RESVERLOGIX

Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Resverlogix Corp. (the "Company") have been approved by the Board of Directors and have been prepared in accordance with International Financial Reporting Standards, which recognize the necessity of relying on some best estimates and informed judgements. The financial information contained in the management's discussion and analysis is consistent with the consolidated financial statements. The Company undertakes steps to ensure the information presented is accurate and conforms to applicable laws and standards, including:

- Management maintains accounting systems and related internal controls and supporting procedures to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and complete and accurate financial records are maintained to provide reliable information for the preparation of the consolidated financial statements in a timely manner.
- The Board of Directors oversees the management of the business and the affairs for the Company including ensuring management fulfills its responsibility for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.
- The Audit Committee of the Board of Directors, comprised of three members considered to be independent directors, has reviewed the consolidated financial statements with management and the external auditors.

KPMG LLP Chartered Accountants, the Company's external auditors, who are appointed by the Company's shareholders, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.

(signed)
Donald J. McCaffrey
President and Chief Executive Officer

(signed)
A. Brad Cann
Chief Financial Officer

July 20, 2017

KPMG

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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, 2017 and 2016, the consolidated statements of comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Resverlogix Corp. as at April 30, 2017 and 2016, 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 repay its debt on maturity and to fund its planned business operations over the next 12 months. These conditions, and other matters as set forth in Note 3 in the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt about Resverlogix Corp.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants

July 20, 2017
Calgary, Canada

Consolidated Statements of Financial Position

As at:

In thousands of US dollars	Notes	April 30, 2017	April 30, 2016
Assets			
Current assets:			
Cash		$ 1,355	$ 28,109
Prepaid expenses and deposits		495	743
Investment tax credit receivable		63	51
Other assets		216	42
Clinical supplies		3,343	1,849
Due from related parties	15	182	5,687
Total current assets		5,654	36,481
Non-current assets:			
Property and equipment	7	628	830
Intangible assets	8	2,136	1,753
Prepaid expenses and deposits		442	467
Deferred financing costs		314	38
Clinical supplies		1,693	528
Total non-current assets		5,213	3,616
Total assets		$ 10,867	$ 40,097
Liabilities			
Current liabilities:			
Trade and other payables		$ 12,155	$ 4,942
Accrued interest		1,429	1,443
Warrant liability	11 (d)	7,515	8,225
Debt	9	48,637	-
Total current liabilities		69,736	14,610
Non-current liabilities:			
Debt	9	-	47,716
Royalty preferred shares	10	42,700	34,200
Total liabilities		112,436	96,526
Shareholders' equity (deficit):			
Share capital	11 (a)	172,853	172,346
Contributed surplus		39,234	38,671
Warrants	11 (e)	440	440
Deficit		(314,096)	(267,886)
Total shareholders' equity (deficit)		(101,569)	(56,429)
Total liabilities and shareholders' equity (deficit)		$ 10,867	$ 40,097

Future operations (note 3)
Commitments (note 14)
Subsequent events (note 17)

Signed on behalf of the Board:

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

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

Consolidated Statements of Comprehensive Loss

For the years ended April 30

In thousands of US dollars	Notes	2017	2016
Expenses:			
Research and development, net of recoveries	13	$ 29,943	$ 15,730
Investment tax credits		(68)	(49)
Net research and development		29,875	15,681
General and administrative, net of recoveries	13	4,269	4,326
		34,144	20,007
Finance (income) costs:			
Gain on change in fair value of warrant liability	11 (d)	(710)	(12,241)
Loss on change in fair value of royalty preferred shares	10	8,500	6,400
Interest and accretion		7,034	6,189
Foreign exchange gain		(2,841)	(651)
Net finance (income) costs		11,983	(303)
Loss before income taxes		46,127	19,704
Income taxes		83	11
Net and total comprehensive loss		$ 46,210	$ 19,715
Net loss per share *(note 11 (f))*			
Basic and diluted		$ 0.44	$ 0.20

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

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the years ended April 30

In thousands of US dollars	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Deficit
Balance, April 30, 2015	$ 136,499	$ 37,945	$ -	$ (248,171)	$ (73,727)
Common shares issued in connection with private placement	36,925	-	-	-	36,925
Common shares issued in connection with warrant exercises	171	-	-	-	171
Common shares issued in connection with stock option and long term incentive plans	392	(484)	-	-	(92)
Share issue cost	(1,641)	-	-	-	(1,641)
Warrants issued in connection with private placement	-	-	440	-	440
Share-based payment transactions	-	1,210	-	-	1,210
Net and total comprehensive loss	-	-	-	(19,715)	(19,715)
Balance, April 30, 2016	$ 172,346	$ 38,671	$ 440	$ (267,886)	$ (56,429)
Common shares issued in connection with private placement	223	-	-	-	223
Common shares issued in connection with stock option and long term incentive plans	297	(541)	-	-	(244)
Share issue cost	(13)	-	-	-	(13)
Share-based payment transactions	-	1,104	-	-	1,104
Net and total comprehensive loss	-	-	-	(46,210)	(46,210)
Balance, April 30, 2017	$ 172,853	$ 39,234	$ 440	$ (314,096)	$ (101,569)

