ZENITH EPIGENETICS

Consolidated Financial Statements

Years Ended April 30, 2015 and 2014

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Zenith Epigenetics 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 judgements. The financial information contained in the management's discussion and analysis is consistent with the consolidated financial statements. The Company undertakes steps to ensure the information presented is accurate and conforms to applicable laws and standards, including:

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

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

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

(signed)
A. Brad Cann
Chief Financial Officer

August 20, 2015

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Zenith Epigenetics Corp.

We have audited the accompanying consolidated financial statements of Zenith Epigenetics Corp., which comprise the consolidated statements of financial position as at April 30, 2015 and 2014, the consolidated statements of comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Zenith Epigenetics Corp. as at April 30, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 in the consolidated financial statements, which indicates that Zenith Epigenetics Corp. has insufficient cash to fund contractual commitments due in the next 12 months. This condition, and other matters as set forth in Note 3 in the consolidated financial statements, indicates the existence of a material uncertainty that may cast significant doubt about Zenith Epigenetics Corp.'s ability to continue as a going concern.

KPMG LLP

Chartered Accountants

August 20, 2015
Calgary, Canada

Consolidated Statements of Financial Position

In thousands of US dollars	Notes	April 30 2015	April 30, 2014
Assets			
Current assets:			
Cash	7	$ 61	$ 1,151
Clinical supplies		-	31
Prepaid expenses and deposits		59	89
Investment tax credit receivable		240	332
Other assets		38	323
Total current assets		398	1,926
Non-current assets:			
Property and equipment	9	1,349	1,591
Intangible assets	10	174	185
Deferred financing costs	11	31	-
Clinical supplies		-	30
Total non-current assets		1,554	1,806
Total assets		$ 1,952	$ 3,732
Liabilities			
Current liabilities:			
Trade and other payables	14	$ 2,316	$ 2,285
Unearned deposits	15	244	-
Promissory notes	16	155	-
Due to Resverlogix Corp.	22	1,955	167
Warrant liability	18 (d)	512	1,444
Financing rights	17	2,111	3,262
Total liabilities		7,293	7,158
Shareholders' deficit:			
Share capital	18	39,647	33,987
Contributed surplus		1,256	915
Deficit		(46,244)	(38,328)
Total shareholders' deficit		(5,341)	(3,426)
Total liabilities and shareholders' deficit		$ 1,952	$ 3,732

Going concern (note 3)
Commitments (note 21)
Subsequent events (note 24)

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	2015	2014
Expenses:			
Research and development	20	$ 10,445	$ 14,942
Investment tax credits		(254)	(350)
Net research and development		10,191	14,592
General and administrative	20	2,688	1,792
		12,879	16,384
Finance costs:			
(Gain) loss on change in fair value of warrant liability	18 (d)	(908)	138
Gain on change in fair value of financing rights	17	(3,127)	-
Interest income		-	(21)
Foreign exchange loss		71	159
Net finance (income) costs		(3,964)	276
Gain on termination of license	12	(1,050)	-
Acquisition of rights	12	-	2,500
Loss before income taxes		$ 7,865	$ 19,160
Income taxes		51	-
Net and total comprehensive loss		$ 7,916	$ 19,160
Net loss per share *(note 18 (e))*			
Basic and diluted		$ 0.09	$ 0.27

