4.4410% due August 28, 2017	$ 52,735	$ 56,774
Discount on debt, net of accretion	(6,967)	(8,252)
Unamortized transaction costs, net of accretion	(3,198)	(3,785)
Carrying value of long-term debt	$ 42,570	$ 44,737

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

The entire loan is repayable upon maturity on August 28, 2017 and may be repaid in whole or in part without penalty. Effective August 27, 2014, the annual interest rate was reset from 4.4473% to 4.4410%. Interest on the loan is payable annually in arrears and the interest rate is reset annually to a rate equal to Canadian one-year LIBOR swap rate plus 3.14%. The loan is secured by an irrevocable CAD$68.8 million Standby Letter of Credit (the "Letter of Credit") in favour of Citibank arranged by Eastern Capital Limited ("Eastern"), which will be maintained until maturity of the loan.

In connection with the irrevocable Standby Letter of Credit, on August 27, 2012 the Company issued 1,320,000 share purchase warrants exercisable at a price of CAD$1.58 (subsequently adjusted to CAD$1.44) for a period of five years to Eastern, and on March 8, 2013 the Company issued an additional 728,640 share purchase warrants exercisable at a price of CAD$2.38 (subsequently adjusted to CAD$2.16) for a period of five years to Eastern. In connection with the Second Loan Amendment, the Company issued 5,000,000 share purchase warrants exercisable at a price of CAD$0.75 for a period of five years to Eastern. The Company will pay a guarantee fee to Eastern in the amount of 0.03% per annum on the average daily aggregate principal amount of the issued and undrawn Letter of Credit, and pledged its issued letters patent to Eastern.

The Company determined the fair value of the initial CAD$25 million long-term debt to be $18.6 million which is net of a $6.7 million debt discount, and determined the fair value of the subsequent CAD$13.8 million long-term debt to be $10.2 million which is net of a $3.3 million debt discount. The further CAD $30.0 million was determined to have a fair value of $22.6 million which is net of a $4.9 million debt discount. Management's estimate of the market interest rate for the debt was 12%, and attributed the loan's lower interest rate to the Letter of Credit arranged by Eastern.

The Company used significant judgment in determining whether Eastern was acting in the capacity of a shareholder or a provider of service. Based on discussions with Eastern, consideration of the terms of the arrangements between Eastern, Citibank and Resverlogix whereby Eastern provided its assets as collateral to Citibank in connection with a loan from Citibank to Resverlogix, and the risks and rewards associated therewith, management determined that Eastern was acting in the capacity of a shareholder in arranging the Letter of Credit; therefore, the debt discounts were recognized as contributed surplus. The combined debt discount is to be amortized over the term of the long-term debt. The determination of the fair value of the long term debt required management to use judgment, including management's estimate of a market interest rate for the debt of 12%. In addition, the Company determined the fair value of the 1,320,000, 728,640 and 5,000,000 warrants to be $1.5 million, $1.4 million and $3.2 million, respectively. The Company recorded the warrants as a liability (see Note 8 (d)) with an off-setting reduction to the carrying amount of the debt to be amortized as interest and accretion expense over the term of the long-term debt. Management's estimate of the market interest rate for the debt as at July 31, 2015 was unchanged at 12% and, as such, the carrying value of the long-term debt approximates the fair value.

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

7. Royalty preferred shares

(i) Authorized:

Unlimited number of preferred shares issuable in series with rights as determined by the Board of Directors at the time of issue.

(ii) Issued and outstanding:

Preferred shares	Number of shares	Amount
Balance, April 30, 2014	75,202,620	$ 34,000
Revaluation of royalty preferred shares	-	(6,200)
Balance, April 30, 2015	75,202,620	$ 27,800
Revaluation of royalty preferred shares	-	2,300
Balance, July 31, 2015	75,202,620	$ 30,100

As at July 31, 2015 the Company had 75,202,620 royalty preferred shares outstanding, all of which were held by Zenith Epigenetics Corp. (“Zenith”). On July 2, 2015, the Company’s articles were amended to make certain changes to the dividend entitlement of holders of royalty preferred shares.

