ZENITH

Consolidated Financial Statements

Years ended April 30, 2019 and 2018

Management’s Responsibility for Financial Reporting

The accompanying consolidated financial statements of Zenith Capital Corp. (the “Company”) have been approved by the Board of Directors and have been prepared in accordance with International Financial Reporting, which recognize the necessity of relying on some best estimates and informed judgments. 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)	(signed)
Donald J. McCaffrey	A. Brad Cann
President and Chief Executive Officer	Chief Financial Officer

August 21, 2019

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Zenith Capital Corp.

Opinion

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

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

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

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

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

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

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

Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG LLP

Chartered Professional Accountants

August 28, 2019
Calgary, Canada

Consolidated Statements of Financial Position

As at:

In thousands of US dollars	Notes	April 30, 2019	April 30, 2018
Assets			
Current assets:			
Cash		$ 208	$ 1,164
Prepaid expenses and deposits		866	419
Investment tax credit receivable		144	145
Other assets		27	29
Clinical supplies		379	190
Total current assets		1,624	1,947
Non-current assets:			
Property and equipment	7	627	816
Intangible assets	8	1,340	1,004
Deferred financing costs		6	-
Clinical supplies		322	183
Total non-current assets		2,295	2,003
Total assets		$ 3,919	$ 3,950
Liabilities			
Current liabilities:			
Trade and other payables		$ 4,120	$ 1,579
Unearned deposit	10	1,783	-
Due to Resverlogix Corp.	16	865	118
Financing rights	11	923	-
Total liabilities		7,691	1,697
Shareholders' (deficit) equity:			
Share capital	12 (a)	73,752	69,764
Contributed surplus		3,151	2,062
Warrants	12 (e)	225	-
Deficit		(80,900)	(69,573)
Total		(3,772)	2,253
Total liabilities and shareholders' (deficit) equity		$ 3,919	$ 3,950

Future operations (note 3)
Commitments (note 15)
Subsequent events (note 18)

Signed on behalf of the Board:

Signed: "Donald McCaffrey" Director

Signed: "Kenneth Zuerblis" Director

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

Consolidated Statements of Comprehensive Loss

For the years ended April 30

In thousands of US dollars	Notes	2019	2018
Expenses:			
Research and development, net of recoveries	10, 14	$ 8,516	$ 7,638
Investment tax credits		(145)	(148)
Net research and development		8,371	7,490
General and administrative	14	2,787	2,050
		11,158	9,540
Finance costs (income):			
Loss (gain) on change in fair value of financing rights	11	154	(665)
Gain on change in fair value of warrant liability	12 (d)	-	(379)
Interest income		(13)	(9)
Foreign exchange loss		2	8
Net finance costs (income)		143	(1,045)
Loss before income taxes		11,301	8,495
Income taxes	17	26	50
Net and total comprehensive loss		$ 11,327	$ 8,545
Net loss per share *(note 12 (f))*			
Basic and diluted		$ 0.09	$ 0.07

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' Equity (Deficit)
Balance, April 30, 2017	$ 69,306	$ 1,694	$ -	$ (61,028)	$ 9,972
Common shares issued in connection with stock option and long term incentive plans	116	(73)	-	-	43
Common shares issued in connection with warrant exercises	342	-	-	-	342
Share-based payment transactions	-	441	-	-	441
Net and total comprehensive loss	-	-	-	(8,545)	(8,545)
Balance, April 30, 2018	69,764	2,062	-	(69,573)	2,253
Common shares issued in connection with private placements	3,846	-	225	-	4,071
Common shares issued in connection with stock option and long term incentive plans	143	(77)	-	-	66
Share issue costs	(1)	-	-	-	(1)
Share-based payment transactions	-	1,166	-	-	1,166
Net and total comprehensive loss	-	-	-	(11,327)	(11,327)
Balance, April 30, 2019	$ 73,752	$ 3,151	$ 225	$ (80,900)	$ (3,772)

