Consolidated Financial Statements

Years Ended April 30, 2014 and 2013

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 and policies stated in the notes thereto. 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 property 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)	(signed)
Donald J. McCaffrey	A. Brad Cann
President and Chief Executive Officer	Chief Financial Officer

July 22, 2014

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Resverlogix Corp.

We have audited the accompanying consolidated financial statements of Resverlogix Corp., which comprise the consolidated statements of financial position as at April 30, 2014 and 2013, the consolidated statements of comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Resverlogix Corp. as at April 30, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 in the consolidated financial statements, which indicates that Resverlogix Corp. has insufficient cash to fund contractual commitments due in the next 12 months. This condition, along with the working capital deficiency of $4.6 million as at April 30, 2014, and other matters as set forth in Note 3 in the consolidated financial statements, indicates the existence of a material uncertainty that may cast significant doubt about Resverlogix Corp.'s ability to continue as a going concern.

KPMG LLP

Chartered Accountants

July 22, 2014
Calgary, Canada

Consolidated Statements of Financial Position

In thousands of US dollars	Notes	April 30 2014	April 30, 2013
Assets			
Current assets:			
Cash		$ 590	$ 17,413
Clinical supplies		-	225
Prepaid expenses and deposits		230	699
Investment tax credit receivable		19	54
Other assets		160	-
Assets held for distribution	2 (a)	-	707
Due from related parties		167	-
Total current assets		1,166	19,098
Non-current assets:			
Property and equipment	7	911	462
Intangible assets	8	621	936
Clinical supplies		328	-
Total non-current assets		1,860	1,398
Total assets		$ 3,026	$ 20,496
Liabilities			
Current liabilities:			
Trade and other payables	9	$ 1,571	$ 3,327
Liabilities held for distribution	2 (a)	-	1,416
Accrued interest		1,099	873
Warrant liability	12 (d)	3,103	17,727
Total current liabilities		5,773	23,343
Non-current liabilities:			
Long-term debt	10	26,468	26,657
Royalty preferred shares	11	34,000	-
Total liabilities		66,241	50,000
Shareholders' equity (deficit):			
Share capital	12	132,337	126,119
Contributed surplus		34,296	32,242
Deficit		(229,848)	(187,865)
Total shareholders' equity (deficit)		(63,215)	(29,504)
Total liabilities and shareholders' equity (deficit)		$ 3,026	$ 20,496

Commitments (note 15)
Subsequent events (note 18)

Signed on behalf of the Board:

Signed: "Dr. Peter Johann" Director

Signed: "Kenneth Zuerblis" Director

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

Consolidated Statements of Comprehensive (Income) Loss

For the years ended April 30

In thousands of US dollars	Notes	2014	2013
Expenses:			
Research and development, net of recoveries	14	$ 9,828	$ 28,806
Investment tax credits		(19)	(376)
Net research and development		9,809	28,430
General and administrative, net of recoveries	14	4,228	6,207
		14,037	34,637
Finance (income) costs:			
(Gain) loss on change in fair value of warrant liability	12 (d)	(14,805)	8,634
Gain on change in fair value of royalty preferred shares	11	(40,000)	-
Interest and accretion		3,709	1,686
Foreign exchange gain		(1,977)	(3)
Net finance (income) costs		(53,073)	10,317
Gain on distribution	2 (a)	(13,650)	-
Gain on waiver of rights	8	(2,500)	-
(Income) loss before income taxes		(55,186)	44,954
Income Taxes:			
Current tax expense		82	73
Deferred tax recovery	17	-	(1,672)
		82	(1,599)
Net and total comprehensive (income) loss		$ (55,104)	$ 43,355

Net (earnings) loss per share *(note 12 (e))*		
Basic and diluted	$ (0.69)	$ 0.58

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	Notes	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficit)
Balance, April 30, 2012		$ 123,798	$ 23,453	$ (144,510)	$ 2,741
Common shares issued under the Equity Distribution Agreement		472	-	-	472
Common shares issued in connection with stock option and RSU exercises		781	(349)	-	432
Common shares issued in connection with warrant exercises		181	-	-	181
Share issue costs recovery, net of tax		887	-	-	887
Share-based payment transactions		-	1,685	-	1,685
Discount on long-term debt, net of tax		-	7,453	-	7,453
Net and total comprehensive loss		-	-	(43,355)	(43,355)
Balance, April 30, 2013		$ 126,119	$ 32,242	$ (187,865)	$ (29,504)
Common shares issued under the Equity Distribution Agreement		4,973	-	-	4,973
Common shares issued in connection with private placement		1,270	-	-	1,270
Common shares issued in connection with warrant exercises		190	-	-	190
Common shares issued in connection with stock option and long term incentive plans		127	(102)	-	25
Distribution	2 (a)	-	-	(97,087)	(97,087)
Share issue costs		(342)	-	-	(342)
Share-based payment transactions		-	2,156	-	2,156
Net and total comprehensive income		-	-	55,104	55,104
Balance, April 30, 2014		$ 132,337	$ 34,296	$(229,848)	$ (63,215)

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	2014	2013
Cash provided by (used in):		
Cash flows used in operating activities:		
Net income (loss)	$ 55,104	$ (43,355)
Items not involving cash:		
Gain on distribution	(13,650)	-
Gain on waiver of rights	(2,500)	-
Equity-settled share-based payment transactions	2,156	1,685
Depreciation and amortization, net of gain on disposition	89	247
Impairment of intangible assets	501	347
Change in fair value of warrant liability	(14,805)	8,634
Change in fair value of royalty preferred shares	(40,000)	-
Unrealized foreign exchange	(2,259)	(138)
Interest and accretion	3,709	1,686
Income taxes, current and deferred tax recovery	82	(1,599)
Changes in non-cash working capital:		
Investment tax credit receivable	36	8
Clinical supplies	(103)	897
Prepaid expenses and deposits	476	757
Other assets	(160)	100
Due from related parties	(167)	-
Trade and other payables	(1,674)	1,671
	(13,165)	(29,060)
Interest received	24	112
Income tax paid	(60)	(48)
Net cash used in operating activities	(13,201)	(28,996)
Cash flows generated from financing activities:		
Proceeds from the issuance of common shares	6,512	472
Share issuance costs	(383)	(83)
Proceeds from exercise of stock options	25	431
Proceeds from exercise of warrants	102	105
Proceeds from long-term debt	-	38,705
Interest paid	(1,425)	-
Debt issuance costs	(41)	(35)
Net cash generated from financing activities	4,790	39,595
Cash flows used in investing activities:		
Distribution	(10,146)	-
Proceeds from waiver of rights	2,500	-
Proceeds from sale of property and equipment	323	-
Property and equipment additions	(468)	(262)
Intangible asset additions	(303)	(283)
Net cash used in investing activities	(8,094)	(545)
Effect of foreign currency translation on cash	(318)	(106)
(Decrease) increase in cash	(16,823)	9,948
Cash, beginning of period	17,413	7,562
Less: Cash reclassified to held for distribution	-	(97)
Cash, end of period	$ 590	$ 17,413