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

Consolidated Statements of Changes in Shareholders' Deficit

For the years ended April 30

In thousands of US dollars	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Deficit
Balance, April 30, 2013	$ 982	$ -	$ (19,168)	$ (18,186)
Distribution of RVX Therapeutics to Zenith Epigenetics Corp.	27,145	-	-	27,145
Common shares issued in connection with private placements, net of financing rights	4,838	-	-	4,838
Common shares issued in connection with warrant exercises	929	-	-	929
Common shares issued in connection with long term incentive plan	103	(35)	-	68
Share issue costs	(10)	-	-	(10)
Shared-based payment transactions	-	950	-	950
Net and total comprehensive loss	-	-	(19,160)	(19,160)
Balance, April 30, 2014	$ 33,987	$ 915	$ (38,328)	$ (3,426)
Common shares issued in connection with private placements, net of financing rights	5,192	-	-	5,192
Common shares issued in connection with warrant exercises	154	-	-	154
Common shares issued in connection with stock option and long term incentive plans	320	(357)	-	(37)
Share issue costs	(6)	-	-	(6)
Shared-based payment transactions	-	698	-	698
Net and total comprehensive loss	-	-	(7,916)	(7,916)
Balance, April 30, 2015	$ 39,647	$ 1,256	$ (46,244)	$ (5,341)

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	Note	2015	2014
Cash used in:			
Cash flows used in operating activities:			
Net loss		$ (7,916)	$ (19,160)
Less: RVX Therapeutics Inc. pre-acquisition net loss	2 (a)	-	1,191
Items not involving cash:			
Equity-settled share-based payment transactions		698	950
Depreciation and amortization		251	73
Impairment of clinical supplies		382	-
Impairment of intangible assets		144	-
Change in fair value of warrant liability		(908)	138
Change in fair value of financing rights		(3,127)	-
Gain on termination of license		(1,050)	-
Interest income		-	(21)
Income taxes		51	-
Changes in non-cash working capital:			
Prepaid expenses and deposits		30	(29)
Clinical supplies		(321)	(61)
Investment tax credit receivable		92	2
Other assets		285	(322)
Unearned deposits		244	-
Trade and other payables		385	979
Increase in due to Resverlogix Corp.		1,788	167
Cash used in operating activities		(8,972)	(16,093)
Interest received		-	21
Net cash used in operating activities		(8,972)	(16,072)
Cash flows generated from financing activities:			
Proceeds from the issuance of common shares		7,168	8,100
Share issuance costs		(6)	(10)
Proceeds from exercise of warrants		130	568
Proceeds from exercise of stock options		31	68
Restricted stock unit costs		(68)	-
Deferred financing costs		(31)	-
Reciept of cash from promissory notes		155	-
Distribution from Resverlogix Corp.		-	9,700
Changes in non-cash financing working capital		(5)	4
Net cash generated from financing activities		7,374	18,430
Cash flows provided by (used in) investing activities:			
Property and equipment expenditures		5	(1,539)
Intangible asset expenditures		(150)	(89)
Proceeds from termination of license		1,050	-
Changes in non-cash investing working capital		(383)	457
Net cash provided by (used in) investing activities		522	(1,171)
Effect of foreign currency translation on cash		(14)	(133)
(Decrease) increase in cash		(1,090)	1,054
Cash, beginning of period		1,151	97
Cash, end of period		$ 61	$ 1,151

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

Notes to the Consolidated Financial Statements

For the years ended April 30, 2015 and 2014

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

1. General information

Zenith Epigenetics 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. The Company was a wholly owned subsidiary of Resverlogix Corp. ("Resverlogix") until June 3, 2013. On June 3, 2013, Resverlogix, RVX Therapeutics Inc., and the Company completed a Plan of Arrangement ("the Arrangement") pursuant to the *Business Corporations Act* (Alberta). Under the terms of the Arrangement, every Resverlogix shareholder received one share in the Company for every share held in Resverlogix at the effective date. Upon the effective time of the Arrangement, the Company owns all of the shares of RVX Therapeutics Inc. and all outstanding Resverlogix royalty preferred shares.

The consolidated financial statements comprise the Company and its wholly-owned subsidiaries RVX Therapeutics Inc. and Zenith Epigenetics Inc. (together referred to as the "Group"). The Company and RVX Therapeutics Inc. 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.

The Company is a biotechnology company focused on the discovery and development of novel therapeutics by applying its proprietary epigenetics platform. Zenith's bromodomain (BET) inhibitors are being advanced in several oncology indications and have the potential to impact multiple additional diseases.

Wind up

On May 1, 2014, the Company wound-up RVX Therapeutics Inc. RVX Therapeutics Inc. transferred all of its assets to the Company and the Company assumed all of RVX Therapeutics Inc.'s liabilities.