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	Notes	2019	2018
Cash provided by (used in):			
Cash flows provided by (used in) operating activities:			
Net loss		$ (11,327)	$ (8,545)
Items not involving cash:			
Equity-settled share-based payment transactions	14	1,166	441
Depreciation and amortization	14	286	292
Change in fair value of warrant liability	12 (d)	-	(379)
Change in fair value of financing rights	11	154	(665)
Interest income		(13)	(9)
Income taxes	17	26	50
Changes in non-cash working capital:			
Prepaid expenses and deposits		(447)	51
Clinical supplies		(328)	65
Other assets		2	6
Investment tax credit receivable		1	17
Unearned deposits		1,783	(11)
Trade and other payables		2,478	(43)
Increase (decrease) in due to Resverlogix Corp.		747	(64)
		(5,472)	(8,794)
Interest received		14	32
Income tax paid		(50)	(63)
Net cash used in operating activities		(5,508)	(8,825)
Cash flows provided by financing activities:			
Proceeds from the issuance of equity units		4,840	-
Proceeds from exercise of warrants		-	124
Proceeds from exercise of stock options		66	44
Net cash provided by financing activities		4,906	168
Cash flows used in investing activities:			
Property and equipment expenditures		(12)	(13)
Intangible asset expenditures		(421)	(337)
Changes in non-cash investing working capital		81	(7)
Net cash used in investing activities		(352)	(357)
Effect of foreign currency translation on cash		(2)	3
Decrease in cash		(956)	(9,011)
Cash, beginning of year		1,164	10,175
Cash, end of year		$ 208	$ 1,164

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

Notes to the Consolidated Financial Statements
For the years ended April 30, 2019 and 2018
(amounts in thousands of US dollars, except for number of shares)

1. General information

Zenith Capital Corp. 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 Zenith Capital Corp.'s principal operating assets to Zenith Epigenetics Ltd., a wholly-owned subsidiary, in exchange for additional common shares of Zenith Epigenetics Ltd. Zenith Capital Corp. retained its investment in the royalty preferred shares of Resverlogix Corp. As Zenith Capital Corp. 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 Zenith Capital Corp. and its wholly-owned subsidiaries, Zenith Epigenetics Ltd. and Zenith Epigenetics Inc. (together referred to as the "Company", "Zenith" or 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 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 August 21, 2019.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of the liability classified warrants and 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.

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 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 April 30, 2019, the Company had $0.2 million of cash and was committed to pay $4.1 million of trade and other payables, $0.9 million due to a related party, $1.5 million for research and development commitments and $0.3 million of lease obligations over the next twelve months as described further in Note 15. In addition, estimated expenditures over the next twelve months under cancellable agreements with contract research organizations conducting work related to the Company's clinical trials total approximately $3.9 million.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2019 and 2018

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

3. Future operations (continued)

The Company's cash as at April 30, 2019, in combination with the $2.1 million raised subsequently as well as the cash the Company expects to receive over the next year pursuant to the license agreement with Newsoara BioPharma Co., Ltd., will not be sufficient to fund the Company's contractual commitments or the Company's planned business operations for the next year. The Company will therefore continue to pursue alternatives to raise additional capital including issuing additional equity and/or debt and/or from other sources such as partnering and/or licensing; however, there is no assurance that these initiatives will be successful. 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 its planned research, development and corporate activities beyond the next year.

4. Significant accounting policies

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

Consolidation

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

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

Foreign currency transactions

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

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

Financial instruments

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

IFRS 9 – *Financial Instruments* ("IFRS 9") replaces IAS 39 – *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018. IFRS 9 includes guidance on the classification and measurement of financial assets and liabilities and impairment of financial assets. The Company has applied IFRS 9, with an initial application date of May 1, 2018. There were no changes to the measurement of the Company's financial assets and liabilities as a result of the adoption of IFRS 9.