The holder of the royalty preferred shares is entitled to dividends in the amount of 6-12% of net Apo Revenue, if any. Net Apo revenue is defined as the aggregate of the following amounts: (i) amounts received by the Company or its affiliates (as defined in the Arrangement) from any person who is not the Company or its affiliate (a “third party”) in consideration for granting a license or other rights to the third party which entitle the third party to research, develop, make, manufacture, modify, administer, offer to sell, sell or distribute one or more of the Apo products and/or Apo intellectual property rights or amounts received under the terms of such license or other right that are granted to the third party; (ii) the gross consideration received from a third party by the Company, any licensee or their respective affiliates from the sale of any Apo product (other than consideration received by the Company, any licensee or their respective affiliates from a licensee of such Apo product or its affiliate); less (A) credits or allowances, if any, actually granted; (B) discounts actually allowed; (C) freight, postage, and insurance charges and additional special packaging charges; (D) customs duties, and excise sales taxes, duties or other taxes imposed upon and paid with respect to such sales (excluding what is commonly known as income taxes); (E) rebates and chargebacks or retroactive price reductions made to federal, state or local governments (or their agencies), or any third party payor, administrator or contractor, including managed health organizations; and (F) commissions related to import, distribution or promotion of any Apo Product paid to third parties (specifically excluding any commissions paid to sales personnel, sales representatives and sales agents who are employees or consultants of, or members of a contract sales force engaged by or on behalf of, the Company, any licensee or their respective affiliates); (iii) amounts received from a third party by the Company or its affiliates in consideration for the sale of any Apo intellectual property right.

The holder of the preferred shares do not have the right to participate in any additional dividends declared, if any, to common shareholders nor do they carry the right to vote. The holder of the preferred shares does not have any claim on the Company’s residual net assets. As these preferred shares contain a non-discretionary royalty dividend they represent a contractual obligation to deliver cash. IFRS requires that the substance of the instrument takes precedence over the legal form and thus the preferred shares have been classified as a financial liability. The liability is required to be re-measured to its fair value at each reporting period end with changes in fair value recognized in the statement of comprehensive loss (income).

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 discounted risk adjusted future net cash flows derived from the Apo-A-I applications rights. The estimate incorporates the following assumptions: a cumulative probability rate of generating forecasted future cash flows of 35% as at July 31, 2015 (April 30, 2015 – 35%) reflecting in each case, among other factors, the Company’s clinical results and communication with regulatory bodies; a discount rate of 24.1% as at July 31, 2015 (April 30, 2015 – 24.2%); commencement of revenue beginning between 2021 and 2023, based on clinical development paths across various jurisdictions, as at July 31, 2015 (April 30, 2015 – between 2021 and 2023); RVX-208 market share percentages; and product pricing.

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

7. Royalty preferred shares (continued)

As at July 31, 2015, management updated the estimated fair value to reflect the length of time from the current quarter to future cash flows, based on its estimated timing of the commencement of revenue; management also reduced the discount rate due to a decrease in the risk-free interest rate.

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 $2.9 million decrease in the fair value of the royalty preferred shares. Assuming commencement of revenue one year later would result in a $7.0 million decrease in the fair value of the royalty preferred shares.

8. 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, 2014	81,729,160	$ 132,337
Issued in connection with private placement	3,485,137	2,075
Issued in connection with warrant exercises	378,750	967
Issued in connection with stock option plan	31,768	73
Issued in connection with long term incentive plan	482,123	973
Share issue cost recovery	-	74
Balance, April 30, 2015	86,106,938	$ 136,499
Issued in connection with private placement	18,870,000	36,925
Issued in connection with warrant exercises	60,000	171
Issued in connection with stock option plan	35,000	73
Issued in connection with long term incentive plan	6,145	257
Share issue cost	-	(1,641)
Balance, July 31, 2015	105,078,083	$ 172,284

Private placements and license agreement

On June 10, 2014, the Company issued 3,485,137 common shares at a price of CAD$0.65 per common share for gross proceeds of $2.1 million (CAD$2.3 million). NGN BioMed Opportunity II, L.P. ("NGN"), an entity under the control or direction of the Chairman of Resverlogix Corp, subscribed for 1,230,769 common shares. Directors and officers of the Company subscribed for a total of 1,080,522 common shares. The shares were subject to a four month hold period. After giving effect to the private placement, NGN held 8,000,108 common shares of the Company, representing approximately 9.4% of the Company's issued and outstanding common shares, and 350,000 common share purchase warrants of the Company.

