



**Condensed Interim Consolidated Financial Statements**

For the three and nine months ended January 31, 2018 and 2017

## Condensed Interim Consolidated Statements of Financial Position

(unaudited)

As at:		January 31,	April 30,
<i>In thousands of US dollars</i>	Notes	2018	2017
<b>Assets</b>			
<b>Current assets:</b>			
Cash		\$ 2,907	\$ 10,175
Prepaid expenses and deposits		277	436
Investment tax credit receivable		112	162
Other assets		22	57
Clinical supplies		235	195
<b>Total current assets</b>		<b>3,553</b>	<b>11,025</b>
<b>Non-current assets:</b>			
Property and equipment		873	1,029
Intangible assets		960	733
Prepaid expenses and deposits		231	34
Clinical supplies		158	243
<b>Total non-current assets</b>		<b>2,222</b>	<b>2,039</b>
<b>Total assets</b>		<b>\$ 5,775</b>	<b>\$ 13,064</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Trade and other payables		\$ 983	\$ 1,637
Unearned deposits		-	11
Due to Resverlogix Corp.		24	182
Warrant liability	6 (d)	214	597
Financing rights	5	-	665
<b>Total liabilities</b>		<b>1,221</b>	<b>3,092</b>
<b>Shareholders' equity (deficit):</b>			
Share capital	6	69,403	69,306
Contributed surplus		1,935	1,694
Deficit		(66,784)	(61,028)
<b>Total shareholders' equity (deficit)</b>		<b>4,554</b>	<b>9,972</b>
<b>Total liabilities and shareholders' equity (deficit)</b>		<b>\$ 5,775</b>	<b>\$ 13,064</b>

Future operations (note 3)

Commitments (note 8)

Signed on behalf of the Board:

Signed: "Donald McCaffrey" Director

Signed: "Kenneth Zuerblis" Director

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

**Condensed Interim Consolidated Statements of Comprehensive Loss**  
**For the three and nine months ended January 31**  
(unaudited)

<i>In thousands of US dollars</i>	Notes	Three months ended January 31,		Nine months ended January 31,	
		2018	2017	2018	2017
<b>Expenses:</b>					
Research and development	7	\$ 2,124	\$ 1,358	\$ 5,541	\$ 4,130
Investment tax credits		(38)	(37)	(110)	(127)
Net research and development		2,086	1,321	5,431	4,003
General and administrative	7	494	496	1,348	1,619
		2,580	1,817	6,779	5,622
<b>Finance costs (income):</b>					
Loss (gain) on change in fair value of warrant liability	6 (d)	7	(15)	(383)	(350)
Gain on change in fair value of financing rights	5	-	-	(665)	(696)
Interest income		(3)	(11)	(9)	(13)
Foreign exchange loss (gain)		1	(8)	(1)	(20)
Net finance costs (income)		5	(34)	(1,058)	(1,079)
<b>Loss before income taxes</b>		<b>2,585</b>	<b>1,783</b>	<b>5,721</b>	<b>4,543</b>
Income taxes		14	10	35	27
<b>Net and total comprehensive loss</b>		<b>\$ 2,599</b>	<b>\$ 1,793</b>	<b>\$ 5,756</b>	<b>\$ 4,570</b>
<b>Net loss per share (note 6 (e))</b>					
Basic and diluted		\$ 0.02	\$ 0.01	\$ 0.05	\$ 0.04

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

For the nine months ended January 31

(unaudited)