Classification and measurement of financial assets and financial liabilities

Financial assets

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

Notes to the Consolidated Financial Statements

For the years ended April 30, 2019 and 2018

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

4. Significant accounting policies (continued)

Financial instruments (continued)

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

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

Financial liabilities

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

Financial Liability	Classification	Measurement
Trade and other payables	Other liabilities	Amortized cost
Unearned deposit	Other liabilities	Amortized cost
Due to Resverlogix Corp.	Other liabilities	Amortized cost
Warrant liability	FVTPL	Fair value
Financing Rights	FVTPL	Fair value

Impairment

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

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

Fair Value Measurement

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

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

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

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

The fair values of the warrant liability and the financing rights are based on level 3 (significant unobservable) inputs.

Impairment

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

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.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2019 and 2018

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

4. Significant accounting policies (continued)

Clinical supplies

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

Property and equipment

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

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

Asset	Method	Rate
Laboratory equipment	Straight-line	5-10 years
Office furniture and equipment	Straight-line	5 years
Computer hardware and software	Straight-line	3 years
Leasehold improvements	Straight-line	Term of lease

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

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive loss.

Intangible assets

(i) Research and development

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

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

(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	20-21 years
Non-integrated software	Straight-line	3 years

Notes to the Consolidated Financial Statements

For the years ended April 30, 2019 and 2018

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

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss 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.

4. Significant accounting policies (continued)

Income tax (continued)

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 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.

Recent accounting pronouncements

IFRS 16 – Leases

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

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

5. Significant judgments, estimates and assumptions

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

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

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 and restricted stock units 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 estimated fair value of the Company's common shares (which has been based primarily on the adjusted net asset value approach based on historical costs of intellectual property, and discounting estimated future cash flows pursuant to the Resverlogix Corp. ("Resverlogix") royalty preferred shares held by the Company), and the expected life of the stock options, volatility and dividend yield. The estimation of the fair value of the Company's common shares 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 cash flows derived from the Resverlogix royalty preferred shares held by the Company. Estimating the fair value of certain granted stock options and restricted stock units requires estimating the probability of performance conditions and illiquidity discounts, which also require management to exercise judgment. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 12 (b).

Warrant liability

The Company measures the initial warrant liability and subsequent revaluations of the warrant liability by reference to the fair value of the warrants at the date at which they were granted and subsequently revalues them at each reporting date. Estimating fair value for these warrants requires management to determine the most appropriate valuation model. This estimate also requires management to make assumptions about the most appropriate inputs to the valuation model including estimated fair value of the Company's common shares, the expected life of the warrants, volatility and dividend yield.

Financing rights

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 $2 per share. The Company revalues the financing rights at each reporting date.

Taxes

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 have varying expiry dates. 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.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2019 and 2018

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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. There are no assurances that funds will be available to the Group when required. The Group holds cash on deposit of which as at April 30, 2019 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 Group's financial liabilities on the expected cash flows from April 30, 2019 to the contractual maturity date. The carrying amounts are equivalent to the following contractual undiscounted cash flows.

Trade and other payables	April 30, 2019	April 30, 2018
3 months or less	$ 4,120	$ 1,579
3 - 12 months	-	-
Trade and other payables total	4,120	1,579
Due to Resverlogix Corp.		
3 months or less	865	118
3 - 12 months	-	-
Due to Resverlogix Corp. total	865	118
Total	$ 4,985	$ 1,697

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures.

Currency risk

The Group is exposed to currency risk on transactions that are denominated in a currency other than the functional currency of the Group. 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 sufficient to satisfy current and anticipated Canadian dollar financial liabilities.

The Group had no forward exchange contract to manage its foreign currency risk. As at April 30, 2019, the Group had Canadian dollar denominated assets and liabilities of: cash in the amount of CAD$0.04 million (2018 – CAD$0.08 million), other assets of CAD$0.03 million (2018 – CAD$0.04 million), and accounts payable in the amount of CAD$0.7 million (2018 – CAD$0.3 million). A change of $0.01 in exchange rate as measured on April 30, 2019 would result in a foreign currency gain or loss of $0.01 million (2018 – $0.01 million).