8. Shareholders' equity (deficit) (continued)

(a) Common shares (continued)

Private placements and license agreement (continued)

On July 8, 2015, the Company formally entered into a definitive stock purchase agreement with Shenzhen Hepalink Pharmaceutical Co., Ltd. ("Hepalink") and closed a license of RVX-208 for China, Hong Kong, Taiwan and Macau (the "Territories"), for all indications with Hepalink. On July 20, 2015, the Company closed the private placement. Under the terms of the transaction, Hepalink subscribed for 13,270,000 Resverlogix common shares and 1,000,000 common share purchase warrants for gross proceeds of $27.3 million (CAD$35.4 million), or CAD$2.67 per unit. After giving effect to the transaction, Hepalink held approximately 12.63% of Resverlogix's common shares. The common shares and warrants issued to Hepalink are subject to a three year lock-up period.

In addition, Eastern purchased 5,600,000 common shares and 422,005 common share purchase warrants for gross proceeds of $11.5 million (CAD$15.0 million), or CAD$2.67 per unit. After giving effect to the transaction, Eastern held approximately 19.57% of Resverlogix's common shares.

The 1,422,005 warrants issued on July 20, 2015 have an exercise price of CAD$2.67 and expire on July 20, 2020. These warrants were valued at $1.9 million using the Black-Scholes option pricing model; the residual $36.9 million of proceeds was assigned to share capital.

The license between Resverlogix and Hepalink provides for certain milestone payments based on net sales of RVX-208 in the licensed territories. The annual sales milestones range from 500 million renminbi ("RMB") to 10 billion RMB (US$81 million to US$1.6 billion), with Resverlogix being eligible to receive sales-based milestone payments from Hepalink ranging from US$5 million to US$90 million. In addition, Hepalink shall pay a royalty of 6% of annual net sales of RVX-208 in the licensed territories. Hepalink will be responsible for all clinical and development costs in the Territories, including a patient population that is expected to be included in the Company's planned Phase 3 BETonMACE trial. The Company is contractually obligated to pay a fee to the financial advisor involved with the transaction equal to 3.5% on the first $10.0 million of payments, if any, received from Hepalink pursuant to the License, and 2.5% on amounts above $10.0 million, up to a maximum of $1.0 million of fees. As at July 31, 2015, these potential payments do not satisfy the criteria for recognition as a liability.

Share issue costs (recovery)

During the three months ended July 31, 2015, the Company recognized share issue costs of $1.6 million, including $0.4 million associated with warrants issued to the financial advisor involved with the transaction, as described in Note 8 (e) "Equity classified warrants" (2014 – $0.01 million).

(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 zero to three years and have a three to five year term. The options are settled by way of the issuance of equity instruments of the Company ("equity-settled").

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

8. Shareholders' equity (deficit) (continued)

(b) Stock options (continued)

	Number of options	Weighted average exercise price (CAD)
Outstanding, April 30, 2014	3,859,970	$ 2.34
Granted	654,200	0.78
Exercised	(31,768)	1.43
Expired	(649,964)	3.82
Forfeited	(60,502)	1.86
Outstanding, April 30, 2015	3,771,936	$ 1.82
Granted	240,100	2.59
Exercised	(35,000)	1.35
Expired	(40,632)	2.12
Forfeited	(4,568)	2.50
Outstanding, July 31, 2015	3,931,836	$ 1.87

The following table summarizes information about the options outstanding and exercisable at July 31, 2015.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.55 - $0.75	499,234	3.86	$ 0.69	283,972
$1.04 - $1.82	2,007,702	1.43	1.41	1,914,366
$2.09 - $2.96	860,100	2.64	2.60	594,999
$3.19 - $3.97	564,800	2.10	3.43	543,327
	3,931,836	2.10	$ 1.87	3,336,664

The number of options exercisable at July 31, 2015 was 3,336,664 (2014 – 3,455,042) with a weighted average exercise strike price of CAD$1.90 (2014 – CAD$2.20).