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 consolidated financial statements comprise the Company and its wholly-owned subsidiaries RVX Therapeutics Inc. (up to the effective date of the Plan of Arrangement described below) and Resverlogix Inc. (together referred to as the "Group"). Resverlogix Corp. and RVX Therapeutics Inc. are 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 compounds involving ApoA-I production. The Company is developing RVX-208, a small molecule being developed for clinical conditions. RVX-208 is the first Bromodomain and ExtraTerminal domain ("BET") inhibitor in clinical trials. 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.

As discussed in Note 2(a), on June 3, 2013, the Company, Zenith Epigenetics Corp. (a newly incorporated company), and RVX Therapeutics Inc. completed a Plan of Arrangement pursuant to the Business Corporations Act (Alberta).

2. Basis of preparation

(a) Plan of Arrangement

On June 3, 2013, the Company, Zenith Epigenetics Corp. ("Zenith", a newly incorporated company), and RVX Therapeutics Inc. completed a Plan of Arrangement ("the Arrangement") pursuant to the Business Corporations Act (Alberta).

The Company will continue to focus on the clinical development of RVX-208, whereas RVX Therapeutics Inc. will focus on drug research and development by leveraging its epigenetics platform in multiple diseases including autoimmune and oncology, excluding ApoA-I and RVX-208 technology.

Upon the effective time of the Arrangement, every Resverlogix shareholder received one share in Zenith for every share held in Resverlogix at the effective date. Upon the effective date of the arrangement Zenith owns all of the outstanding shares of RVX Therapeutics Inc.

Every holder of a Resverlogix warrant, stock option and restricted stock unit at the effective date of the Arrangement received one warrant, stock option and restricted stock in Zenith for every warrant, stock option and restricted stock, respectively, held in Resverlogix. The exercise prices of all outstanding warrants and stock options in the Company were reduced by approximately 9.1%, and the exercise price of each warrant and stock option in Zenith was calculated as approximately 9.1% of the exercise price of each corresponding warrant and stock option of the Company at the effective time of the Arrangement, to reflect the fair market value of Zenith.

Pursuant to the Arrangement, Zenith was also issued 75,202,620 royalty preferred shares in the capital of Resverlogix which will provide Zenith with dividends in the amount of 6-12% of Net Apo Revenue (see Note 11), if any. Zenith owns all of the outstanding royalty preferred shares of Resverlogix.

Pursuant to the Arrangement, the Company advanced CAD$10 million to Zenith to provide working capital to Zenith and RVX Therapeutics Inc. The promissory notes and the aggregate advances due from RVX Therapeutics Inc. immediately prior to the effective time of the Arrangement were transferred from the Company to Zenith such that, subsequent to the effective time of the Arrangement, RVX Therapeutics Inc. was indebted to Zenith in respect of these liabilities and no longer indebted to the Company.

RVX Therapeutics Inc.'s assets and liabilities which were distributed to the Company's shareholders on June 3, 2013 pursuant to the Arrangement were presented as at April 30, 2013 as held for distribution. Assets held for distribution as at April 30, 2013 were comprised of cash of $97, prepaid expenses and deposits of $57, investment tax credit receivable of $343, property and equipment of $103 and intangible assets of $107. Liabilities held for distribution were comprised of trade and other payables of $1,416.

Distribution

The Company accounted for the distribution to Zenith of the royalty preferred shares described in Note 11, the shares of RVX Therapeutics Inc., the indebtedness from RVX Therapeutics Inc. to the Company, and the cash advanced to Zenith, in

2. Basis of preparation (continued)

(a) Plan of Arrangement (continued)

accordance with IFRIC 17 – "*Distributions of non-cash assets to owners*" which requires that the assets being distributed pursuant to a non-reciprocal distribution to owners acting in their capacity of owners to be measured and derecognized at their fair value at the date of distribution. The distribution was charged to deficit.

The $13.7 million gain on distribution recognized in the year ended April 30, 2014 represents the excess of the estimated aggregate fair value ($97.1 million) of the net assets distributed over their carrying value ($83.4 million, comprised of $9.4 million of net working capital and $74.0 million of royalty preferred shares).

(b) 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 22, 2014.

(c) 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, and cash which is carried at fair value. 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.

(d) 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. On June 27, 2013, the Company announced that its Phase 2b ASSURE clinical trial evaluating RVX-208 in high-risk cardiovascular patients with low high-density lipoprotein (HDL) did not meet its primary endpoint of a -0.6% change in percent atheroma volume as determined by intravascular ultrasound (IVUS) and the Company would be analyzing the full data set to determine whether continued development of RVX-208 in cardiovascular disease is warranted. On September 3, 2013, the Company announced that in a subgroup analysis those patients taking Rosuvastatin and RVX-208 had a -1.43% change in percent atheroma volume, more than two-fold the primary endpoint, and also surpassed secondary endpoints reflecting regression in coronary atherosclerosis. On November 4, 2013, the Company announced that ASSURE data showed statistically significant improvements in coronary IVUS atheroma measurements and Major Adverse Cardiac Events (MACE) in patients with a high (>2.0 mg/dL) serum high sensitivity C-Reactive Protein (hsCRP); and virtual histology IVUS (VH-IVUS) data showing that the actions of RVX-208 improved the necrotic core to dense calcium (NC/CS) ratio pointing to less vulnerability of the atherosclerotic plaque for rupture.