Notes to the Consolidated Financial Statements

For the years ended April 30, 2019 and 2018

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

6. Financial risk management (continued)

(c) Credit risk

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

The Group manages its cash in accordance with an investment policy that established guidelines for investment eligibility, credit quality, liquidity and foreign currency exposure. The Company manages its exposure to credit loss by holding cash on deposit with major financial institutions.

As at April 30, 2019, the carrying amounts of the Group's cash, trade and other payables, and amounts due to Resverlogix approximate their fair value due to their short-term nature.

7. Property and equipment

	Laboratory equipment	Office furniture and equipment	Computer hardware and software	Leasehold improvements	Total
Cost					
Balance at April 30, 2017	$ 521	$ 139	$ 59	$ 1,028	$ 1,747
Additions	6	-	7	-	13
Disposals	(13)	-	(5)	-	(18)
Balance at April 30, 2018	514	139	61	1,028	1,742
Additions	10	-	2	-	12
Disposals	(49)	-	(4)	-	(53)
Balance at April 30, 2019	**$ 475**	**$ 139**	**$ 59**	**$ 1,028**	**$ 1,701**
Accumulated depreciation					
Balance at April 30, 2017	$ 261	$ 92	$ 44	$ 321	$ 718
Depreciation	82	27	9	108	226
Disposals	(13)	-	(5)	-	(18)
Balance at April 30, 2018	330	119	48	429	926
Depreciation	65	20	9	107	201
Disposals	(49)	-	(4)	-	(53)
Balance at April 30, 2019	**$ 346**	**$ 139**	**$ 53**	**$ 536**	**$ 1,074**
Net book value					
As at April 30, 2018	$ 184	$ 20	$ 13	$ 599	$ 816
As at April 30, 2019	129	-	6	492	627

Notes to the Consolidated Financial Statements

For the years ended April 30, 2019 and 2018

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

8. Intangible assets

	Patents and intellectual property	Non-integrated software	Total
Cost			
Balance at April 30, 2017	$ 779	$ 48	$ 827
Additions	337	-	337
Disposals	-	(8)	(8)
Balance at April 30, 2018	1,116	40	1,156
Additions	421	-	421
Balance at April 30, 2019	**$ 1,537**	**$ 40**	**$ 1,577**
Accumulated amortization			
Balance at April 30, 2017	$ 68	$ 26	$ 94
Amortization	56	10	66
Disposals	-	(8)	(8)
Balance at April 30, 2018	124	28	152
Amortization	76	9	85
Balance at April 30, 2019	**$ 200**	**$ 37**	**$ 237**
Net book value			
As at April 30, 2018	$ 992	$ 12	$ 1,004
As at April 30, 2019	1,337	3	1,340

9. Royalty preferred shares

As at April 30, 2019, the Company holds 75,202,620 royalty preferred shares of Resverlogix. On July 2, 2015, Resverlogix'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 would not exceed the aggregate of all amounts received by Resverlogix or its affiliates in respect of Net Apo Revenue (as described below) in such period. On December 15, 2016, holders of common shares of the Company and holders of common shares of Resverlogix approved amendments to the royalty preferred shares of Resverlogix to remove the requirement that the particular Resverlogix pharmaceutical agent elevates plasma levels of ApoA-1; Resverlogix's Articles of Incorporation were subsequently amended to reflect this amendment.

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 Resverlogix or its affiliates (as defined in the Arrangement) from any person who is not Resverlogix 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 Resverlogix, any licensee or their respective affiliates from the sale of any product (other than consideration received by Resverlogix, 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; and (D) customs duties, and excise sales taxes, duties or other taxes imposed upon and paid with respect to such sales (excluding what is commonly known as income taxes); (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), and (iii) amounts received from a third party by Resverlogix or its affiliates in consideration for the sale of any intellectual property right.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2019 and 2018

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

9. Royalty preferred shares (continued)

The holder of the preferred shares does not have the right to participate in any additional dividends declared, if any, to common shareholders nor do they carry the right to vote. The holder of the preferred shares does not have any claim on Resverlogix's residual net assets other than an amount equal to the greater of (i) $1.00 divided by the number of outstanding royalty preferred shares; and (ii) the amount of any accrued, but unpaid royalty dividend payment and additional royalty dividend payment.