2. Background and basis of preparation

(a) Background

Plan of Arrangement

As described in Note 1, on June 3, 2013, Resverlogix, Zenith and RVX Therapeutics Inc. completed the Arrangement. The Company was incorporated for the purposes of participating in the Arrangement. The Company was not a business as defined under IFRS 3 "Business Combinations" and no independent parties were involved in the Arrangement; therefore, the Company cannot be an acquiree and thus no business combination occurred. Accordingly, in the Group's consolidated financial statements book value accounting has been used to account for the assets acquired and liabilities assumed upon completion of the Arrangement on the basis that there has been no business combination.

Upon the effective time of the Arrangement: every Resverlogix shareholder received one share in Zenith for every share held in Resverlogix at the effective date; Zenith owns all of the outstanding shares of RVX Therapeutics Inc.; and Zenith owns all of the outstanding royalty preferred shares of Resverlogix.

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

Pursuant to the Arrangement, Resverlogix advanced a non-repayable amount of CAD$10 million to Zenith to provide working capital to the Group. The promissory notes and the aggregate advances due to Resverlogix from RVX Therapeutics Inc. immediately prior to the effective time of the Arrangement were transferred from Resverlogix to Zenith such that, subsequent to the effective time of the Arrangement, RVX Therapeutics Inc. was indebted to Zenith in respect of these liabilities.

Pursuant to the Arrangement, the Company was also issued royalty preferred shares in the capital of Resverlogix which will provide the Company with dividends receivable on a percentage of revenue, if any, received by Resverlogix for compounds that result in a therapeutic relevant elevation in the plasma levels of Apo A-I (see Note 13 "Royalty preferred shares").

Notes to the Consolidated Financial Statements
For the years ended April 30, 2015 and 2014
(amounts in thousands of US dollars, except for number of shares)

2. Background and basis of preparation (continued)

(a) Background (continued)

Pursuant to an assignment and services agreement between Resverlogix and the Company (the "Assignment and Services Agreement"), Resverlogix paid certain costs for the Group and performed certain activities on behalf of the Group. As a result, it was necessary to make allocations of certain costs reported in these consolidated financial statements. The costs are primarily employee related or associated with research performed by external research organizations. Research fees and compensation related costs have been allocated to the Group using methodologies primarily based on proportionate time spent on the Group's and Resverlogix's respective activities. These cost allocations have been determined on a basis considered by the Group and Resverlogix to be a reasonable reflection of the utilization of services provided to the Group.

The Company licensed or acquired intellectual property from Resverlogix (pursuant to the Assignment and Services Agreement) and has developed intellectual property, and conducts research related to epigenetics, autoimmune diseases and cancer. These financial statements include the Company's assets and liabilities and costs related to its programs.

For comparative purposes, operational results for RVX Therapeutics Inc. for the pre-Arrangement period of May 1, 2013 to June 2, 2013 have been included in the comparative consolidated statement of comprehensive loss and the comparative consolidated statement of cash flows to present complete information about the acquired entity. Also, the balances presented in the comparative statement of changes in shareholders' deficit as at April 30, 2013 reflect those of RVX Therapeutics Inc. prior to the completion of the Arrangement. RVX Therapeutics Inc.'s pre-Arrangement cash flows have not been included in the comparative consolidated statement of cash flows.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 20, 2015.

(c) Basis of measurement

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

(d) Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the year ended April 30, 2015.

(e) 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. Going concern

The success of the Company is dependent on the continuation of its research and development activities and its ability to finance its cash requirements. It is not possible to predict the outcome of future research and development programs, or the Company's ability to fund these programs in the future.