<i>In thousands of US dollars</i>	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficit)
<b>Balance, April 30, 2016</b>	\$ 44,119	\$ 1,554	\$ (54,092)	\$ (8,419)
Common shares issued in connection with private placement	24,561	-	-	24,561
Common shares issued in connection with warrant exercises	230	-	-	230
Common shares issued in connection with stock option and long term incentive plans	355	(378)	-	(23)
Share issue costs	(2)	-	-	(2)
Share-based payment transactions	-	448	-	448
Net and total comprehensive loss	-	-	(4,570)	(4,570)
<b>Balance, January 31, 2017</b>	\$ 69,263	\$ 1,624	\$ (58,662)	\$ 12,225
<b>Balance, April 30, 2017</b>	\$ 69,306	\$ 1,694	\$ (61,028)	\$ 9,972
Common shares issued in connection with stock option plan	97	(65)	-	32
Share-based payment transactions	-	306	-	306
Net and total comprehensive loss	-	-	(5,756)	(5,756)
<b>Balance, January 31, 2018</b>	\$ 69,403	\$ 1,935	\$ (66,784)	\$ 4,554

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

**Condensed Interim Consolidated Statements of Cash Flows**  
**For the nine months ended January 31**  
(unaudited)

<i>In thousands of US dollars</i>	Notes	2018	2017
<b>Cash used in:</b>			
<b>Cash flows used in operating activities:</b>			
Net loss		\$ (5,756)	\$ (4,570)
<b>Items not involving cash:</b>			
Equity-settled share-based payment transactions	7	306	448
Depreciation and amortization	7	216	200
Change in fair value of warrant liability		(383)	(350)
Change in fair value of financing rights		(665)	(696)
Interest income		(9)	-
Income taxes		35	27
<b>Changes in non-cash working capital:</b>			
Prepaid expenses and deposits		(38)	(39)
Clinical supplies		45	39
Other assets		14	(5)
Investment tax credit receivable		50	(122)
Unearned deposits		(11)	(94)
Trade and other payables		(642)	(1,659)
Due to Resverlogix Corp.		(158)	(5,500)
		(6,996)	(12,321)
Interest received		31	-
Income tax paid		(53)	(26)
Net cash used in operating activities		(7,018)	(12,347)
<b>Cash flows generated from financing activities:</b>			
Proceeds from the issuance of common shares		-	24,561
Share issuance costs		-	(2)
Proceeds from exercise of warrants		-	106
Proceeds from exercise of stock options		33	95
Restricted stock unit costs		-	(118)
Repayment of promissory notes		-	(401)
Net cash generated from financing activities		33	24,241
<b>Cash flows used in investing activities:</b>			
Property and equipment expenditures		(13)	(128)
Intangible asset expenditures		(275)	(99)
Changes in non-cash investing working capital		(3)	(94)
Net cash used in investing activities		(291)	(321)
Effect of foreign currency translation on cash		8	(4)
<b>(Decrease) increase in cash</b>		<b>(7,268)</b>	<b>11,569</b>
<b>Cash, beginning of period</b>		<b>10,175</b>	<b>15</b>
<b>Cash, end of period</b>		<b>\$ 2,907</b>	<b>\$ 11,584</b>

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## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2018 and 2017

(unaudited)

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

### 1. General information

Zenith Capital Corp. (the “Company” or “Zenith”) is a company domiciled in Canada and was incorporated under the *Business Corporations Act* (Alberta) on April 10, 2013. On May 24, 2013, 1741273 Alberta Ltd. changed its name to Zenith Epigenetics Corp. On August 1, 2016, Zenith Epigenetics Corp. changed its name to Zenith Capital Corp. concurrent with an internal corporate reorganization. The reorganization resulted in the transfer of the Company’s principal operating assets to Zenith Epigenetics Ltd., a wholly-owned subsidiary of the Company, in exchange for additional common shares of Zenith Epigenetics Ltd. The Company retained its investment in the royalty preferred shares of Resverlogix. As the Company owns all of the securities of Zenith Epigenetics Ltd., the reorganization did not result in a change in the ultimate beneficial ownership of the operating assets.

The consolidated financial statements comprise the Company and its wholly-owned subsidiaries, Zenith Epigenetics Ltd. and Zenith Epigenetics Inc. (together referred to as the “Group”). The Company and Zenith Epigenetics Ltd. are incorporated under the laws of Alberta. Zenith Epigenetics Inc. is incorporated under the laws of Delaware. The Company has offices located at Suite 300, 4820 Richard Road S.W., Calgary, Alberta, T3E 6L1, and at Suite 4010, 44 Montgomery Street, San Francisco, 94104. The registered and records office is located at Suite 600, 815 - 8th Avenue S.W., Calgary, Alberta, T2P 3P2.