The royalty preferred shares have not been recognized in the statement of financial position. The Company will recognize a royalty receivable when royalties are reasonably determinable and the economic benefits are probable to flow to the Company.

10. Unearned deposit

Clinical Trial Collaboration with Pfizer Inc.

On November 20, 2018, the Company announced that it had entered into a clinical trial collaboration with Pfizer to evaluate the safety and efficacy of a novel anti-cancer combination of Zenith's investigational bromodomain and extra-terminal domain inhibitor ("BETi"), ZEN-3694, and Pfizer's poly ADP ribose polymerase inhibitor ("PARPi"), talazoparib, in patients with locally advanced or metastatic triple negative breast cancer ("TNBC"). Under the terms of the agreement, Zenith and Pfizer are collaborating on a Phase 1b/2 TNBC clinical study. Pfizer is providing talazoparib, Zenith is providing ZEN-3694, and both parties are funding the study with Pfizer funding up to $2.9 million, or approximately 50%, of the shared study costs. During the year ended April 30, 2019, the Company received $2.1 million of the $2.9 million funding upfront from Pfizer. Research and development expenses on the consolidated statements of comprehensive loss for the year ended April 30, 2019 includes recoveries of $0.3 million related to the TNBC trial. The $0.3 million of cost recoveries was applied to the $2.1 million of upfront collaboration funding received; as at April 30, 2019, an unearned deposit amount of $1.8 million remains.

11. Financing rights

Anti-Dilution Rights and Additional Rights

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

	Number of Rights	Liability amount
Outstanding, April 30, 2017	12,095,300	$ 665
Expired	(12,095,300)	(665)
Outstanding, April 30, 2018	-	-
Granted	2,420,000	769
Revaluation of financing rights liability	-	154
Outstanding, April 30, 2019	2,420,000	$ 923

Pursuant to the terms of the private placements that the Company closed during the year ended April 30, 2019 with anti-dilution rights attached, in the event that the Company completes an equity financing within the period of time prescribed by the applicable subscription agreement (specifically, one year from the respective closing dates) and the price per share is below $2.00, the price per share paid by the initial subscriber will be adjusted to the lower price per share and they will, accordingly, receive additional common shares for no additional consideration.

Furthermore, pursuant to the terms of the private placements that the Company closed during the year ended April 30, 2019 with additional rights attached, in the event that the Company completes an equity financing within a prescribed period of time of 12 months of the respective closing dates and the Company issues additional securities, contractual rights or other entitlements ("Additional Rights") to any of the subsequent subscribers, then the Company shall issue the Additional Rights to the initial subscribers that they would have been entitled to pursuant to the terms of the subsequent financing.

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 $2 per share (for the anti-dilution rights

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

11. Financing rights (continued)

granted in the current year) within the respective prescribed timeframes. At the date the financing rights were granted, the Company recorded the anti-dilution rights as liabilities with off-setting reductions to the carrying amount of the common shares, with subsequent changes in fair value recognized in profit or loss. As at April 30, 2019, the fair value reflected management's estimate of various probabilities of future equity offerings at various prices at or below $2 per share within the respective prescribed timeframes.

12. Shareholders' equity (deficit)

(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:

Common shares	Number of shares	Amount
Balance, April 30, 2017	125,487,400	$ 69,306
Issued in connection with warrant exercises	728,640	342
Issued in connection with stock option plan	345,100	116
Balance, April 30, 2018	126,561,140	69,764
Issued in connection with private placements	2,420,000	3,846
Issued in connection with stock option plan	242,900	115
Issued in connection with long term incentive plan	124,688	28
Share issue costs	-	(1)
Balance, April 30, 2019	129,348,728	$ 73,752

Private Placements

In July and August 2018, the Company issued 2,247,500 equity units pursuant to private placements at a price of $2.00 per unit for gross proceeds of $4.5 million (including 1.5 million equity units issued to Eastern Capital Limited). In December 2018, the Company issued 32,500 equity units pursuant to a private placement at a price of $2.00 per unit for gross proceeds of $0.1 million. In March 2019, the Company issued 140,000 equity units pursuant to a private placement at a price of $2.00 per unit for gross proceeds of $0.3 million. In each of these private placements, each equity unit consisted of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of $3.00 per underlying common share for a period of three years from the closing of the private placements. As described in Note 11 "Financing rights", under certain conditions, the subscribers of the July and August 2018, December 2018 and March 2019 private placements are entitled to receive additional shares.