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	2017	2016
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Net loss	$ (46,210)	$ (19,715)
Items not involving cash:		
Equity-settled share-based payment transactions	1,104	1,210
Depreciation and amortization	377	284
Change in fair value of warrant liability	(710)	(12,241)
Change in fair value of royalty preferred shares	8,500	6,400
Impairment of clinical supplies	119	315
Unrealized foreign exchange	(4,160)	(1,429)
Interest and accretion	7,034	6,189
Net current income taxes	83	11
Changes in non-cash working capital:		
Investment tax credit receivable	(12)	(30)
Clinical supplies	(2,778)	(2,370)
Prepaid expenses and deposits	268	(579)
Long term prepaid expenses and deposits	5	(150)
Other assets	(197)	43
Due from related parties	5,505	(3,732)
Trade and other payables	8,351	4,107
	(22,721)	(21,687)
Interest received	137	291
Income tax paid	(85)	(26)
Net cash used in operating activities	(22,669)	(21,422)
Cash flows generated from (used in) financing activities:		
Proceeds from the issuance of common shares	223	38,810
Share issuance costs	(13)	(1,190)
Deferred financing costs	(276)	(38)
Proceeds from exercise of stock options	27	50
Proceeds from exercise of warrants	-	102
Restricted stock unit costs	(271)	(143)
Interest and fees paid	(2,083)	(2,397)
Changes in non-cash financing working capital	13	(11)
Net cash generated from (used in) financing activities	(2,380)	35,183
Cash flows used in investing activities:		
Property and equipment additions	(22)	(26)
Intangible asset additions	(537)	(762)
Changes in non-cash investing working capital	(93)	78
Net cash used in investing activities	(652)	(710)
Effect of foreign currency translation on cash	(1,053)	(1,153)
(Decrease) increase in cash	(26,754)	11,898
Cash, beginning of year	28,109	16,211
Cash, end of year	$ 1,355	$ 28,109

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

1. General information

Resverlogix Corp. (the "Company") is a company domiciled in Canada. The annual consolidated financial statements comprise the Company and its wholly-owned subsidiary Resverlogix Inc. (together referred to as "Resverlogix" or the "Group"). Resverlogix Corp. is incorporated under the laws of Alberta. Resverlogix Inc. is incorporated under the laws of Delaware. The Company's head office is located at Suite 300, 4820 Richard Road S.W., Calgary, Alberta, T3E 6L1. The registered and records office is located at Suite 600, 815 - 8th Avenue S.W., Calgary, Alberta, T2P 3P2.

Resverlogix is developing apabetalone (RVX-208), a first-in-class, small molecule that is a selective BET (bromodomain and extra-terminal) inhibitor. BET bromodomain inhibition is an epigenetic mechanism that can regulate disease-causing genes. Apabetalone is the first and only BET inhibitor selective for the second bromodomain (BD2) within the BET protein called BRD4. This selective inhibition of apabetalone on BD2 produces a specific set of biological effects with potentially important benefits for patients with high-risk cardiovascular disease (CVD), diabetes mellitus (DM), chronic kidney disease, dialysis, Alzheimer's disease, Fabry disease, other orphan diseases, and peripheral artery disease, while maintaining a well described safety profile. Apabetalone is the only selective BET bromodomain inhibitor in human clinical trials. Apabetalone is currently being studied in a Phase 3 trial, BETonMACE, in 13 countries worldwide, in high-risk CVD patients with type 2 DM and low high-density lipoprotein (HDL), and is expected to be initiated in a Phase 2a kidney dialysis trial designed to evaluate biomarker changes and safety parameters in up to 30 patients with end-stage renal disease treated with hemodialysis. The Company is considered to be in the development stage, as most of its efforts have been devoted to research and development and it has not earned any revenue to date.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 20, 2017.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of the liability classified warrants and liability classified royalty preferred shares, which are measured at fair value each reporting period. Debt is measured initially at fair value and subsequently at amortized cost. Historical cost is based on the fair value of the consideration given in exchange for assets recorded on the date of the transaction.

(c) Functional and presentation currency

The functional currency of all entities within the Group is the US dollar, which is also the presentation currency. All financial information presented in dollars has been rounded to the nearest thousand except for per share amounts.

3. Future operations

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

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

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

3. Future operations (continued)

As at April 30, 2017, the Company had $1.4 million of cash and was committed to pay $12.2 million of trade and other payables, $1.4 million of accrued interest, $6.4 million for research and development and $0.7 million of lease obligations over the next twelve months as described further in Note 14. In addition, expenditures over the next twelve months under cancellable agreements with contract research organizations and central laboratories conducting the BETonMACE and other trials were estimated to total approximately $20 - 25 million. The Company's CAD$68.8 million (US$50.3 million) loan is repayable upon maturity on August 28, 2017, and the Company is committed to pay CAD$2.9 million of interest on August 28, 2017.

Zenith Capital Corp. ("Zenith") agreed to pay the Company for its proportionate share of operating lease payments and operating costs for office and laboratory premises of an estimated $0.3 million and $0.1 million, respectively, for the next twelve months.

The Company's cash as at April 30, 2017 will be insufficient to fund the Company's contractual commitments for the next year or the Company's planned business operations over the next year based on anticipated patient enrollment for BETonMACE, or to repay its loan. The Company will have to raise additional capital. If the Company is not able to raise capital, the Company will have to reduce its cash requirements by eliminating or deferring spending on research, development and corporate activities.

The Company is examining both non-dilutive and dilutive arrangements, with a preference for non-dilutive alternatives, in the following priority: co-development, licensing, rights (on indications or potential follow-on compounds, for instance) or other partnering arrangements, private placements and/or public offerings (equity and/or debt); therefore, the Company frequently engages in such discussions. The Company intends to complete an equity private placement within the next month; however, there is no assurance that the placement will be completed. The Company also continues to engage in discussions regarding extending its loan; however, there is no assurance that the loan will be extended. The Company has also entered into an agreement with an agent regarding the replacement of the Company's existing loan; however, there is no assurance that the loan will be replaced. Regardless of loan extension or replacement, the Company will have to raise additional capital.