Zenith Capital Corp. is a biotechnology investment company. Zenith Epigenetics Ltd. is a clinical stage biotechnology company developing best in class bromodomain (BET) inhibitors for the treatment of cancer and other disorders with significant unmet medical need. Zenith’s epigenetic platform of innovative biology and chemistry has generated differentiated, potent and selective BET inhibitors. Zenith’s goal is to be a leading epigenetic company translating bromodomain biology into impactful therapies.

### 2. Background and basis of preparation

#### (a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting*. These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on March 21, 2018.

Certain information, in particular the accompanying notes normally included in the annual financial statements prepared in accordance with IFRS, has been omitted or condensed. These condensed interim consolidated financial statements do not include all disclosures required under IFRS and, accordingly, should be read in conjunction with the annual financial statements for the year ended April 30, 2017 and the notes thereto prepared in accordance with International Financial Reporting Standards (“IFRS”) as prescribed by the International Accounting Standards Board (“IASB”).

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of the liability classified warrants and financing rights, which are measured at fair value each reporting period. Historical cost is based on the fair value of the consideration given in exchange for assets recorded on the date of the transaction. The financial statements have been prepared on a going concern basis (refer to Note 3).

#### (c) Functional and presentation currency

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

#### (d) Use of estimates and judgment

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in these condensed interim consolidated financial statements and notes. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgment used in the preparation of the condensed interim consolidated financial statements remain unchanged from those described in the Group’s consolidated financial statements for the year ended April 30, 2017.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2018 and 2017

(unaudited)

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

### 3. Future operations

The success of the Company is dependent on the continuation of its research and development activities, progressing its core technologies through clinical trials to commercialization and its ability to finance its cash requirements. It is not possible to predict the outcome of future research and development programs, the Company's ability to fund these programs in the future, or the commercialization of products by the Company.

The accompanying condensed interim consolidated financial statements have been prepared pursuant to International Financing 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 January 31, 2018, the Company had \$2.9 million of cash and was committed to pay \$1.0 million of trade and other payables, \$1.3 million for research and development commitments, and \$0.2 million of lease obligations over the next twelve months as described further in Note 8. In addition, estimated expenditures over the next twelve months under cancellable agreements with contract research organizations conducting the Company's Phase 1 clinical trials total approximately \$2.7 million. We believe the Company's cash as at January 31, 2018 will not be sufficient to fund the Company's contractual commitments for the next year or all of the Company's planned business operations for the next year. The Company will have to raise additional capital. The Company will continue to pursue alternatives for raising capital including issuing additional equity and/or debt and/or partnering; however, there is no assurance that these initiatives will be successful.

The Company will also require additional capital to fund its planned research, development and corporate activities beyond the next year.

### 4. Significant accounting policies

The condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended April 30, 2017 prepared in accordance with IFRS applicable to those annual consolidated financial statements. The same accounting policies, presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the Company's consolidated financial statements for the year ended April 30, 2017.

### 5. Financing rights

#### Anti-Dilution, Transaction and Additional Rights

The following table summarizes the changes in the Anti-Dilution Rights outstanding.

	Number of Rights	Liability amount
Outstanding, April 30, 2016	12,569,030	\$ 1,361
Granted	24,560,500	-
Expired	(25,034,230)	-
Revaluation of financing rights liability	-	(696)
Outstanding, April 30, 2017	12,095,300	665
Revaluation of financing rights liability	-	(665)
Expired	(12,095,300)	-
Outstanding, January 31, 2018	-	\$ -

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2018 and 2017

(unaudited)

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

### 5. Financing rights (continued)

The following table summarizes the changes in the Company's Transaction Rights outstanding.