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.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2015 and 2014

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

3. Going concern (continued)

As at April 30, 2015, the Company had $0.06 million of cash and is committed to pay $2.3 million of trade and other payables, $0.2 million of promissory notes, $2.0 million due to related parties and $1.7 million for research and development commitments and $0.4 million of lease obligations over the next twelve months as described further in Note 21 “Commitments”. As described in Note 24 “Subsequent events”, subsequent to April 30, 2015 the Company closed a private placement of 4.0 million common shares at a price of $1.00 per share for gross proceeds of $4.0 million, and another private placement of 0.3 million common shares at a price of $1.00 per share for gross proceeds of $0.3 million. The Company’s cash, including the proceeds from the private placement closed subsequent to April 30, 2015, is not sufficient to fund the Company’s contractual commitments over the next year and is not sufficient to fund all of the Company’s planned business operations over the next year. The Company will have to raise additional capital. If the Company is not able to raise capital, the Company would have to reduce its cash requirements by eliminating or deferring spending on research, development and corporate activities. These conditions result in a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern.

In addition, the Company will require additional capital to fund its planned research, development and corporate activities beyond the next year. The Company will continue to explore alternatives to generate positive cash flow including raising additional equity and product licensing; however, there is no assurance that these initiatives will be successful. The Company intends to raise capital from equity and/or debt offering and partnering in the future.

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

4. Significant accounting policies

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

Consolidation

The consolidated financial statements include the accounts of Zenith Epigenetics 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.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2015 and 2014

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

4. Significant accounting policies (continued)

Financial instruments

The Group initially recognizes financial assets and financial liabilities, including derivatives, when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

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

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

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

Asset/Liability	Category	Measurement
Cash	Loans and receivables	Amortized cost
Investment tax credit receivable	Loans and receivables	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Unearned deposits	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost
Due to Resverlogix Corp.	Other liabilities	Amortized cost
Warrant liability	FVTPL	Fair Value
Financing Rights	FVTPL	Fair Value

Financial instruments classified as FVTPL are measured at fair value, with changes in fair value recorded in net income in the period in which they arise. All those designated as such were designated upon initial recognition, none are considered held for trading.

Financial instruments classified as loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired.

Financial instruments classified as other financial liabilities are measured at amortized cost subsequent to initial recognition, using the effective interest method with gains and losses recognized in net income in the period that the liability is derecognized.

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

Fair Value Measurement

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

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

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

Notes to the Consolidated Financial Statements

For the years ended April 30, 2015 and 2014

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

4. Significant accounting policies (continued)

Financial instruments (continued)

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).

Clinical supplies

Clinical supplies are recognized when expenditures on supplies to be used at a future date are incurred. They are carried at cost, and as they are consumed in research and development activities these costs are recognized in the statement of comprehensive loss.

Property and equipment

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

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

Asset	Method	Rate
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.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2015 and 2014

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

4. Significant accounting policies (continued)

Intangible assets (continued)

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 years
Non-integrated software	Straight line	3 years

Impairment

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

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

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

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

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.

Notes to the Consolidated Financial Statements
For the years ended April 30, 2015 and 2014

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4. Significant accounting policies (continued)

Share-based payment transactions (continued)

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 estimate of the future volatility of the Company's shares corresponding to 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. The Company estimates the fair value of restricted stock units ("RSUs") based on the estimated fair market value of the underlying stock (net of an estimated illiquidity discount) on the date of grant.

Government grants

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

Finance income and costs

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

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares 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.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2015 and 2014

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

4. Significant accounting policies (continued)

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

New standards and interpretations adopted

The Company has adopted the following new standards and amendments to standards, with a date of initial application of May 1, 2014:

Offsetting Financial Assets and Liabilities

An amendment to IAS 32 - *Offsetting Financial Assets and Liabilities,* (a) clarifies requirements for the right to set-off for rights that are contingent, and enforceability in default, insolvency or bankruptcy of all parties to a liability and (b) clarifies provisions on net settlement. The amendments to IAS 32 did not have a material impact on the consolidated financial statements.