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 will also require additional capital to fund research, development and corporate activities beyond the next year. The Company will continue to explore alternatives to generate additional cash including raising additional equity and/or debt and/or partnering; however, there is no assurance that these initiatives will be successful.

These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities, and the reported expenses that might be necessary should the Company be unable to continue as a going concern.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated. The accounting policies have been applied consistently by the Company's subsidiary.

Consolidation

The consolidated financial statements include the accounts of Resverlogix Corp. and its wholly-owned subsidiary. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. The Company achieves control when it is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Company considers its voting and contractual rights and all other relevant facts and circumstances in assessing whether it has the power to direct the relevant activities of an entity.

4. Significant accounting policies (continued)

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

Financial instruments

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

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

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

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

Asset/Liability	Category	Measurement
Cash	Loans and receivables	Amortized cost
Investment tax credit receivable	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Warrant liability	FVTPL	Fair value
Royalty preferred shares	FVTPL	Fair value
Long-term debt	Other liabilities	Amortized cost

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

4. Significant accounting policies (continued)

Financial instruments (continued)

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

Fair Value Measurement

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

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

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

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

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

Clinical supplies

Clinical supplies consist of apabetalone (drug substance or capsules) and certain concomitant medications (statins) for use primarily in our clinical trials. Expenditures on clinical supplies are initially capitalized when incurred, and the expense is recognized at a future date when the supplies are used. They are carried at cost, and these costs are recognized as the clinical supplies are consumed in research and development activities in the statement of comprehensive (income) loss.

Property and equipment

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

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

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

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

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the statement of comprehensive (income) loss.

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 expenditures, and amortization

Separately acquired patents and non-integrated software have a finite useful life and are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

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

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

Impairment

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

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

Clinical supplies, property and equipment and intangible assets may be impaired when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels (cash-generating units or "CGU") for which there are separately identifiable cash flows that are largely independent of the cash flows of other assets or CGUs. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant assets or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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 an operating lease. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term incentive plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reasonably.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees, officers, and directors is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

The fair value of the Company's share-based payment awards is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Any consideration received upon exercise of the options and similar instruments together with the amount of non-cash compensation cost recognized in contributed surplus is recorded as an increase in common shares. Restricted stock units that are settled net of required tax withholdings are classified entirely as equity-settled transactions.

Government grants

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

Finance income and costs

Finance income and costs is comprised of interest income on funds invested, accretion and interest expense on loans outstanding, and fair value gains (losses) on financial liabilities at fair value through profit or loss. Interest is recognized as it accrues in profit or loss, using the effective interest rate method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

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.

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, 2016:

Disclosure Initiative

In December 2014 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to be implemented for periods beginning on or after January 1, 2016. The amendments made changes to clarify the objectives of disaggregation, materiality, and the ordering of notes in order to ensure that entities are able to use judgement when reporting financial results. The amendments did not have a material impact on the consolidated financial statements.

4. Significant accounting policies (continued)

New standards and interpretations adopted (continued)

Share-based Payment

On June 20, 2016 the IASB issued amendments to IFRS 2 *Share-based Payment* to be implemented prospectively for periods beginning on or after January 1, 2018. The Company early adopted the amendments. The amendments made changes to the classification of share-based payment transactions with net settlement features. The amendments did not have a material impact on our 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 July 2014 the IASB issued IFRS 9 *Financial Instruments* which replaced the classification and measurement requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for financial assets. This altered the options for valuing financial assets and proposed changes to how changes in certain financial liabilities are accounted for. The mandatory effective date is for periods beginning on or after January 1, 2018 and must be applied retrospectively. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on May 1, 2018. The extent of the impact of adoption has not yet been determined.

Leases

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

5. Significant judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in these consolidated financial statements and notes. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant judgements and estimates made by management affecting the consolidated financial statements include:

Royalty preferred shares

The Company uses significant judgments related to the fair value measurement of the royalty preferred shares. The fair value measurement requires management to exercise judgment concerning valuation approaches and methods, discount rates, and estimates of future cash flows, including the timing and amounts of discounted risk adjusted future net cash flows derived from the ApoA-I applications rights. The assumptions and model used for estimating fair value for the royalty preferred shares are disclosed in Note 10.

5. Significant judgments, estimates and assumptions (continued)

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 11.

Warrant liability

The Company measures the initial warrant liability and subsequent revaluations of the warrant liability by reference to the fair value of the warrants at the date at which they were issued and subsequently revalues them at each reporting date. Estimating fair value for these warrants requires management to determine the most appropriate valuation model. This estimate also requires management to make significant judgments about the capacity in which warrant holders receive warrants, and to make assumptions about the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield. The assumptions and model used for estimating fair value for the warrant liability are disclosed in Note 11 (d).

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's judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

To date the Company has determined that none of the deferred tax assets should be recognized other than the provincial portion of the Investment tax credit receivable. The deferred tax assets are mainly comprised of the net operating losses from prior years, prior year research and development expenses, and investment tax credits. These tax pools relate to entities within the Group that have a history of losses, have varying expiry dates, and may not be used to offset taxable income of other entities within the Group. As well, there are no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

6. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- liquidity risk;
- market risk; and
- credit risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework, including the development and monitoring of the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

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

6. Financial risk management (continued)

(a) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective in managing liquidity is to ensure, to the greatest extent possible, that it will have sufficient liquidity to meet its liabilities when due.

The future cash requirements of the Group are estimated by preparing a budget annually which is reviewed and approved by the Company's Board of Directors.