	Number of Rights	Liability amount
Outstanding, April 30, 2016	10,595,300	\$ -
Expired	(10,595,300)	-
Outstanding, April 30, 2017 and January 31, 2018	-	\$ -

#### Valuation

The determination of the fair value of the anti-dilution rights required management to use judgment, including management's estimates of various probabilities of future equity offerings at various prices below \$1 per share within the respective prescribed timeframes. The determination of the fair value of the transaction rights required management to use judgment, including management's estimates of: (1) the probability of a transaction occurring prior to the Company raising an additional \$25 million in equity, and (2) the fair value of the Company. At the date the financing rights were granted, the Company recorded the anti-dilution and transaction rights as liabilities with offsetting reductions to the carrying amount of the common shares with subsequent changes in fair value recognized in (income) loss.

As at January 31, 2018, the remaining anti-dilution rights had expired.

### 6. Shareholders' equity (deficit)

An immaterial adjustment of \$0.3 million of deposits paid in a prior period was recognized as at April 30, 2016; the adjustment resulted in a reduction in Deficit and an increase in Prepaid expenses and deposits.

#### (a) Common shares

##### (i) Authorized:

Unlimited number of common shares.

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:

	Number of shares	Amount
Common shares		
Balance, April 30, 2016	99,140,775	\$ 44,119
Issued in connection with private placements	24,560,500	24,561
Issued in connection with warrant exercises	690,550	230
Issued in connection with stock option plan	951,067	299
Issued in connection with long term incentive plan	144,508	99
Share issue costs	-	(2)
Balance, April 30, 2017	125,487,400	69,306
Issued in connection with stock option plan	300,100	97
Balance, January 31, 2018	125,787,500	\$ 69,403



## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2018 and 2017

(unaudited)

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

### 6. Shareholders' equity (deficit) (continued)

#### (a) Common shares (continued)

##### Private Placements

In May 2016, the Company issued 24,560,500 common shares at a price of \$1.00 per share for gross proceeds of \$24.6 million with Eastern Capital Limited.

#### (b) Stock options

The Company's 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 vest over zero to three years and have a four to five year term. Certain stock options granted in the year ended April 30, 2015 have performance conditions which are required to be met in order for the options to vest. These stock options have a seven year term. The stock 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, 2016	3,976,768	\$ 0.27
Granted	623,400	0.50
Exercised	(951,067)	0.15
Expired	(382,701)	0.15
Forfeited	(16,866)	0.38
Outstanding, April 30, 2017	3,249,534	0.37
Granted	964,200	0.58
Exercised	(300,100)	0.14
Expired	(185,734)	0.16
Outstanding, January 31, 2018	3,727,900	\$ 0.45

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

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
\$0.28 - \$0.29	545,200	2.00	\$ 0.28	494,803
\$0.32 - \$0.33	469,800	0.41	0.32	469,800
\$0.45 - \$0.48	1,303,100	2.57	0.46	838,100
\$0.50 - \$0.59	1,409,800	4.16	0.56	196,837
	3,727,900	2.82	\$ 0.45	1,999,540

The number of stock options exercisable at January 31, 2018 was 1,999,540 (2017 - 2,083,837) with a weighted average exercise strike price of CAD\$0.39 (2017 - CAD\$0.31).

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2018 and 2017

(unaudited)

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

### 6. Shareholders' equity (deficit) (continued)

#### (b) Stock options (continued)

The fair value of each stock 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 \$0.31 and \$0.32 per stock option associated with stock options granted during the nine months ended January 31, 2018 and 2017, respectively:

	2018	2017
Risk-free interest rate	0.3%	0.8%
Expected life	4.3 years	4.2 years
Expected volatility	123%	131%
Share price at grant date	CAD\$0.58	CAD\$0.50
Expected dividends	Nil	Nil

#### (c) Restricted stock units

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

During the nine months ended January 31, 2018, the Company granted 627,363 (2017 - 957,540) RSUs. The weighted average fair value of the RSUs granted in the nine months ended January 31, 2018 was \$0.42 per RSU (2017 - \$0.39). The Company estimates the fair value of RSUs based on the estimated market price of the underlying stock (net of an estimated illiquidity discount) on the date of grant.