Recent accounting pronouncements

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

Financial Instruments

On July 24, 2014 the IASB issued IFRS 9 *Financial Instruments* which replaced the classification and measurement requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for financial assets. This altered the options for valuing financial assets and proposed changes to how changes in certain financial liabilities are accounted for. The mandatory effective date is for periods beginning on or after January 1, 2018 and must be applied retrospectively. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on May 1, 2018. The extent of the impact of adoption has not yet been determined.

Annual Improvements

The IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements released on December 12, 2013 to be implemented for periods beginning on or after July 1, 2014. These altered the definition of “vesting condition” in IFRS 2 *Share-based payment* which is to be applied prospectively to new grants; and “related party” in IAS 24 *Related Party Disclosures* which is to be applied retrospectively. The Company intends to adopt these amendments in its financial statements for the annual period beginning on May 1, 2015. The Company does not expect the amendments to have a material impact on the financial statements.

The IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements released on September 24, 2014 to be implemented for periods beginning on or after January 1, 2016. These included a clarification on IAS 34 *Interim Financial Reporting* that the disclosures required under the standard are to be included within the notes to the financial statements, or to be incorporated there by cross-reference, and is to be applied retrospectively. The Company intends to adopt these amendments in its financial statements for the annual period beginning on May 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

Disclosure Initiative

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements to be implemented for periods beginning on or after January 1, 2016. The amendments made changes to clarify the objectives of disaggregation, materiality, and the ordering of notes in order to ensure that entities are able to use judgement when reporting financial results. The Company intends to adopt these amendments in its financial statements for the annual period beginning on May 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

5. Significant judgments, estimates and assumptions

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

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

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 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. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 18.

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 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 $1 per share. 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. The company revalues the financing rights at each reporting date.

Expenses

Pursuant to an assignment and services agreement (the "Assignment and Services Agreement"), Resverlogix paid certain costs for the Group and performed certain activities on behalf of the Group. As a result, it was necessary to make allocations of certain costs reported in these consolidated financial statements using methodologies primarily based on proportionate time spent on the Group's and Resverlogix's respective activities. These cost allocations have been determined on a basis considered by the Group and Resverlogix to be a reasonable reflection of the utilization of services provided to the Group.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Currently, the Company is accumulating tax loss carry forward balances, creating a deferred tax asset. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management's judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Notes to the Consolidated Financial Statements

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

5. Significant judgments, estimates and assumptions (continued)

Taxes (continued)

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; and
- market risk; and
- credit risk.

Risk management framework

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

(a) Liquidity risk

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

The future cash requirements of the Group are estimated by preparing a budget annually which is reviewed and approved by the Group's Board of Directors. The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities. Actual spending relative to budgeted expenditures is monitored regularly by management and reviewed by the Company's Board of Directors quarterly.

The Group's exposure to liquidity risk is dependent on its research and development programs and associated commitments and obligations, and the raising of capital. The Group has historically relied on funding from its former parent company, Resverlogix, to support its operations and, recently, primarily from equity private placements. 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, 2015, 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, 2015 to the contractual maturity date. The carrying amounts are equivalent to the following contractual undiscounted cash flows.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2015 and 2014

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

6. Financial risk management (continued)

(a) Liquidity risk (continued)

Trade and other payables	April 30, 2015	April 30, 2014
3 months or less	$ 2,316	$ 2,285
3 - 12 months	-	-
Trade and other payables total	$ 2,316	$ 2,285
Promissory notes payable		
3 months or less	$ 155	$ -
3 - 12 months	-	-
Promissory notes payable total	$ 155	$ -
Due to Resverlogix Corp.		
3 months or less	$ 1,955	$ 167
3 - 12 months	-	-
Due to Resverlogix Corp. total	$ 1,955	$ 167
Total	$ 4,426	$ 2,452

(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, 2015, the Group had Canadian dollar denominated assets and liabilities of: cash in the amount of CAD$0.01 million (2014 – CAD$0.59 million), accounts receivable of CAD$0.03 million (2014 - CAD$0.35 million), and accounts payable and promissory notes in the amount of CAD$0.75 million (April 30, 2014 – CAD$0.91 million). A change of $0.01 in exchange rate as measured on April 30, 2015 would result in a foreign currency gain or loss of CAD$0.01 million (2014 – CAD$0.01 million).