(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").

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

12. Shareholders' equity (deficit) (continued)

(b) Stock options (continued)

	Number of options	Weighted average exercise price (CAD)
Outstanding, April 30, 2017	3,249,534	$ 0.37
Granted	964,200	0.58
Exercised	(345,100)	0.16
Expired	(245,734)	0.19
Outstanding, April 30, 2018	3,622,900	0.46
Granted	1,067,600	0.64
Exercised	(242,900)	0.35
Expired	(308,000)	0.33
Outstanding, April 30, 2019	4,139,600	$ 0.52

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

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.28 - $0.29	440,200	1.04	$ 0.28	440,200
$0.45 - $0.48	1,222,000	1.41	0.46	872,000
$0.50 - $0.59	1,409,800	2.91	0.56	823,939
$0.64 - $0.65	1,067,600	4.08	0.64	-
	4,139,600	2.57	$ 0.52	2,136,139

The number of stock options exercisable at April 30, 2019 was 2,136,139 (2018 – 1,894,540) with a weighted average exercise strike price of CAD$0.45 (2018 – CAD$0.39).

The fair value of each stock option granted is estimated as of the grant date using the Black-Scholes option pricing model and an estimated illiquidity discount. The following weighted average assumptions were used in arriving at the weighted average fair values of $0.30 and $0.31 per stock option associated with stock options granted during the years ended April 30, 2019 and 2018, respectively:

	2019	2018
Risk-free interest rate	2.0%	1.3%
Expected life	4.3 years	4.3 years
Expected volatility	98%	123%
Share value at grant date	CAD$0.64	CAD$0.58
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 year ended April 30, 2019, the Company granted 2,532,791 RSUs (2018 – 730,271 RSUs). Certain restricted stock units granted in the year ended April 30, 2019 have performance conditions which are required to be met in order for the RSUs to vest. The corresponding share-based payment cost is recognized when the performance criteria is expected to be met, based on the number of RSUs expected to vest. The weighted average fair value of the RSUs granted in the year ended April 30, 2019 was $0.45 per RSU (2018 - $0.42 per RSU). The Company estimates the fair value of RSUs based on the estimated fair value of the underlying stock (net of an estimated illiquidity discount) on the date of grant.

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

12. Shareholders' equity (deficit) (continued)

(c) Restricted stock units (continued)

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

	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, April 30, 2017	2,828,044	$ 0.29
Granted	730,271	0.42
Outstanding, April 30, 2018	3,558,315	0.32
Granted	2,532,791	0.45
Exercised	(124,688)	0.23
Outstanding, April 30, 2019	5,966,418	$ 0.38

(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, 2017	2,048,640	$ 0.17	$ 597
Exercised	(728,640)	0.22	(218)
Expired	(1,320,000)	0.14	-
Revaluation of warrant liability	-	-	(379)
Outstanding, April 30, 2018 and April 30, 2019	-	$ -	$ -

No warrants were issued during the years ended April 30, 2019 and 2018.

Under IFRS, the prescribed accounting treatment for the warrants that were issued with an exercise price denominated in a foreign currency was 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 was determined using the Black Scholes option pricing model. Prior to the current year, all of the Company's warrants met this liability classification requirement and thus the value of these warrants was presented as a current liability on the consolidated statement of financial position. As these warrants were exercised, the fair value of the recorded warrant liability on date of exercise was included in share capital along with the proceeds from the exercise.

Upon expiry of these warrants, the related decrease in warrant liability was recognized in profit or loss, as part of the change in fair value of warrant liability. There was no cash flow impact as a result of this accounting treatment.