The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities. Actual spending relative to budgeted expenditures is monitored regularly by management and reviewed by the Company's Board of Directors quarterly.

The Group's exposure to liquidity risk is dependent on its research and development programs and associated commitments and obligations, and the raising of capital. The Group relies on external financing to support its operations. To date, the programs have been funded primarily through the sale of common shares, term loans, convertible debentures and the exercise of common share purchase warrants. Management constantly monitors capital markets. There are no assurances that funds will be available to the Group when required (also see note 3). The Group holds cash on deposit; as at April 30, 2017, 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, 2017 to the contractual maturity date, including estimated interest payments. The amounts are equivalent to the following contractual undiscounted cash flows.

Trade and other payables balance	April 30, 2017	April 30, 2016
3 months or less	$ 12,155	$ 4,942
3 - 12 months	-	-
Trade and other payables total	12,155	4,942
Interest on long-term debt		
12 months or less	2,131	2,139
More than 12 months	-	2,133
Interest on long-term debt total	2,131	4,272
Long-term debt		
12 months or less	50,348	-
More than 12 months	-	54,826
Long-term debt total	50,348	54,826
Total	$ 64,634	$ 64,040

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 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 $0.01 million change in annual interest income on its cash as measured at April 30, 2017 (2016 – $0.4 million 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 has no forward exchange contract to manage its foreign currency risk. As at April 30, 2017, the Group had Canadian denominated assets and liabilities of: cash in the amount of CAD$1.3 million (2016 – CAD$34.6 million), accounts receivable in the amount of CAD$0.02 million (2016 – CAD$0.1 million), accounts payable in the amount of CAD$0.9 million (2016 – CAD$0.8 million), and debt plus accrued interest of CAD $68.4 million (2016 – CAD $61.7 million). An increase of $0.01 in the CAD to USD exchange rate as measured on April 30, 2017 would result in a foreign currency loss of $0.9 million (2016 – $0.3 million loss).

(c) Credit risk

Credit risk is the risk of financial loss to the Group if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Group to credit risk consist primarily of cash and amounts receivable from Zenith.

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, 2017, the carrying amounts of the Group's cash and trade and other receivables approximate their fair value due to their short-term nature.

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

7. Property and equipment

	Office furniture and equipment	Computer hardware and software	Leasehold improvements	Total
Cost				
Balance at April 30, 2015	$ 384	$ 126	$ 702	$ 1,212
Additions	10	16	-	26
Disposals	(6)	(21)	-	(27)
Balance at April 30, 2016	388	121	702	1,211
Additions	6	16	-	22
Disposals	(75)	(7)	(9)	(91)
Balance at April 30, 2017	$ 319	$ 130	$ 693	$ 1,142
Accumulated depreciation				
Balance at April 30, 2015	$ 78	$ 78	$ 74	$ 230
Depreciation	77	26	75	178
Disposals	(6)	(21)	-	(27)
Balance at April 30, 2016	149	83	149	381
Depreciation	122	25	77	224
Disposals	(75)	(7)	(9)	(91)
Balance at April 30, 2017	$ 196	$ 101	$ 217	$ 514
Net book value				
As at April 30, 2016	$ 239	$ 38	$ 553	$ 830
As at April 30, 2017	123	29	476	628

(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, 2015	$ 1,235	$ 48	$ 1,283
Additions	757	5	762
Balance at April 30, 2016	1,992	53	2,045
Additions	476	61	537
Balance at April 30, 2017	$ 2,468	$ 114	$ 2,582
Accumulated amortization and impairment losses			
Balance at April 30, 2015	$ 138	$ 48	$ 186
Amortization	105	1	106
Balance at April 30, 2016	243	49	292
Amortization	144	10	154
Balance at April 30, 2017	$ 387	$ 59	$ 446
Net book value			
As at April 30, 2016	$ 1,749	$ 4	$ 1,753
As at April 30, 2017	2,081	55	2,136

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

9. Debt

	2017	2016
CAD$68.8 million, 4.0560% due August 28, 2017	$ 50,348	$ 54,826
Discount on debt, net of accretion	(541)	(4,869)
Unamortized transaction costs, net of accretion	(1,170)	(2,241)
Carrying value of debt	$ 48,637	$ 47,716

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

The entire loan is repayable upon maturity on August 28, 2017 and may be repaid prior to maturity in whole or in part without penalty. The Company does not currently have the funds to repay the loan. The Company continues to engage in discussions regarding extending or replacing its loan, however there is no assurance that the loan will be extended or replaced. Effective August 27, 2015, the annual interest rate was reset from 4.4410% to 3.7643% and effective August 27, 2016, the annual interest rate was reset from 3.7643% to 4.0560%. Interest on the loan is payable annually in arrears and the interest rate is reset annually to a rate equal to Canadian one-year LIBOR swap rate plus 3.14%. The loan is secured by an irrevocable CAD$68.8 million Standby Letter of Credit (the "Letter of Credit") in favour of Citibank arranged by Eastern Capital Limited ("Eastern"), which will be maintained until maturity of the loan.

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

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

The Company used significant judgment in determining whether Eastern was acting in the capacity of a shareholder or a provider of service. Based on discussions with Eastern, consideration of the terms of the arrangements between Eastern, Citibank and Resverlogix whereby Eastern provided its assets as collateral to Citibank in connection with a loan from Citibank to Resverlogix, and the risks and rewards associated therewith, management determined that Eastern was acting in the capacity of a shareholder in arranging the Letter of Credit; therefore, the debt discounts were recognized as contributed surplus. The combined debt discount is to be amortized over the term of the long-term debt. The determination of the fair value of the long term debt required management to use judgment, including management's estimate of a market interest rate for the debt of 12%. In addition, the Company determined the fair value of the 1,320,000, 728,640 and 5,000,000 warrants to be $1.5 million, $1.4 million and $3.2 million, respectively. The Company recorded the warrants as a liability (see Note 11 (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, 2017 was unchanged at 12% and, as such, the carrying value of the long-term debt approximates the fair value.