(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, 2015, 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.

Notes to the Consolidated Financial Statements

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7. Cash

Cash consists of cash on hand and interest-bearing deposits with the Group's banks.

8. Asset impairment

The Company announced on October 14, 2014 that it was suspending its clinical development efforts with ZEN-3365, its first lead compound, the related patents and clinical supplies were written off. During the year ended April 30, 2015 the Company recognized a $0.1 million impairment loss on intellectual property. A $0.4 million impairment loss on clinical supplies was also recognized. Both were included in research and development on the statement of comprehensive loss. The Company is now advancing 2nd generation BET inhibitors towards clinical development.

9. Property and equipment

	Laboratory equipment	Office furniture and equipment	Computer hardware and software	Leasehold improvements	Total
Cost					
Balance at April 30, 2013	$ 135	$ 3	$ 1	$ -	$ 139
Additions	318	130	56	1,046	1,550
Disposals	-	(3)	-	-	(3)
Balance at April 30, 2014	453	130	57	1,046	1,686
Additions, net of recoveries	-	9	4	(18)	(5)
Disposals	-	-	(10)	-	(10)
Balance at April 30, 2015	$ 453	$ 139	$ 51	$ 1,028	$ 1,671
Accumulated depreciation					
Balance at April 30, 2013	$ 34	$ 1	$ 1	$ -	$ 36
Depreciation	42	7	13	-	62
Disposals	-	(3)	-	-	(3)
Balance at April 30, 2014	76	5	14	-	95
Depreciation	72	29	26	107	234
Disposals	-	-	(7)	-	(7)
Balance at April 30, 2015	$ 148	$ 34	$ 33	$ 107	$ 322
Net book value					
As at April 30, 2014	$ 377	$ 125	$ 43	$ 1,046	$ 1,591
As at April 30, 2015	305	105	18	921	1,349

On November 1, 2013, the Company purchased laboratory equipment and office furniture and equipment from Resverlogix for $0.3 million, which represented the fair value of the assets.

During the year ended April 30, 2015 a $0.05 million reimbursement of costs pertaining to leasehold improvements was received from the Company's landlord; this reimbursement was offset against the cost of the assets.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2015 and 2014

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

10. Intangible assets

	Patents and intellectual property	Non-integrated software	Total
Cost			
Balance at April 30, 2013	$ 102	$ 9	$ 111
Additions	87	3	90
Balance at April 30, 2014	189	12	201
Additions	142	8	150
Impairment	(157)	-	(157)
Balance at April 30, 2015	$ 174	$ 20	$ 194
Accumulated amortization			
Balance at April 30, 2013	$ 3	$ 1	$ 4
Amortization	8	4	12
Balance at April 30, 2014	11	5	16
Amortization	11	6	17
Impairment	(13)	-	(13)
Balance at April 30, 2015	$ 9	$ 11	$ 20
Net book value			
As at April 30, 2014	$ 178	$ 7	$ 185
As at April 30, 2015	165	9	174

During the year ended April 30, 2015 certain intellectual property intangible assets were impaired; refer to Note 8 "Asset impairment" for further details.

11. Deferred financing costs

Deferred financing costs are comprised of fees paid in connection with a potential financing.

12. License

Amended and Restated License Agreement

On June 3, 2013 (see Note 22 "Related party transactions"), RVX Therapeutics Inc. and Resverlogix entered into an Amended and Restated License Agreement (the "License Amendment"), effective January 31, 2013, which amended a License Agreement dated August 1, 2005. Pursuant to the License Amendment, Resverlogix granted an irrevocable, worldwide license to RVX Therapeutics Inc. under certain licensed patents and licensed know-how to develop, commercialize and sell licensed products in any field other than the Apolipoprotein A-I (ApoA-I) therapeutic field (the prevention, treatment or mitigation of any disease via the administration of a pharmaceutical agent that results in a specified therapeutic elevation in the plasma levels of ApoA-I).