(e) Equity-classified warrants

As described in Note 12 (a), in July and August 2018, December 2018 and March 2019 the Company issued 1,210,000 warrants pursuant to private placements. Each warrant has an exercise price of USD$3.00 per warrant and expire three years from the grant dates. As the warrants were issued with an exercise price denominated in the same currency as the Company's functional currency, they are not liability-classified. Due to the equity classification, the warrants issued in the current period will not be revalued each reporting period.

The weighted average fair value of the warrants issued during the year ended April 30, 2019 was $0.19 per warrant, using the Black-Scholes option pricing model with the following weighted average assumptions:

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

12. Shareholders' equity (deficit) (continued)

(e) Equity-classified warrants (continued)

	2019
Risk-free interest rate	2.1%
Expected life	3.0 years
Expected volatility	103%
Share value at grant date	USD$0.71

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

Exercise Price (USD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (USD)
$3.00	1,210,000	2.35	$ 3.00
	1,210,000	2.35	$ 3.00

(f) Per share amounts

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

	2019	2018
Weighted average common shares outstanding - basic and diluted	128,467,546	125,798,588

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.

13. Personnel costs

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

	2019	2018
Short-term employee benefits	$ 2,646	$ 2,589
Equity-settled share-based payments	1,166	441
Total personnel expenses	$ 3,812	$ 3,030

14. Expenses by nature

Presentation of expenses on the consolidated statements of comprehensive loss 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. Research and development and general and administrative expenses also include personnel costs and expenses paid to third parties, including the service fees paid to Resverlogix.

	2019	2018
Included in research and development expenses:		
Share-based payment transaction costs	$ 386	$ 161
Depreciation and amortization	260	265
Included in general and administrative expenses:		
Share-based payment transaction costs	$ 780	$ 280
Depreciation and amortization	26	27

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

15. Commitments

As at April 30, 2019, the Group is party to cancellable agreements with contract research organizations conducting work related to our clinical trials. Corresponding estimated aggregate expenditures over the next twelve months total approximately $3.9 million (2018 – $2.3 million).

As at April 30, 2019, the Group is committed to expenditures over the next twelve months of $1.5 million (2018 – $1.3 million), pursuant to various research and development contracts.

As at April 30, 2019, Resverlogix was committed to operating lease payments for office and laboratory premises, for which the Company is allocated, as follows:

	2019	2018
Less than 1 year	$ 257	$ 252
Between 1 and 5 years	506	590
More than 5 years	-	160
	$ 763	$ 1,002

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 $0.3 million and $0.1 million, respectively, for the next twelve months. The operating lease payments are included in the figures above.

16. Related party transactions

Balances and transactions between the Company and its wholly owned subsidiary have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties consist of key management personnel compensation and transactions, as well as transactions with Resverlogix.

Key management personnel

Key management personnel of the Group consist of its executive management and Board of Directors. Compensation expenses, including salaries and fees, incurred directly by the Company or pursuant to the Assignment and Services Agreement with regards to key management personnel were as follows:

	2019	2018
Short-term employee benefits	$ 791	$ 836
Equity-settled shared-based payments	1,201	326
Key management personnel compensation	$ 1,992	$ 1,162

As at April 30, 2019, $0.2 million (2018 - $0.2 million) of outstanding compensation is payable with regards to key management personnel.

Related party transactions with Resverlogix

Resverlogix and Zenith have a majority of their directors in common, and thus are considered related parties. Resverlogix provides management and administrative services to Zenith pursuant to a Management Services Agreement dated June 3, 2013. The purpose of the agreement is to allow Zenith to utilize Resverlogix's resources on a cost-effective basis and enable Resverlogix to achieve greater utilization of its resources. As consideration for the services, Zenith pays Resverlogix a service fee, consisting of salary and other compensation costs attributable to the services and reimbursable expenses incurred by Resverlogix in connection with the services.