On September 30, 2016, restricted stock units were exercised on a "net of tax" basis. The number of shares issued was equal to the number determined net of the respective taxes attributable to the exercise; 684,339 RSUs were exercised on a net of tax basis, resulting in the issuance 144,508 common shares and the distribution of 253,882 common shares (which distribution is taken from the 263,032 common shares issued during the year ended April 30, 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 outstanding).

A portion of directors' fees are paid by way of the issuance of RSUs in lieu of payment in cash.

	Number of restricted stock units	Weighted average exercise price (CAD)
Outstanding, April 30, 2016	2,534,804	\$ 0.26
Granted	1,016,445	0.39
Exercised	(684,339)	0.32
Forfeited	(38,866)	0.30
Outstanding, April 30, 2017	2,828,044	0.29
Granted	680,251	0.42
Outstanding, January 31, 2018	3,508,295	\$ 0.32

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2018 and 2017

(unaudited)

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

### 6. 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, 2016	5,479,440	\$ 0.19	\$ 1,033
Exercised	(690,550)	0.20	(124)
Expired	(2,740,250)	0.20	-
Revaluation of warrant liability	-	-	(312)
Outstanding, April 30, 2017	2,048,640	0.17	597
Expired	(1,320,000)	0.14	-
Revaluation of warrant liability	-	-	(383)
Outstanding, January 31, 2018	728,640	\$ 0.22	\$ 214

The following table summarizes information about the warrants outstanding and exercisable at January 31, 2018.

Exercise Price (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
\$0.22	728,640	0.10	\$ 0.22
	728,640	0.10	\$ 0.22

No warrants were issued during the nine months ended January 31, 2018 and 2017.

Under IFRS, the prescribed accounting treatment for warrants issued 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 accounted for through profit or loss. The fair value of these warrants is determined using the Black Scholes option pricing model. All of the Company's warrants meet this liability classification requirement 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.

#### (e) Per share amounts

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

	Three months ended January 31,		Nine months ended January 31,	
	2018	2017	2018	2017
Weighted average common shares outstanding - basic and diluted	<b>125,785,962</b>	125,352,200	<b>125,657,789</b>	123,806,819

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.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2018 and 2017

(unaudited)

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

### 7. 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, including the service fees paid to Resverlogix.

	Three months ended		Nine months ended	
	January 31,		January 31,	
	2018	2017	2018	2017
<b>Included in research and development expenses:</b>				
Share-based payment transaction costs	\$ 54	\$ 44	\$ 109	\$ 140
Amortization and depreciation	66	63	196	185
<b>Included in general and administrative expenses:</b>				
Share-based payment transaction costs	\$ 80	\$ 68	\$ 197	\$ 308
Amortization and depreciation	7	6	20	15

### 8. Commitments

As at January 31, 2018, the Group was party to cancellable agreements with contract research organizations conducting the Company's Phase 1 clinical trials. Corresponding estimated aggregate expenditures over the next twelve months total approximately \$2.7 million (2017 - \$6.5 million).

As at January 31, 2018, the Group was committed to expenditures over the next twelve months of \$1.3 million (2017 - \$1.2 million) pursuant to various research and development contracts.

As at January 31, 2018, Resverlogix was committed to operating lease payments for office and laboratory premises, for which the Company is allocated, as follows:

	2018	2017
Less than 1 year	\$ 178	\$ 184
Between 1 and 5 years	650	677
More than 5 years	176	316
	<b>\$ 1,004</b>	<b>\$ 1,177</b>

The Company agreed to pay Resverlogix for its proportionate share of operating lease payments and operating costs for office and laboratory premises of an estimated \$0.2 million and \$0.1 million, respectively, for the next twelve months. The operating lease payments are included in the figures above.