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 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, 2014, the Company had $0.6 million of cash. As at April 30, 2014, the Company was committed to pay $0.3 million for research and development and $0.7 million of lease obligations as described further in Note 15 "Commitments". Zenith agreed to pay the Company for its proportionate share of operating lease payments and operating costs for office and laboratory premises of an estimated $0.5 million for the next twelve months.

3. Future operations (continued)

On June 10, 2014, the Company closed a private placement of 3.5 million common shares at a price of CAD$0.65 per common share for gross proceeds of CAD$2.3 million. On July 3, 2014, the Company entered into a Second Amended and Restated Loan Agreement 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 (the "Second Loan Amendment"). The closing of the Second Loan Amendment will be subject to, among other things, customary closing conditions for a transaction of this nature and shareholder approval of the majority of the votes cast by the shareholders of the Company, excluding Eastern Capital Limited, at a special meeting of the shareholders of the Company to be held on August 13, 2014. The Second Loan Amendment is scheduled to close in August 2014. We believe the Company's cash in combination with the proceeds from the private placement and the Second Loan Amendment, will be sufficient to fund the Company's contractual commitments and net working capital liability over the next year, and will be sufficient to fund all of the Company's planned business operations over the next year. The Company may raise additional capital through other sources such as prospectus offerings and/or private placements. The ASSURE clinical trial results as described above may adversely affect the Company's ability to raise capital. If the Second Loan Amendment does not close and the Company is not able to raise capital, the Company would have to further reduce its cash requirements by eliminating or deferring spending on research, development and corporate activities and the Company may be forced to cease operations. These conditions result in a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

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.

These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities, and the reported revenues and 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 subsidiaries.

Consolidation

The consolidated financial statements include the accounts of Resverlogix Corp. and its wholly-owned subsidiaries. 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 dates 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 retranslated 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 retranslated 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 retranslation are recognized in profit or loss.

Financial instruments

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes party to the contractual provisions of the instrument.

4. Significant accounting policies (continued)

Financial instruments (continued)

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets

Financial assets are comprised of cash and investment tax credit receivable. Financial assets are classified as follows:

Cash

Cash consists of cash on hand and interest bearing deposits with the Group's banks and have been designated as held for trading. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Investment tax credit receivable

Investment tax credit receivable has been classified as loans and receivables initially recognized at fair value. Subsequent to initial recognition it is measured at amortized cost, using the effective interest rate method, less any impairment losses.

Financial liabilities

Financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Trade and other payables

Trade and other payables are non-interest-bearing and are initially recorded at fair market value less any directly attributable transaction costs. They are classified as other financial liabilities and are subsequently measured at amortized cost using the effective interest rate method.

Warrant liability

Warrants with an exercise price denominated in a foreign currency are recorded as a warrant liability and classified as fair value through profit or loss. The warrant liability is initially measured at fair value with subsequent changes in fair value recorded as finance income or cost in the consolidated statement of comprehensive loss. These warrants have not been listed on an exchange and therefore do not trade on an active market.

Royalty preferred shares

Royalty preferred shares are recorded as a liability and classified as fair value through profit or loss. Royalty preferred shares are initially measured at fair value with subsequent changes in fair value recorded as finance income or cost in the consolidated statement of comprehensive loss.

Long-term debt

Long-term debt is a financial liability with fixed and determinable payments that are not quoted in an active market. The long-term debt is initially measured at fair value net of any directly attributable transactions costs. Subsequent to initial recognition, long-term debt is measured at amortized cost using the effective interest rate method.

4. Significant accounting policies (continued)

Financial instruments (continued)

Fair Value Measurement

The accounting guidance for fair value measurements prioritizes the inputs used in measuring fair value into the following hierarchy:

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

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

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

The fair value of our warrant liability is based on level 2 (significant observable) inputs. The fair value of the royalty preferred shares is based on level 3 (unobservable) inputs.

Transaction Costs

Transaction costs are expensed as incurred for financial instruments designated as held for trading. Transaction costs for other financial instruments are recognized as part of the financial instrument's carrying value.

Clinical supplies

Clinical supplies are recognized in the statement of comprehensive (income) loss as they are consumed in research and development activities.

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
Laboratory equipment	Straight line	8-10 years
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 as part of other gains and losses in the statement of comprehensive (income) loss.

4. Significant accounting policies (continued)

Intangible assets

(i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are charged as an expense in the period in which they are incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

(ii) Other intangible assets, subsequent expenditure, 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 expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The major categories of intangibles assets are depreciated as follows:

Asset	Method	Rate
Patents and intellectual property	Straight line	20-24 years
Non-integrated software	Straight line	3 years

Impairment

Impairment of financial assets

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

Impairment of long lived assets

Property and equipment and finite-lived intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. 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 depreciation or amortization, if no impairment loss had been recognized.

4. Significant accounting policies (continued)

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as 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 terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. 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.

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 is comprised of interest income on funds invested and fair value gains on financial liabilities at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise fair value losses on financial liabilities at fair value through profit or loss.

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.

4. Significant accounting policies (continued)

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.

Held for distribution

Non-current assets, or disposal groups comprised of assets and liabilities, are classified as held-for-distribution if it is probable that they will be recovered primarily through distribution rather than through their continuing use. This condition is considered to be met when the asset or group of assets are available for immediate sale in its present condition. Once classified as held-for-distribution, intangible assets and property and equipment are no longer amortized or depreciated.

4. Significant accounting policies (continued)

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, 2013:

IFRS 10 - ***Consolidated Financial Statements*** - supersedes IAS 27 *Consolidation and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. This standard provides a single model to be applied in control analysis for all investees including special purpose entities. The adoption of IFRS 10 did not have a material impact on the consolidated financial statements.