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

10. 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, 2015	75,202,620	$ 27,800
Revaluation of royalty preferred shares	-	6,400
Balance, April 30, 2016	75,202,620	34,200
Revaluation of royalty preferred shares	-	8,500
Balance, April 30, 2017	75,202,620	$ 42,700

As at April 30, 2017, the Company had 75,202,620 royalty preferred shares outstanding, all of which were held by Zenith. On July 2, 2015, the Company's articles were amended to make certain changes to the dividend entitlement of holders of royalty preferred shares. As a result of the amendment, the dividend amount in a prescribed dividend payment period may not exceed the aggregate of all amounts received by Resverlogix or its affiliates in respect of Net Revenue in such period. On December 20, 2016, the Company's articles were amended to make certain additional changes to the dividend entitlement of holders of royalty preferred shares. The amendments provided that the holder of royalty preferred shares is entitled to a dividend, calculated based on a percentage of net revenue earned from the sale of licensing of any pharmaceutical product in which Resverlogix holds an intellectual property right, and removed the requirement that the pharmaceutical product elevate plasma levels of certain lipoprotein associated with a decreased risk of atherosclerosis and coronary heart disease.

The holder of the royalty preferred shares is entitled to dividends in the amount of 6-12% of Resverlogix's Net Revenue, if any. Net Revenue is defined as the aggregate of the following amounts: (i) amounts received by the Company or its affiliates 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 Resverlogix's products and/or 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 product (other than consideration received by the Company, any licensee or their respective affiliates from a licensee of such product or its affiliate); less (A) credits or allowances, if any, actually granted; (B) discounts actually allowed; (C) freight, postage, and insurance charges and additional special packaging charges; (D) customs duties, and excise sales taxes, duties or other taxes imposed upon and paid with respect to such sales (excluding what is commonly known as income taxes); (E) rebates and chargebacks or retroactive price reductions made to federal, state or local governments (or their agencies), or any third party payor, administrator or contractor, including managed health organizations; and (F) commissions related to import, distribution or promotion of any Product paid to third parties (specifically excluding any commissions paid to sales personnel, sales representatives and sales agents who are employees or consultants of, or members of a contract sales force engaged by or on behalf of the Company, any licensee or their respective affiliates); (iii) amounts received from a third party by the Company or its affiliates in consideration for the sale of any intellectual property right. The holder of the preferred shares does not have any claim on the Company's residual net assets.

As these preferred shares contain a non-discretionary royalty dividend they represent a contractual obligation to deliver cash.

IFRS requires that the substance of the instrument takes precedence over the legal form and thus the preferred shares have been classified as a financial liability. The liability is required to be re-measured to its fair value at each reporting period end with changes in fair value recognized in the statement of comprehensive loss (income).

For fair value measurement purposes, the royalty preferred shares liability has been categorized within level 3 of the fair value measurement hierarchy. The fair value of the royalty preferred shares is based on management's judgments, estimates and assumptions which include significant unobservable inputs including the timing and amounts of the Company's discounted risk adjusted future net cash flows. The estimate incorporates the following assumptions: a cumulative probability rate of generating

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

10. Royalty preferred shares (continued)

forecasted future cash flows of 35% as at April 30, 2017 (April 30, 2016 – 35%) reflecting in each case, among other factors, the Company's clinical results and communication with regulatory bodies; a discount rate of 23.4% as at April 30, 2017 (April 30, 2016 – 23.5%); commencement of revenue beginning between 2021 and 2023 (based on clinical development paths across various jurisdictions) as at April 30, 2017 (April 30, 2016 – between 2021 and 2023); apabetalone market share percentages; and product pricing.

During the year ended April 30, 2017 management updated the estimated fair value to reflect the length of time from April 30, 2017 to future cash flows based on the estimated timing and commencement of revenue and reduced the discount rate due to a decrease in the risk-free rate of return.

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. Holding all other assumptions constant, a 1% increase in the discount rate would result in a $3.9 million decrease in the fair value of the royalty preferred shares. Assuming commencement of revenue one year later would result in a $6.7 million decrease in the fair value of the royalty preferred shares.

11. 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, 2015	86,106,938	$ 136,499
Issued in connection with private placement	18,870,000	36,925
Issued in connection with warrant exercises	60,000	171
Issued in connection with stock option plan	52,333	97
Issued in connection with long term incentive plan	106,145	295
Share issue cost	-	(1,641)
Balance, April 30, 2016	105,195,416	172,346
Issued in connection with private placement	150,000	223
Issued in connection with long term incentive plan	262,361	243
Issued in connection with stock option plan	34,667	54
Share issue cost	-	(13)
Balance, April 30, 2017	105,642,444	$ 172,853

11. Shareholders' equity (deficit) (continued)

(a) Common shares (continued)

Private placements

On July 8, 2015, the Company formally entered into a definitive stock purchase agreement with Shenzhen Hepalink Pharmaceutical Co., Ltd. ("Hepalink") and closed a license of apabetalone for China, Hong Kong, Taiwan and Macau (the "Territories"), for all indications with Hepalink. On July 20, 2015, the Company closed the private placement. Under the terms of the transaction, Hepalink subscribed for 13,270,000 Resverlogix common shares and 1,000,000 common share purchase warrants for gross proceeds of $27.3 million (CAD$35.4 million), or CAD$2.67 per unit. After giving effect to the transaction, Hepalink held approximately 12.63% of Resverlogix's common shares. The common shares and warrants issued to Hepalink are subject to a three year lock-up period. In addition, Eastern purchased 5,600,000 common shares and 422,005 common share purchase warrants for gross proceeds of $11.5 million (CAD$15.0 million), or CAD$2.67 per unit. After giving effect to the transaction, Eastern held approximately 19.57% of Resverlogix's common shares. The 1,422,005 warrants issued on July 20, 2015 have an exercise price of CAD$2.67 and expire on July 20, 2020. These warrants were valued at $1.9 million using the Black-Scholes option pricing model; the residual $36.9 million of proceeds was assigned to share capital.