As ongoing consideration for the grant of the License, RVX Therapeutics Inc. agreed to pay Resverlogix a royalty from 1% to 5% of gross amounts received by RVX Therapeutics Inc. from the sale of any product in any field other than the ApoA-I therapeutic field encompassed within a patent licensed from Resverlogix.

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12. License (continued)

Waiver Agreement

On March 17, 2014, RVX Therapeutics Inc. and Resverlogix entered into a Waiver Agreement whereby Resverlogix waived its right under the Amended and Restated License Agreement dated June 3, 2013 (the "License Agreement") to license any method or pharmaceutical agent within the scope of certain Licensee Patents owned or controlled by RVX Therapeutics Inc. that may be determined to come within the ApoA-I Therapeutic Field (as defined in the License Agreement), and RVX Therapeutics Inc. agreed not to develop any patents for any indication within the ApoA-I Therapeutic Field for a period of five years and granted to Resverlogix a right of first refusal for a period of three years thereafter in respect of the license or sale of such patents and or compounds that are determined to come within the ApoA-I Therapeutic Field. In consideration for this waiver, RVX Therapeutics Inc. paid Resverlogix $2.5 million in cash. This $2.5 million acquisition of rights is separately disclosed in the statement of comprehensive loss for the year ended April 30, 2014. The payment does not meet the recognition criteria for intangible assets.

Termination of License Agreement

On January 31, 2015, the Company terminated the License. The Company does not anticipate that the termination of the agreement will impact its planned business operations. Pursuant to the Waiver Agreement, Zenith continues to be restricted from developing any patents for any indication within the ApoA-I Therapeutic Field for a period of five years from the effective date of the License.

As consideration for the termination, Resverlogix paid the Company $1.05 million, the estimated fair value of the license. As a result, the Company recognized a $1.05 million gain.

13. Royalty preferred shares

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

The holder of the royalty preferred shares is entitled to dividends in the amount of 6-12% of net Apo Revenue, if any. Net Apo revenue is defined as the aggregate of the following amounts: (i) amounts received by 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 the Apo products and/or Apo intellectual property rights or amounts received under the terms of such license or other right that are granted to the third party; (ii) the gross consideration received from a third party by Resverlogix, any licensee or their respective affiliates from the sale of any Apo product (other than consideration received by Resverlogix, any licensee or their respective affiliates from a licensee of such Apo product or its affiliate); less (A) credits or allowances, if any, actually granted; (B) discounts actually allowed; (C) freight, postage, and insurance charges and additional special packaging charges; and (D) customs duties, and excise sales taxes, duties or other taxes imposed upon and paid with respect to such sales (excluding what is commonly known as income taxes); and (iii) amounts received from a third party by Resverlogix or its affiliates in consideration for the sale of any Apo intellectual property right.

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 because book value accounting has been applied to the assets that have been acquired through the distribution in connection with the Arrangement and they were not previously recognized in Resverlogix's financial statements. The Company will recognize a royalty receivable when royalties are reasonably determinable and the economic benefits are probable to flow to the Company.

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14. Trade and other payables

	2015	2014
Trade payables	$ 1,729	$ 1,994
Accrued liabilities	587	291
	$ 2,316	$ 2,285

15. Unearned deposits

Services Agreement

On January 1, 2015, the Company entered into a Services Agreement with Resverlogix, a related party, whereby the Company will perform research services on an ongoing basis for Resverlogix. As consideration for these services, Resverlogix paid a $0.25 million deposit to the Company against which charges, at cost, will be applied as services are rendered. The agreement may be terminated by Resverlogix upon 90 days' notice, or by the Company upon 6 months' notice. Any unused balance is repayable by the Company if the agreement is terminated, thus the balance is disclosed as a current liability.

16. Promissory notes

On April 10, 2015, the Chairman of the Company and another individual lent CAD $0.1 million and CAD $0.9 million, respectively, to the Company. These promissory notes are payable on demand and are non-interest-bearing. Subsequent to April 30, 2015 these notes were repaid.