IFRS 11 - ***Joint Arrangements*** - divides joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. IFRS 11 replaces the guidance in IAS 31 *Interest in Joint Ventures*, and essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures must now use the equity method of accounting. The adoption of IFRS 11 did not have a material impact on the consolidated financial statements.

IFRS 12 - ***Disclosure of Interests in Other Entities*** - combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements as well as unconsolidated structured entities. The adoption of IFRS 12 did not have a material impact on the consolidated financial statements.

IFRS 13 - ***Fair Value Measurement*** – replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as 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, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurement to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other. The fair value of the royalty preferred shares is based on significant unobservable inputs and additional disclosures have been added to the consolidated financial statements concerning the estimates and inputs used in measuring their fair value.

Amendments to IAS 1 – ***Presentation of Financial Instruments*** - requires an entity to present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. As the amendments only required changes in the presentation of items in other comprehensive income, the new standard did not have a material impact on the consolidated financial statements.

Amendments to IFRS 7 – ***Offsetting Financial Assets and Liabilities*** – contains new disclosure requirements for offset financial assets and liabilities and netting arrangements. The amendments to IFRS 7 did not have a material impact on the consolidated financial statements.

Recent accounting pronouncements

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

Financial Instruments

In November 2009, the IASB issued IFRS 9 *Financial Instruments* which replaced the classification and measurement requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for financial assets. In October 2010, the IASB issued additions to IFRS 9 regarding financial liabilities. The IASB removed the January 1, 2015 mandatory effective date from IFRS 9. The IASB will decide on a new effective date when the entire IFRS 9 project is closer to completion. Entities may still early-adopt the finalized and issued provisions of IFRS 9. We do not anticipate that there will be a material impact on our financial position or results of operations.

Offsetting Financial Assets and Liabilities

An amendment to IAS 32 - *Offsetting Financial Assets and Liabilities,* (a) clarifies requirements for the right to set-off for rights that are contingent, and enforceability in default, insolvency or bankruptcy of all parties to a liability and (b) clarifies provisions on net settlement. The amendments to IAS 32 will be adopted May 1, 2014. We are currently assessing the impact of adopting the IAS 32 amendments on our consolidated financial statements.

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 estimates made by management affecting the consolidated financial statements include:

Distribution

The Company used significant judgments related to the fair value measurement of assets and liabilities distributed pursuant to the Plan of Arrangement, including the royalty preferred shares and the shares of RVX Therapeutics Inc. The fair value measurements required management to exercise judgment concerning valuation approaches and methods, estimates of future cash flows, and discount rates.

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 derived from the Apo-A-I applications rights.

Share-based payment transactions

The Company measures share-based payment transactions by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model, including the expected life of the option, volatility and dividend yield. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 12.

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 granted 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.

Long-term debt

The Company used significant judgments related to the fair value measurement of its long-term debt, including the estimated market interest rate which was based on management's judgment with reference to loan financing arrangements of entities comparable to the Company.

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 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.

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

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. The Group holds cash on deposit; as at April 30, 2014, the Group's cash is not subject to any external restrictions. The Group also continuously monitors actual and projected expenditures and cash flows.

The table below presents a maturity analysis of the Company's financial liabilities on the expected cash flows from April 30, 2014 to the contractual maturity date, including estimated interest payments. The carrying amounts are equivalent to the following contractual undiscounted cash flows.

Trade and other payables balance		April 30, 2014		April 30, 2013
3 months or less	$	1,571	$	4,743
3 - 12 months		-		-
Trade and other payables total	$	1,571	$	4,743
Interest on long-term debt				
12 months or less	$	1,633	$	1,456
More than 12 months		4,900		7,193
Interest on long-term debt total	$	6,533	$	8,649
Long-term debt				
12 months or less	$	-	$	-
More than 12 months		35,413		38,525
Long-term debt total	$	35,413	$	38,525
Total	$	43,517	$	51,917

6. Financial risk management (continued)

(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.

Interest rate risk

The Group is exposed to interest rate risk arising from fluctuations in interest rates on its long-term debt. Effective August 27, 2013, the annual interest rate was reset from 4.5% to 4.4473%. 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%. Fluctuations in the Canadian one-year LIBOR swap rate could have a significant impact on the Group's results of operations. A change of 1% in interest rates would result in CAD$388 change in annual interest expense as measured at April 30, 2014 (2013 – CAD$388).

The Group is exposed to interest rate risk arising from fluctuations in interest rates on its cash. Fluctuations in market interest rates on interest bearing cash rates do not have a significant impact on the Group's results of operations. A change of 1% in interest rates would result in $6 change in annual interest income on its cash as measured at April 30, 2014 (2013 - $175 change).

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 had no forward exchange contract to manage its foreign currency risk. As at April 30, 2014, the Group had Canadian denominated assets and liabilities of: cash in the amount of CAD$0.2 million (2013 – CAD$15.1 million) and accounts payable in the amount of CAD$0.8 million (2013 – CAD$1.9 million). A change of $0.01 in exchange rate as measured on April 30, 2014 would result in a foreign currency gain or loss of CAD$6 (2013 – CAD$132).

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a 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.

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, 2014, the carrying amounts of the Group's cash and trade and other payables approximate their fair value due to their short-term nature. As at April 30, 2014, the carrying amount of the Group's long-term debt approximates its fair value as it was initially calculated using a market interest rate of which is deemed to be similar to the estimated market interest rate as at April 30, 2014.