During the year ended April 30, 2019, Zenith incurred an aggregate of $1.1 million (2018 - $1.1 million) of service fees and reimbursable expenses, comprised of $0.7 million (2018 - $0.7 million) for management and administrative services provided by Resverlogix, and $0.5 million (2018 - $0.5 million) of reimbursable expenses, net of $0.1 million (2018 - $0.1 million) for services provided to Resverlogix by Zenith. As at April 30, 2019, Zenith owes Resverlogix $0.9 million (2018 - $0.1 million). This balance is payable on demand and non-interest bearing.

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

16. Related party transactions (continued)

Effective January 1, 2015, Zenith entered into a Services Agreement with Resverlogix whereby Zenith supplies research services to Resverlogix. The purpose of the agreement is to enable Resverlogix to obtain access to specialized research services on a more cost-effective basis than other alternatives. During the year ended April 30, 2019, Zenith provided $0.1 million of research services (2018 - $0.1 million). As at April 30, 2019, Resverlogix owes Zenith $0.2 million related to work performed under the agreement (2018 - $0.1 million).

Related party transactions with Eastern Capital Limited

During the year ended April 30, 2019, the Company completed a private placement with Eastern Capital Limited totaling $3.0 million for 1,500,000 shares and 750,000 warrants. As at April 30, 2019, Eastern Capital Limited held 38.6% (2018 – 38.3%) of the Company's outstanding common shares and is therefore considered to have significant influence over the Company, notwithstanding that Eastern Capital Limited does not have representation on the Company's board of directors.

17. Income taxes

The provision for income taxes differs from the amount which would be obtained by applying the combined statutory federal and provincial income tax rate to the net loss in the year. A reconciliation of the expected tax and the actual provision for income taxes is as follows:

	2019	2018
Expected tax recovery expense - 27% (2017 - 27%)	$ (3,051)	$ (2,294)
Revaluation of financing rights	42	(180)
Revaluation of the fair value of warrant liability	-	(102)
Share-based payments	315	119
Other	78	59
Current year losses and other for which no deferred tax asset is recognized	2,642	2,448
Income tax expense	$ 26	$ 50

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 income tax asset are as follows:

	2019	2018
Non-capital losses	$ 18,925	$ 16,415
Scientific research and experimental development expenditures	3,312	3,047
Undepreciated capital cost and other	346	479
Unrecognized deferred tax	$ 22,583	$ 19,941

As at April 30, 2019, the Company has non-capital losses of approximately $70.1 million (2018 - $60.8 million) available to reduce future years' taxable income expiring at various times until 2039. The Company has non-refundable federal investment tax credits of approximately $2.4 million (2018 - $2.2 million) which are available to reduce future taxes payable, subject to approval by Canada Revenue Agency and expiring at various times until 2039. The Company has unclaimed scientific research and development expenditures available to reduce future years' taxable income of approximately $12.3 million (2018 - $11.3 million) over an indefinite future period. The Company has undepreciated capital cost pools of approximately $3.2 million (2018 - $3.6 million). The potential benefits of these tax pools have not been recorded in the financial statements.

18. Subsequent events

Private placements

Subsequent to April 30, 2019, the Company closed private placements for an aggregate issuance of 1,053,000 equity units at a price of $2.00 per unit for gross proceeds of $2.1 million. Each equity unit consisted of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of $3.00 per underlying common share for a period of three years from the closing of the private placement.

Licensing agreement

Subsequent to April 30, 2019, Zenith Epigenetics Ltd. entered into a licensing agreement with Newsoara BioPharma Co., Ltd. ("Newsoara") for its lead compound, ZEN-3694, in China, Hong Kong, Taiwan, and Macau (the "Territories"). ZEN-3694 is currently in Phase 2 clinical development for the treatment of metastatic castration-resistant prostate cancer and triple negative breast cancer. Under the terms of the agreement, Newsoara will have the rights to develop, market, and distribute ZEN-3694 for all indications in the Territories. Newsoara will pay Zenith Epigenetics Ltd. upfront and near-term development milestone payments totaling $15 million, including $1 million received during the three months ended July 31, 2019.