The license between Resverlogix and Hepalink provides for certain milestone payments based on net sales of apabetalone in the licensed territories. The annual sales milestones range from 500 million renminbi ("RMB") to 10 billion RMB (US$73 million to US$1.5 billion), with Resverlogix being eligible to receive sales-based milestone payments from Hepalink ranging from US$5 million to US$90 million. In addition, Hepalink shall pay a royalty of 6% of annual net sales of apabetalone in the licensed territories. Hepalink will be responsible for certain clinical and development costs in the Territories, including a patient population that is expected to be included in the Company's planned Phase 3 BETonMACE trial. The Company is contractually obligated to pay a fee to the financial advisor involved with the transaction equal to 3.5% on the first $10.0 million of payments, if any, received from Hepalink pursuant to the license, and 2.5% on amounts above $10.0 million, up to a maximum of $1.0 million of fees. As at April 30, 2017, these potential payments do not satisfy the criteria for recognition as a liability.

On April 20, 2017, the Company issued 150,000 common shares, at CAD$2.00 per unit pursuant to a private placement for gross proceeds of $0.2 million (CAD$0.3 million).

Base shelf prospectus

On October 5, 2015, the Company obtained a receipt for a final short-form base shelf prospectus filed on October 1, 2015 with the securities commissions in each of the provinces of Canada except Quebec. Subject to securities regulations, the short form base shelf prospectus (the "base shelf prospectus") allows 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 remains effective.

Share issue costs

During the year ended April 30, 2017, the Company recognized total share issue costs of $0.01 million. During the year ended April 30, 2016 the Company recognized total share issues costs of $1.6 million, including $0.4 million associated with warrants issued to the financial advisor involved with the transaction, as described in note 11 (e).

(b) Stock options

The Company's amended stock option plan has been approved as a rolling 10% plan that allows for reservation of a number of common shares under the plan equal to 10% of the Company's issued and outstanding common shares on an undiluted basis. Additionally, the plan is a reloading plan, which allows for the number of common shares reserved for issuance related to the options under the plan to automatically become eligible to be reallocated pursuant to stock option based grants upon option expiry, cancellation or exercise. The Company may grant options to its directors, officers, employees and consultants.

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

11. Shareholders' equity (deficit) (continued)

(b) Stock options (continued)

The majority of options fully vest over zero to three years and have a five year term. Certain stock options have performance conditions which must be satisfied in order for the options to vest. The options are settled by way of the issuance of equity instruments of the Company ("equity-settled").

	Number of options	Weighted average exercise price (CAD)
Outstanding, April 30, 2015	3,771,936	$ 1.82
Granted	620,100	1.93
Exercised	(52,333)	1.21
Expired	(444,902)	2.80
Forfeited	(16,568)	1.28
Outstanding, April 30, 2016	3,878,233	1.74
Granted	843,800	1.41
Exercised	(34,667)	1.06
Expired	(1,215,368)	1.46
Forfeited	(22,499)	1.08
Outstanding, April 30, 2017	3,449,499	$ 1.77

The following table summarizes information about the options outstanding and exercisable at April 30, 2017.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.65 - $0.75	455,200	2.09	$ 0.70	451,867
$1.04 - $1.82	1,969,699	2.70	1.41	819,199
$2.26 - $2.86	612,000	1.83	2.74	489,472
$3.19 - $3.27	412,600	1.05	3.24	412,600
	3,449,499	2.27	$ 1.77	2,173,138

The number of options exercisable at April 30, 2017 was 2,173,138 (2016 – 3,070,066) with a weighted average exercise strike price of CAD$1.90 (2016 – CAD$1.74).

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 $0.96 per option and $1.34 per option associated with stock options granted during the years ended April 30, 2017 and 2016, respectively:

	2017	2016
Risk-free interest rate	0.8%	0.7%
Expected life	4.2 years	4.3 years
Expected volatility	162%	162%
Share price at grant date	CAD$1.38	CAD$1.89
Expected dividends	Nil	Nil

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

11. Shareholders' equity (deficit) (continued)

(b) Stock options (continued)

During the year ended April 30, 2016, 225,000 stock options previously granted to 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, where the Company's policies would require such options to expire within a month of departure dates of employees. The extension of these stock options and the related incremental fair value (as measured as at the modification dates) was recognized as part of share based payment transaction costs during the comparative year.

(c) Restricted stock units

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

During the year ended April 30, 2017, the Company granted 405,000 (2016 – 364,239) RSUs. The RSUs vest over a period of one to three years. The weighted average fair value of the RSUs granted in the year ended April 30, 2017 was $0.98 per RSU (2016 - $1.79 per RSU). The Company estimates the fair value of RSUs based on the market price of the underlying stock on the date of grant.