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

7. Property and equipment

	Laboratory equipment	Office furniture and equipment	Computer hardware and software	Leasehold improvements	Total
Cost					
Balance at April 30, 2012	$ 884	$ 69	$ 198	$ 13	$ 1,164
Additions	107	98	23	91	319
Disposals	(14)	(4)	(53)	-	(71)
Reclassification to assets held for distribution	(135)	(3)	(1)	-	(139)
Balance at April 30, 2013	842	160	167	104	1,273
Additions	-	148	34	604	786
Disposals	(842)	(98)	(85)	(13)	(1,038)
Balance at April 30, 2014	$ -	$ 210	$ 116	$ 695	$ 1,021
Accumulated depreciation					
Balance at April 30, 2012	$ 573	$ 56	$ 139	$ 3	$ 771
Depreciation	91	9	41	6	147
Disposals	(14)	(4)	(53)	-	(71)
Reclassification to assets held for distribution	(34)	(1)	(1)	-	(36)
Balance at April 30, 2013	616	60	126	9	811
Depreciation	27	17	24	4	72
Disposals	(643)	(50)	(67)	(13)	(773)
Balance at April 30, 2014	$ -	$ 27	$ 83	$ -	$ 110
Net book value					
As at April 30, 2012	$ 311	$ 13	$ 59	$ 10	$ 393
As at April 30, 2013	226	100	41	95	462
As at April 30, 2014	-	183	33	695	911

On November 1, 2013, the Company sold laboratory equipment for $0.3 million and office furniture and equipment for $0.05 million, their respective fair values, to Zenith. The Company recognized a total gain on sale of $0.05 million.

(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, 2012	$ 1,373	$ 48	$ 1,421
Additions	264	10	274
Disposals	(439)	-	(439)
Reclassification to assets held for distribution	(102)	(9)	(111)
Balance at April 30, 2013	1,096	49	1,145
Additions	261	-	261
Disposals	(663)	-	(663)
Balance at April 30, 2014	$ 694	$ 49	$ 743
Accumulated amortization and impairment losses			
Balance at April 30, 2012	$ 179	$ 26	$ 205
Amortization	83	17	100
Impairment	347	-	347
Disposals	(439)	-	(439)
Reclassification to assets held for distribution	(3)	(1)	(4)
Balance at April 30, 2013	167	42	209
Amortization	68	7	75
Impairment	501	-	501
Disposals	(663)	-	(663)
Balance at April 30, 2014	$ 73	$ 49	$ 122
Net book value			
As at April 30, 2012	$ 1,194	$ 22	$ 1,216
As at April 30, 2013	929	7	936
As at April 30, 2014	621	-	621

During each of the fiscal years ended April 30, 2014 and 2013, the Company determined that it no longer intended to perform further research or commercialize the technologies relating to certain intangible assets (in each case, relating to technology unrelated to the Company's lead compound, RVX-208), thus impairments of $501 and $347 respectively, were recognized.

Effective May 1, 2012, the Company transferred intellectual property rights and technology to RVX Therapeutics Inc., pursuant to an assignment and services agreement between the Company and RVX Therapeutics Inc. (the "Assignment and Services Agreement"). The expenditures corresponding to the transferred intellectual property rights and technology do not meet the recognition criteria for intangibles assets. Because RVX Therapeutics Inc. was a wholly owned subsidiary of the Company during the period, this transfer had no effect on these consolidated financial statements.

Amended and Restated License Agreement

On June 3, 2013, the Company and RVX Therapeutics Inc. entered into an Amended and Restated License Agreement (the "License Amendment"), effective January 31, 2013, which amended a License Agreement dated August 1, 2005. Pursuant to the License Amendment, the Company granted an irrevocable, worldwide license to RVX Therapeutics Inc. under certain licensed patents and licensed know-how to develop, commercialize and sell licensed products in any field other than the ApoA-I Therapeutic Field (the prevention, treatment or mitigation of any disease via the administration of a pharmaceutical agent that results in a specified therapeutic elevation in the plasma levels of ApoA-I). As ongoing consideration for the grant of the License, RVX Therapeutics Inc. shall pay the Company a royalty from 1% to 5% of gross amounts received by RVX Therapeutics Inc. from the sale of any product in any field other than the ApoA-I Therapeutic Field which is encompassed within a patent licensed from the Company.

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

8. Intangible assets (continued)

Pursuant to the Amendment, the Company was entitled to license any method or pharmaceutical agent within the scope of certain license patents owned or controlled by RVX Therapeutics Inc. that are within the ApoA-I Therapeutic Field (as defined in the License Amendment).

Waiver Agreement

On March 17, 2014, the Company and RVX Therapeutics Inc. entered into a Waiver Agreement whereby the Company waived its right under the License Amendment to license any method or pharmaceutical agent within the scope of certain patents owned or controlled by RVX Therapeutics Inc. that may be determined to come within the ApoA-I Therapeutic Field. RVX Therapeutics Inc. agreed not to develop any patents for any indication within the ApoA-I Therapeutic Field for a period of five years. RVX Therapeutics Inc. granted to the Company a right of first refusal for a period of three years thereafter in respect of the license or sale of such patents and or compounds that are determined to come within the ApoA-I Therapeutic Field. In consideration for this waiver, RVX Therapeutics Inc. paid the Company $2.5 million in cash.

9. Trade and other payables

	2014	2013
Trade payables	$ 995	$ 3,573
Accrued liabilities	576	1,170
Reclassification of trade and other payables to held for distribution	-	(1,416)
	$ 1,571	$ 3,327

10. Long-term debt

	2014	2013
CAD$38.8 million, 4.4473% due August 28, 2017	$ 35,413	$ 38,525
Discount on debt, net of accretion	(6,896)	(9,152)
Unamortized transaction costs, net of accretion	(2,049)	(2,716)
Carrying value of long-term debt	$ 26,468	$ 26,657

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.

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, 2013, the annual interest rate was reset from 4.5% to 4.4473%. 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$38.8 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. 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. 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

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

10. Long-term debt (continued)

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 warrants and the 728,640 warrants to be $1.5 million and $1.4 million, respectively. The Company recorded the warrants as a liability (see Note 12(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 April 30, 2014 was unchanged at 12% and, as such, the carrying value of the long-term debt approximates the fair value.

As described in Note 18 "Subsequent events", 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. The closing of the Second Loan Amendment will be subject to, among other things, customary closing conditions for a transaction of this nature and shareholder approval of the majority of the votes cast by the shareholders of the Company, excluding Eastern, at a special meeting of the shareholders of the Company to be held on August 13, 2014.

11. 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, 2012 and 2013	-	$ -
Issued in connection with Plan of Arrangement	75,202,620	74,000
Revaluation of royalty preferred shares	-	(40,000)
Balance, April 30, 2014	75,202,620	$ 34,000

Pursuant to the Plan of Arrangement described in Note 2(a), on June 3, 2013 the Company issued 75,202,620 royalty preferred shares to Zenith Epigenetics Corp.