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 $1.88 per option and $0.59 per option associated with stock options granted during the three months ended July 31, 2015 and 2014, respectively:

	2015	2014
Risk-free interest rate	0.7%	1.4%
Expected life	4.3 years	4.2 years
Expected volatility	162%	164%
Share price at grant date	CAD$2.54	CAD$0.70
Expected dividends	Nil	Nil

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

8. 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, 2015, the Company granted 364,239 (2014 – 354,400) RSUs to employees. The RSUs vest over a period of zero to three years. The weighted average fair value of the RSUs granted in the three months ended July 31, 2015 was $1.79 per RSU (2014 - $0.63 per RSU). The Company estimates the fair value of RSUs based on the market price of the underlying stock on the date of grant.

Between September and November 2014, the Company allowed the exercise of restricted stock units on a "net of tax" basis, whereby the number of shares issued was equal to the number determined net of the respective taxes attributable to the exercise; 620,151 RSUs were exercised on a net of tax basis, resulting in the issuance or distribution of 384,527 common shares (57,156 common shares were distributed from the 263,032 common shares that were issued in fiscal 2014 and held by a financial institution to satisfy further redemptions under the Company's long term incentive plan, thus these did not result in an increase in the number of common shares issued).

On June 30, 2015 the Company allowed the exercise of restricted stock units on a "net of tax" basis, whereby the number of shares issued was equal to the number determined net of the respective taxes attributable to the exercise; 219,195 RSUs were exercised on a net of tax basis, resulting in the issuance or distribution of 4,779 common shares (129,231 common shares were distributed from the 263,032 common shares that were issued in fiscal 2014 and held by a financial institution to satisfy further redemptions under the Company's long term incentive plan, thus these did not result in an increase in the number of common shares issued).

During the three months ended July 31, 2015, there were 24,646 restricted stock units exercised within the normal plan parameters that were distributed from the 263,032 common shares that were issued in fiscal 2014 and held by a financial institution to satisfy further redemptions under the Company's long term incentive plan, thus these did not result in an increase in the number of common shares issued.

	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, April 30, 2014	855,235	$ 1.66
Granted	554,400	0.54
Exercised	(774,904)	1.41
Forfeited	(57,600)	1.22
Outstanding, April 30, 2015	577,131	$ 0.97
Granted	364,239	1.79
Exercised	(245,207)	1.63
Forfeited	(1,833)	1.10
Outstanding, July 31, 2015	694,330	$ 1.17

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

8. Shareholders' equity (deficit) (continued)

(d) Warrant liability

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

	Number of warrants	Weighted average exercise price (CAD)	Liability amount
Outstanding, April 30, 2014	8,381,222	$ 2.34	$ 3,103
Issued in connection with debt issuance	5,000,000	0.75	3,242
Exercised	(378,750)	2.05	(331)
Expired	(2,357,990)	3.64	-
Revaluation of warrant liability	-	-	12,637
Outstanding, April 30, 2015	10,644,482	$ 1.31	$ 18,651
Issued in connection with private placement	1,422,005	2.67	1,885
Exercised	(60,000)	2.05	(70)
Revaluation of warrant liability	-	-	(7,835)
Outstanding, July 31, 2015	12,006,487	$ 1.47	$ 12,631

The following table summarizes information about the warrants outstanding and exercisable at July 31, 2015.