On September 30, 2016 and December 21, 2016, the Company allowed the exercise of restricted stock units on a "net of tax" basis, whereby the number of shares issued was equal to the number determined net of the respective taxes attributable to the exercise; 424,718 RSUs were exercised on a net of tax basis, resulting in the issuance of 238,127 common shares.

On June 30, 2015, the Company allowed the exercise of restricted stock units on a "net of tax" basis, whereby the number of shares issued was equal to the number determined net of the respective taxes attributable to the exercise; 219,195 RSUs were exercised on a net of tax basis, resulting in the issuance or distribution of 4,779 common shares (129,231 common shares were distributed from the remaining 153,877 common shares that were issued in fiscal 2014 and held by a financial institution to satisfy further redemptions under the Company's long term incentive plan, thus these exercises did not result in an increase in the number of common shares issued).

During the year ended April 30, 2016, of the RSUs exercised within the normal plan parameters (not exercised on a "net of tax" basis), 24,646 RSUs were distributed from the 263,032 common shares that were issued in fiscal 2014 and held by a financial institution to satisfy further redemptions under the Company's long term incentive plan, thus these exercises did not result in an increase in the number of common shares issued and outstanding.

	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, April 30, 2015	577,131	$ 0.97
Granted	364,239	1.79
Exercised	(345,207)	1.27
Forfeited	(7,066)	1.53
Outstanding, April 30, 2016	589,097	1.30
Granted	405,000	0.98
Exercised	(448,952)	1.14
Forfeited	(10,966)	1.15
Outstanding, April 30, 2017	534,179	$ 1.19

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

11. Shareholders' equity (deficit) (continued)

(d) Warrant liability

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

	Number of warrants	Weighted average exercise price (CAD)	Liability amount
Outstanding, April 30, 2015	10,644,482	$ 1.31	$ 18,651
Issued in connection with private placement	1,422,005	2.67	1,885
Exercised	(60,000)	2.05	(70)
Revaluation of warrant liability	-	-	(12,241)
Outstanding, April 30, 2016	12,006,487	1.47	8,225
Expired	(3,006,250)	2.05	-
Revaluation of warrant liability	-	-	(710)
Outstanding, April 30, 2017	9,000,237	$ 1.28	$ 7,515

The following table summarizes information about the liability classified warrants outstanding and exercisable at April 30, 2017.

Exercise Price (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
$0.75	5,000,000	2.29	$ 0.75
$0.90	529,592	1.29	0.90
$1.44	1,320,000	0.33	1.44
$2.16	728,640	0.85	2.16
$2.67	1,422,005	3.22	2.67
	9,000,237	1.97	$ 1.28

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

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

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

11. Shareholders' equity (deficit) (continued)

(d) Warrant liability (continued)

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

During the year ended April 30, 2017, no warrants were issued. The weighted average fair value of the warrants issued during the year ended April 30, 2016 was $1.33 per warrant, using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016
Risk-free interest rate	0.6%
Expected life	5 years
Expected volatility	156%

(e) Equity classified warrants

On July 20, 2015, the Company issued 331,750 warrants to the financial advisor involved with the private placement as described in Note 11 (a). These warrants are classified as an equity instrument and accounted for under IFRS 2 – *Share-Based Payments* as they are a form of compensation for services rendered. Due to the equity classification the warrants will not be revalued each reporting period. Each warrant issued is exercisable at a price of CAD$2.67 for a period of five years. During the year ended April 30, 2017, no warrants were issued. The weighted average fair value of the warrants issued during the year ended April 30, 2016 was $1.33 per warrant using the Black-Scholes option pricing model with the same weighted average assumptions outlined in Note 11 (d).

The following table summarizes information about the equity classified warrants outstanding and exercisable at April 30, 2017.

Exercise Price (CAD)	Number Outstanding	Weighted Average Remaining Life (years)
$2.67	331,750	3.22

(f) Per share amounts

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

	2017	2016
Weighted average common shares outstanding - basic and diluted	105,352,800	100,975,651

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)

12. Personnel costs

The following table summarizes the personnel expenses recognized in the years ended April 30, 2017 and 2016.

	2017	2016
Short-term employee benefits	$ 4,179	$ 3,831
Equity-settled share-based payments	1,104	1,210
Total personnel expenses	$ 5,283	$ 5,041

13. 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.

	2017	2016
Included in research and development expenses:		
Share-based payment transaction costs	$ 329	$ 424
Amortization and depreciation	264	169
Impairment of clinical supplies	119	315
Included in general and administrative expenses:		
Share-based payment transaction costs	$ 775	$ 786
Amortization and depreciation	113	115

14. Commitments

As at April 30, 2017, the Group is committed to expenditures over the next twelve months of $6.4 million (2016 – $3.9 million) under various research and development contracts.

As at April 30, 2017, the Group is also party to cancellable agreements with a contract research organization and a central laboratory conducting the BETonMACE trial. Corresponding estimated aggregate expenditures over the next twelve months total approximately $20-25 million (2016 – $20-25 million).

As at April 30, 2017, the Group is also committed to operating lease payments for office and laboratory premises as follows:

	2017	2016
Less than 1 year	$ 713	$ 846
Between 1 and 5 years	2,412	2,872
More than 5 years	609	1,082
	$ 3,734	$ 4,800

Zenith agreed to pay the Company for its proportionate share of operating lease payments and operating costs for office and laboratory of an estimated $0.3 million and $0.1 million, respectively, for the next twelve months.

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

15. Related party transactions

Balances and transactions between the Company and its wholly owned subsidiary have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties consist of key management personnel compensation and transactions, as well as transactions with Zenith, NGN BioMed Opportunity II, L.P. ("NGN") up to and including April 2, 2016, the date that the Company and NGN ceased being related as described below, and Hepalink subsequent to July 20, 2015.