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; and (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); and (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.

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

11. Royalty preferred shares (continued)

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, which incorporate: a cumulative probability rate of generating forecasted future cash flows of 23% as at June 3, 2013 (the date of initial recognition) and 21% as at April 30, 2014 (reflecting, among other factors, the Company's clinical results including those of the ASSURE trial); discount rates of 22% as at June 3, 2013 and 25% as at April 30, 2014; commencement of revenue in 2020; RVX-208 market shares percentages; and product pricing. The change in the fair market value of the royalty preferred shares was significantly affected by the change in these discount rates. Subsequent to the initial recognition of the royalty preferred shares on June 3, 2013, management changed its estimate of the timing and amount of future cash flows to reflect two additional years of development to achieve commercialization (from 2018 to 2020).

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 million decrease in the fair value of the royalty preferred shares. Assuming commencement of revenue in 2021 (as opposed to 2020) would result in a $7 million decrease in the fair value of the royalty preferred shares.

12. 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, 2012	74,210,483	$ 123,798
Issued under the Equity Distribution Agreement	165,600	472
Issued in connection with warrant exercises	47,500	181
Issued in connection with stock option exercises	150,000	773
Issued in connection with restricted stock unit exercises	4,700	8
Share issue costs recovery, net of tax	-	887
Balance, April 30, 2013	74,578,283	126,119
Issued under the Equity Distribution Agreement	5,053,300	4,973
Issued in connection with private placement	1,765,307	1,270
Issued in connection with warrant exercises	48,775	190
Issued in connection with stock option plan	16,730	42
Issued in connection with long term incentive plan	266,765	85
Share issue costs	-	(342)
Balance, April 30, 2014	81,729,160	$ 132,337

12. Shareholders' equity (deficit) (continued)

(a) Common shares (continued)

Base shelf prospectuses

On October 13, 2011, the Company filed and obtained a receipt for a final short-form base shelf prospectus with the securities commissions in each of the provinces of Canada. Subject to securities regulatory requirements, the short form base shelf prospectus, which expired on November 13, 2013, allowed the Company to make offerings of common shares, preferred shares, debt securities, warrants, units, or any combination of such securities up to an aggregate offering price of CAD$125 million during the 25 month period that the base shelf prospectus remained effective.

On October 28, 2013, the Company filed a preliminary short-form base shelf prospectus (for up to an aggregate offering price of CAD$50 million) with the securities commissions in each of the provinces of Canada; however, approval was not received.

Equity distribution agreements

On January 19, 2012, the Company entered into an EDA with an agent to sell up to 15 million (up to a maximum of $11.0 million) "at the market" ("ATM") common shares of the Company ("ATM Shares"), solely at the Company's discretion, from time to time at the market prices prevailing at the time of the sales, without discount, during the period that the EDA remained effective. The number of ATM Shares sold on any trading day could not exceed 25% of the total trading volume of the common shares on that trading day. Pursuant to the EDA, the Company also appointed US agents to sell up to an additional 10 million common shares of the Company, solely at the Company's discretion, from time to time at a fixed price, determined at that time, to subscribers in certain jurisdictions outside Canada during the period that the EDA remained effective. The EDA expired on November 13, 2013. The ATM Shares were sold by way of transactions that are "at-the-market distributions", including sales on the Toronto Stock Exchange ("TSX") and other existing trading markets in Canada. The timing of any sale of ATM Shares and the number of ATM Shares sold were at the Company's discretion.

During the year ended April 30, 2014, the Company issued a total of 5,053,300 (2013 – 165,600) common shares under the EDA at an average price of CAD$1.02 (2013 – CAD$2.91) per share for gross proceeds of $4.9 million (CAD$5.2 million) (2013 – $0.5 million (CAD$0.5 million)).

Private Placements

On August 14, 2013, the Company issued a total of 1,765,307 units, representing 1,765,307 common shares and 529,592 warrants, at CAD$0.90 per unit pursuant to a private placement for gross proceeds of $1.6 million (CAD$1.6 million). The warrants have an exercise price of CAD$0.90 per common share and expire on August 14, 2018. The warrants were valued at $0.3 million using a Black-Scholes option pricing model; the residual $1.3 million of proceeds was assigned to share capital.

As described in Note 18 "Subsequent events", on June 10, 2014, the Company closed a private placement of 3.5 million common shares at a price of CAD$0.65 per common share for gross proceeds of $2.0 million (CAD$2.3 million).

Share issue costs (recovery)

During the year ended April 30, 2014, the Company recognized total share issue costs of $0.3 million (2013 – $0.07 million) and total share issue costs recovery of nil (2013 – $0.1 million).

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

12. Shareholders' equity (deficit) (continued)

(b) Stock options

The Company's amended stock option plan has been approved as a rolling 10% plan that allows for reservation of a number of common shares under the plan equal to 10% of the Company's issued and outstanding common shares on an undiluted basis. Additionally, the plan is a reloading plan, which allows for the number of common shares reserved for issuance related to the options under the plan to automatically become eligible to be reallocated pursuant to stock option based grants upon option expiry, cancellation or exercise. The Company may grant options to its directors, officers, employees and consultants. The majority of options fully vest over two to three years and have a two to five year term. 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, 2012	4,828,800	$ 3.72
Granted	853,700	1.68
Exercised	(150,000)	2.92
Expired	(865,000)	8.10
Outstanding, April 30, 2013	4,667,500	2.56
Granted	772,300	3.09
Exercised	(16,730)	1.54
Expired	(1,498,550)	2.73
Forfeited	(64,550)	2.21
Outstanding, April 30, 2014	3,859,970	$ 2.34

The following table summarizes information about the options outstanding and exercisable at April 30, 2014.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$1.06 - $1.82	2,053,470	2.44	$ 1.43	1,566,392
$2.09 - $2.96	866,900	2.53	2.64	503,565
$3.19 - $3.97	592,600	3.39	3.42	150,000
$5.08	347,000	0.90	5.08	347,000
	3,859,970	2.47	$ 2.34	2,566,957

The number of options exercisable at April 30, 2014 was 2,566,957 (2013 – 3,028,227) with a weighted average exercise strike price of CAD$2.29 (2013 – CAD$3.04). On June 3, 2013, pursuant to the Plan of Arrangement, the exercise prices of all outstanding stock options were reduced by approximately 9.1%. As the change in exercise price was carried out in accordance with the terms of the original stock option agreements modification accounting has not been applied. Therefore the original grant date fair values continue to be expensed over the original vesting periods.