Exercise Price (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
$0.75	5,000,000	4.04	$ 0.75
$0.90	529,592	3.04	0.90
$1.44	1,320,000	2.08	1.44
$2.05	3,006,250	0.87	2.05
$2.16	728,640	2.61	2.16
$2.67	1,422,005	4.98	2.67
	12,006,487	3.01	$ 1.47

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

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

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

8. Shareholders' equity (deficit) (continued)

(d) Warrant liability (continued)

The Company issued 5,000,000 common share purchase warrants on August 15, 2014 to Eastern, and 1,422,005 common share purchase warrants on July 20, 2015 (comprised of 1,000,000 to Hepalink and 422,005 to Eastern). Each warrant issued on August 15, 2014 is exercisable at a price of CAD$0.75 for a period of five years, and each warrant issued on July 20, 2015 is exercisable at a price of CAD$2.67 for a period of five years. The Company used significant judgment in determining whether Eastern was acting in the capacity of a shareholder or a provider of service with respect to the issuance of 5,000,000 warrants. Based on discussions with Eastern, consideration of the terms of the arrangements between Eastern, Citibank and Resverlogix whereby Eastern provided its assets as collateral to Citibank in connection with a loan from Citibank to Resverlogix, and the risks and rewards associated therewith, management determined the warrants were issued to Eastern (when providing the Letter of Credit to support the loan) in their capacity as a shareholder and thus were not in scope of IFRS 2 – *"Share-based payment"* and should be accounted for under IAS 32 – *"Financial instruments: presentation"*. Thus, the common share purchase warrants have been recognized as a financial liability with the fair value of the common share purchase warrants being treated as a transaction cost.

The weighted average fair value of the warrants granted during the three months ended July 31, 2015 was $1.33 per warrant (2014 – no warrants granted), using the Black-Scholes option pricing model with the following weighted average assumptions:

	2015
Risk-free interest rate	0.6%
Expected life	5 years
Expected volatility	156%

(e) Equity classified warrants

On July 20, 2015, the Company issued 331,750 warrants to the financial advisor involved with the private placement. 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 they will not be revalued each reporting period. Each warrant issued is exercisable at a price of CAD$2.67 for a period of five years. The weighted average fair value of the warrants granted during the three months ended July 31, 2015 was $1.33 per warrant (2014 – no warrants granted), using the Black-Scholes option pricing model with the same weighted average assumptions outlined in Note 8 (d).

The following table summarizes information about the warrants outstanding and exercisable at July 31, 2015.

Exercise Price (CAD)	Number Outstanding	Weighted Average Remaining Life (years)
$2.67	331,750	4.98

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

8. Shareholders' equity (deficit) (continued)

(f) Per share amounts

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

	Three months ended July 31,	
	2015	2014
Weighted average common shares outstanding - basic	88,462,496	83,695,354
Effect of stock options, restricted stock units and warrants	5,376,777	1,145,820
Weighted average common shares outstanding - diluted	93,839,273	84,841,174

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.

9. 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,	
	2015	2014
Included in research and development expenses:		
Share-based payment transaction costs	$ 175	$ 252
Amortization and depreciation	35	17
Included in general and administrative expenses:		
Share-based payment transaction costs	$ 223	$ 266
Amortization and depreciation	32	31

10. Commitments

As at July 31, 2015, the Group is committed under various research and development (primarily clinical) contracts as follows:

	2015	2014
Less than 1 year	$ 2,946	$ 229
Between 1 and 5 years	-	-
More than 5 years	-	-
	$ 2,946	$ 229

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

10. Commitments (continued)

As at July 31, 2015, the Group is committed to operating lease payments for office and laboratory premises as follows:

	2015	2014
Less than 1 year	$ 692	$ 641
Between 1 and 5 years	1,757	1,860
More than 5 years	1,343	2,006
	$ 3,792	$ 4,507

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.

11. Subsequent event

Preliminary base shelf prospectus

On September 4, 2015, the Company filed a preliminary short-form base shelf prospectus with the securities commissions in each of the provinces of Canada, except Quebec. Subject to securities regulatory requirements, the final short form base shelf prospectus (the “base shelf prospectus”) will allow us to make offerings of common shares, preferred shares, debt securities, warrants, units, or any combination of such securities up to an aggregate offering price of CAD$125 million during the 25 month period that the final base shelf prospectus remains effective.