Key management personnel

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

	2017	2016
Short-term benefits	$ 1,718	$ 1,597
Equity-settled share-based payments	837	761
Key management personnel compensation	$ 2,555	$ 2,358

As outlined in Note 11 (b) in the year ended April 30, 2016, 225,000 stock options previously granted to 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. $0.3 million is accrued for outstanding compensation to key management personnel as at April 30, 2017 (2016 - $0.5 million).

Related party transactions with Zenith

The Company and Zenith have several directors in common, and thus are considered related parties. The Company provides management and administrative services to Zenith pursuant to the Assignment and Services Agreement. As consideration for the services, Zenith pays the Company a service fee, consisting of salary and other compensation costs attributable to the services and reimbursable expenses incurred by Resverlogix in connection with the services.

During the year ended April 30, 2017, the Company provided an aggregate of $1.2 million (2016 - $1.2 million) of service fees and reimbursable expenses, comprised of $0.1 million (2016 - $0.03 million) for research services provided by Zenith, $0.6 million (2016 - $0.7 million) for administrative services, and $0.7 million (2016 - $0.6 million) of reimbursable expenses. As at April 30, 2017, Zenith owes the Company $0.2 million (2016 - $5.7 million). This balance is payable on demand and non-interest bearing. During the year ended April 30, 2017, the $5.7 million outstanding at April 30, 2016 (including the $2.3 million described below) was repaid.

Effective January 1, 2015 the Company entered into a Services Agreement whereby Zenith supplies research services to the Company. During the year ended April 30, 2017, Zenith provided $0.2 million of research services (2016 - $0.2 million). Any unused portions of payments made by the Company to Zenith are included in prepaid expenses and deposits on the statement of financial position.

During the year ended April 30, 2016, the Company entered into a letter of understanding with Zenith and paid $2.3 million, in connection with a proposal that Zenith grant royalty rights related to some or all of Zenith's intellectual property. It was stated that in the event that a transaction does not close, any consideration paid by the Company to Zenith in connection with the transaction would remain payable by Zenith. During the year ended April 30, 2017, the letter of understanding was cancelled and the $2.3 million was repaid.

Related party transactions with NGN

As the former Chair of the Company's Board of Directors held positions of control at both the Company and NGN, NGN was considered a related party of the Company until his departure effective April 2, 2016. There were no transactions with NGN during the years ended April 30, 2017 or 2016, other than the compensation for the former Chair included in the disclosure above.

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

15. Related party transactions (continued)

Related party transactions with Hepalink

There were no transactions between the Company and Hepalink during the years ended April 30, 2017 and 2016, after the date Hepalink became a related party, other than the compensation for their nominated director included in the disclosure above.

16. 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:

	2017	2016
Expected tax recovery - 27% (2016 - 26.7%)	$ (12,454)	$ (5,255)
Revaluation of the royalty preferred shares	2,295	1,707
Revaluation of the fair value of the warrant liability	(192)	(3,265)
Stock-based compensation	298	323
Long term debt including accretion and unrealized foreign exchange	(186)	(122)
Expiry of non-capital loss pools	-	148
Change in enacted rates	-	(3,334)
Other	77	(96)
Deferred tax assets not recognized	10,245	9,905
Income tax expense (recovery)	$ 83	$ 11

The Government of Alberta increased the corporate income tax rate from 10 percent to 12 percent, resulting in a blended Alberta provincial corporate tax rate of 11.67 percent for the year ended April 30, 2016. The increase was substantively enacted in June 2015.

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:

	2017	2016
Non-capital losses	$ 55,381	$ 45,528
Long term debt	(2,793)	(3,149)
Capital losses	144	144
Scientific research and experimental development expenditures	8,751	8,586
Share issue costs and debt issuance costs	287	313
Other	51	154
Unrecognized deferred tax	$ 61,821	$ 51,576

The Group has non-capital losses of approximately $205.1 million (2016 – $168.7 million) available to reduce future years' taxable income expiring at various times until 2037. As at April 30, 2017, the Group has non-refundable federal investment tax credits of approximately $7.4 million (2016 – $7.3 million) which are available to reduce future taxes payable, subject to approval by Canada Revenue Agency and expiring at various times until 2037. The Group has unclaimed scientific research and development expenditures available to reduce future years' taxable income of approximately $32.4 million (2016 – $31.8 million) over an indefinite future period. The potential benefits of these tax pools have not been recorded in the consolidated financial statements.

17. Subsequent events

On June 20, 2017 the company issued a total of CAD$10 million in equity units. Eastern and Hepalink purchased 1,617,980 and 1,333,333 equity units, respectively at a price of CAD$1.80 per unit for aggregate proceeds of CAD$5.3 million. In addition, subscribers purchased an additional 2,552,489 equity units at a price of CAD$1.80 per unit for aggregate proceeds of an additional CAD$4.6 million. Each equity unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at a price of CAD$2.05 per underlying common share for a period of four years from the closing of the offering.

Under the terms of the agreement described in Note 11 (a), Hepalink is responsible for certain clinical and development costs in the Territories related to the Company's Phase 3 BETonMACE trial, to be paid commencing with the enrolment of the first patient in Taiwan. On July 10, 2017, the Company enrolled its first patient in Taiwan. Therefore, subsequent to April 30, 2017, the Company issued an initial invoice in the amount of $0.7 million related to clinical and development costs incurred to date in the Territories, and will issue additional invoices to Hepalink periodically in the future as additional clinical and development costs in the Territories are incurred.