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

12. Shareholders' equity (deficit) (continued)

(b) Stock options (continued)

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 $1.09 per option associated with stock options granted during the years ended April 30, 2014 and 2013, respectively:

	2014	2013
Risk-free interest rate	1.2%	1.5%
Expected life	4.2 years	4.2 years
Expected volatility	82%	92%
Share price at grant date	CAD$3.17	CAD$1.67
Expected dividends	Nil	Nil

During the year ended April 30, 2014, 477,700 options previously granted to former officers and a former director that would have otherwise been forfeited or expired under the initial terms of the stock option agreements were extended to expire on the original expiry dates. The extension of these options and the related incremental fair value (as measured as at the modification dates) was recognized as part of share based payment transaction costs in the period.

(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. The majority of restricted stock units fully vest over two or three years.

During the year ended April 30, 2014, the Company granted 379,100 (2013 – 334,100) RSUs to employees. The RSUs vest over a period of two or three years. The weighted average fair value of the RSUs granted in the year ended April 30, 2014 was $1.98 per RSU (2013 - $1.34 per RSU). 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, 2012	244,500	$ 1.68
Granted	334,100	1.34
Exercised	(4,700)	1.68
Outstanding, April 30, 2013	573,900	$ 1.48
Granted	379,100	1.98
Exercised	(55,732)	1.52
Forfeited	(42,033)	2.29
Outstanding, April 30, 2014	855,235	$ 1.66

During the year ended April 30, 2014, 74,150 RSUs previously granted to former officers that would have otherwise been forfeited under the initial terms of the RSU agreements were extended to expire on the original expiry dates. The extension of these RSUs and the related incremental fair value (as measured as at the modification dates) was recognized as part of share based payment transaction costs in the period.

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

12. 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, 2012	10,047,871	$ 2.86	$ 6,350
Issued in connection with long-term debt	2,048,640	1.86	2,819
Exercised	(47,500)	2.25	(76)
Expired	(342,979)	2.72	-
Revaluation of warrant liability	-	-	8,634
Outstanding, April 30, 2013	11,706,032	2.69	17,727
Issued in connection with private placement	529,592	0.90	269
Exercised	(70,750)	2.63	(88)
Expired	(3,783,652)	2.47	-
Revaluation of warrant liability	-	-	(14,805)
Outstanding, April 30, 2014	8,381,222	$ 2.34	$ 3,103

The following table summarizes information about the warrants outstanding and exercisable at April 30, 2014.

Exercise Price (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
$0.90	529,592	4.29	$ 0.90
$1.44	1,320,000	3.33	1.44
$2.05 - $2.16	4,173,640	2.43	2.07
$3.64	2,357,990	0.13	3.64
	8,381,222	2.04	$ 2.34

On June 3, 2013, pursuant to the Plan of Arrangement, the exercise prices of all outstanding warrants were reduced by approximately 9.1%.

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.

All of the Company's warrants meet 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.

As described in Note 10, the Company issued 1,320,000 share purchase warrants on August 27, 2012 and 728,640 share purchase warrants on March 8, 2013 to Eastern in connection with the irrevocable Standby Letter of Credit. Each warrant issued on August 27, 2012 is exercisable at a price of CAD$1.58 for a period of five years and each warrant issued on March 8, 2013 is exercisable at a price of CAD$2.38 for a period of five years. On June 3, 2013, the warrants were

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

12. Shareholders' equity (deficit) (continued)

(d) Warrant liability (continued)

repriced to CAD$1.44 and CAD$2.16, respectively. 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 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.

As described in Note 12(a), on August 14, 2013 the Company issued 529,592 warrants to Eastern pursuant to a private placement. Each warrant has an exercise price of CAD$0.90 per common share and expire on August 14, 2018.

The weighted average fair value of the warrants granted during the years ended April 30, 2014 and 2013 was $0.51 and $1.37 per warrant, respectively, using the Black-Scholes option pricing model with the following weighted average assumptions:

	2014	2013
Risk-free interest rate	1.7%	1.3%
Expected life	5 years	5 years
Expected volatility	157%	90%

As described in Note 18 "Subsequent events", 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. The Company will issue an additional 5,000,000 share purchase warrants to Eastern in connection with the loan increase. Each warrant will be exercisable at CAD$0.75 per share and will be exercisable for a period of five years.

(e) Per share amounts

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

	2014	2013
Weighted average common shares outstanding - basic	79,495,548	74,222,599
Effect of stock options, restricted stock units and warrants	935,173	-
Weighted average common shares outstanding - diluted	80,430,721	74,222,599

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)

13. Personnel costs

	2014	2013
Short-term employee benefits	$ 5,546	$ 5,891
Equity-settled share-based payments	2,156	1,685
Total personnel expenses	$ 7,702	$ 7,576

14. 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.

	2014	2013
Included in research and development expenses:		
Share-based payment transaction costs	$ 1,159	$ 775
Amortization and depreciation	129	213
Impairment of intangible assets	501	347
Included in general and administrative expenses:		
Share-based payment transaction costs	$ 997	$ 910
Amortization and depreciation	19	34

15. Commitments

As at April 30, 2014, the Group is committed under various research and development (primarily clinical) contracts as follows:

	2014	2013
Less than 1 year	$ 282	$ 9,551
Between 1 and 5 years	-	-
More than 5 years	-	-
	$ 282	$ 9,551

As at April 30, 2014, the Group is committed to operating lease payments for office and laboratory premises as follows:

	2014	2013
Less than 1 year	$ 668	$ 525
Between 1 and 5 years	1,891	2,237
More than 5 years	1,648	2,794
	$ 4,207	$ 5,556

Zenith agreed to pay the Company for its proportionate share of operating lease payments and operating costs for office and laboratory premises of an estimated $0.5 million for the next twelve months.

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

16. 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 with Zenith.

Key management personnel compensation

Key management personnel of the Group consists of its executive management and its Board of Directors. 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:

	2014	2013
Short-term benefits	$ 2,639	$ 2,781
Termination benefits	375	-
Equity-settled share-based payments	1,687	1,110
Key management personnel compensation	$ 4,701	$ 3,891

Related party transactions with Zenith

Resverlogix provides research and administrative services to Zenith pursuant to the Assignment and Services Agreement. As consideration for the services, Zenith pays Resverlogix 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, 2014, Resverlogix provided an aggregate of $4.8 million (2013 - $17.4 million) of service fees and reimbursable expenses, comprised of $2.5 million (2013 - $2.3 million) for research services, $0.6 million (2013 - $0.5 million) for administrative services, and $1.7 million (2013 - $14.6 million) of reimbursable expenses.

As described in Note 7 “Property and equipment”, the Company sold laboratory equipment for $0.3 million and office furniture and equipment for $0.05 million, their respective fair values, to Zenith. The Company recognized a total gain on sale of $0.05 million.

As described in Note 8 “Intangible assets”, the Company and RVX Therapeutics Inc. entered into a Waiver Agreement. In consideration for this waiver, RVX Therapeutics Inc. paid the Company $2.5 million in cash.

Other related party transactions

As described in Note 18 “Subsequent events”, on June 10, 2014, NGN BioMed Opportunity II, L.P. (an entity under the control or direction of the Chairman of Resverlogix), and directors and officers of the Company subscribed for 2,311,291 common shares of the Company.

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

17. 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:

	2014	2013
Expected tax expense (recovery) - 25.0% (2013- 25.0%)	$ 13,796	$ (11,238)
Revaluation of the royalty preferred shares	(10,000)	-
Revaluation of the fair value of the warrant liability	(3,701)	2,158
Gain on distribution	(3,413)	-
Stock-based compensation	539	421
Accretion on long term debt	507	-
Unrealized foreign exchange	(277)	-
Other	72	98
Deferred tax assets not recognized	2,559	6,962
Income tax expense (recovery)	$ 82	$ (1,599)

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:

	2014	2013
Non-capital losses	$ 32,609	$ 33,368
Capital losses	133	133
Scientific research and experimental development expenditures	7,774	9,066
Share issue costs	68	-
Other	24	(133)
Unrecognized deferred tax	$ 40,608	$ 42,434

Recording the equity component of the discount on long-term debt in the year ended April 30, 2013 resulted in the recognition of a $2.5 million deferred income tax liability. This deferred tax liability was recorded as part of the equity component of the discount on long-term debt. The Company recognized previously unrecognized deferred tax assets to offset this deferred tax liability. Share capital was increased by $0.8 million and a deferred income tax recovery of $1.7 million was recorded relating to the previously unrecognized tax benefits of share issue costs and non-capital losses, respectively.

Pursuant to the Plan of Arrangement described in Note 2(a), RVX Therapeutics Inc.'s unrecognized deferred tax assets were removed from the Group's unrecognized deferred tax assets. At the effective time of the arrangement, RVX Therapeutics Inc. had non-capital losses and undepreciated capital cost pools of approximately $17.9 million, non-refundable federal investment tax credits of approximately $0.6 million and unclaimed scientific research and development expenditures available to reduce future years' taxable income of approximately $3.1 million.

The Group has non-capital losses of approximately $135.1 million (2013 – $140.0 million) available to reduce future years' taxable income expiring at various times until 2034. As at April 30, 2014, the Group has non-refundable federal investment tax credits of approximately $7.2 million (2013 – $7.7 million) which are available to reduce future taxes payable, subject to approval by Canada Revenue Agency and expiring at various times until 2034. The Group has unclaimed scientific research and development expenditures available to reduce future years' taxable income of approximately $31.1 million (2013 – $36.3 million) over an indefinite future period. The potential benefits of these tax pools have not been recorded in the consolidated financial statements.

18. Subsequent events

Private placement

On June 10, 2014, the Company closed a private placement of 3.5 million common shares at a price of CAD$0.65 per common share for gross proceeds of $2.1 (CAD$2.3 million). NGN BioMed Opportunity II, L.P. ("NGN"), an entity under the control or direction of the Chairman of Resverlogix, 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 are 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.

Loan Amendment

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. The loan will be repayable upon maturity on August 28, 2017 and may be prepaid in whole or in part without penalty. Interest on the loan will be payable annually in arrears at a rate equal to the per annum Canadian one-year LIBOR swap rate plus 3.14%, to be reset annually. The loan will be secured by an irrevocable CAD$68.8 million the Letter of Credit arranged by Eastern which will be maintained until maturity of the loan.

In connection with the Letter of Credit, the Company has agreed to indemnify Eastern for all liabilities, costs and expenses arising from any payments made to Citibank under the Letter of Credit and, as with the previous Citibank loans, the Company will pledge its patents and certain tax losses and pools to Eastern as security for its obligations under the indemnity. The Company will also issue an additional 5,000,000 share purchase warrants to Eastern in connection with the loan increase and 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. Each warrant will be exercisable at CAD$0.75 per share and will be exercisable for a period of five years. Eastern holds 14,965,307 shares of the Company which represents 17.55% of the 85,289,247 common shares outstanding before giving effect to any outstanding warrants. Eastern currently holds 2,578,232 common share purchase warrants of the Company.

The closing of the Second Loan Amendment will be subject to, among other things, customary closing conditions for a transaction of this nature and shareholder approval of the majority of the votes cast by the shareholders of the Company, excluding Eastern, at a special meeting of the shareholders of the Company to be held on August 13, 2014. The Second Loan Amendment is scheduled to close in August 2014, subject to satisfaction of customary closing conditions and all necessary approvals being obtained. The issuance of the 5,000,000 share purchase warrants to Eastern is also subject to approval by the Toronto Stock Exchange.