17. Financing rights

Anti-Dilution, Transaction and Additional Rights

The following table summarizes the financing rights granted by the Company and outstanding as at April 30, 2015.

Private Placement	Number of Shares	Anti-Dilution Rights	Transaction Rights	Additional Rights
March 14, 2014	8,000,000	36 months	Yes	Yes
March 14, 2014	100,000	18 months	No	No
May 28, 2014	110,000	18 months	No	No
July 22, 2014	1,500,000	36 months	No	No
July 22, 2014	2,662,500	18 months	No	No
October 7, 2014	1,995,300	36 months	Yes	Yes
December 2, 2014	600,000	36 months	Yes	Yes
Various - Q4, 2015	300,000	18 months	No	No
	15,267,800			

Pursuant to the terms of the private placements that the Company closed with anti-dilution rights attached, in the event that the Company completes an equity financing within the number of months dictated in their contract and the price per share is lower than US$1.00, the price per share paid by the initial subscribers of the common shares will be adjusted to the lower price per share and they will, accordingly, receive additional common shares for no additional consideration.

Additionally, pursuant to the terms of the private placements that the Company closed with transaction rights attached, in the event that the Company receives gross proceeds from equity financings of less than US$25 million and grants a license to a third party (excluding Resverlogix) ("third party"), sells intellectual property rights to a third party, or greater than 66 2/3% of the Company's common shares are sold to a third party, the initial subscribers shall receive, for no additional consideration, additional common shares equal to the number originally subscribed for by each party as described above.

17. Financing rights (continued)

Anti-Dilution, Transaction and Additional Rights (continued)

Furthermore, pursuant to the terms of the private placements that the Company closed with additional rights attached, in the event that the Company completes an equity financing within a prescribed period of time of either 18 months or 36 months of the respective closing dates and the Company issues or grants additional securities, contractual rights or other entitlements ("Additional Rights") to any of the subsequent subscribers, then the Company shall issue or grant the Additional Rights to the initial subscribers that they would have been entitled to pursuant to the terms of the subsequent financing.

Valuation

The Company determined the fair value of the 8.0 million common shares issued in March 2014 to be $4.8 million, which is net of $2.3 million of anti-dilution rights and $0.9 million of transaction rights. The Company determined the fair value of the 4.3 million common shares issued in July 2014 to be $3.2 million, which is net of $1.1 million of anti-dilution rights. The Company determined the fair value of the 2.0 million common shares issued in October 2014 to be $1.3 million, which is net of $0.5 million of anti-dilution rights and $0.2 million of transaction rights. The Company determined the fair value of the 0.6 million common shares issued in December 2014 to be $0.5 million which is net of $0.08 million of anti-dilution rights and $0.03 million of transaction rights. The Company determined the fair value of the 0.3 million common shares issued between February and April 2015 to be $0.3 million which is net of $0.03 million of anti-dilution 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 $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 off-setting reductions to the carrying amount of the common shares with subsequent changes in fair value recognized in (income) loss.

Management's estimate of the fair value of the Company's common shares was $0.41 per share as at April 30, 2014 and $0.21 per share as at April 30, 2015. As at April 30, 2015 the fair value reflected management's estimate of various probabilities of future equity offerings at various prices at or below $1 per share within the respective prescribed timeframes. Management's underlying assumptions included in the estimates of the fair value of the anti-dilution and transaction rights as at April 30, 2015 were otherwise materially unchanged.

18. Shareholders' 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.

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18. Shareholders' deficit (continued)

(ii) Issued and outstanding:

Common shares	Number of shares	Amount
Balance, April 30, 2013	1	0.001
Cancelled in connection with Plan of Arrangement	(1)	(0.001)
Issued in connection with Plan of Arrangement	75,202,620	28,127
Issued in connection with private placements	8,100,000	4,838
Issued in connection with warrant exercises	2,452,686	929
Issued in connection with stock option plan	293,332	99
Issued in connection with long term incentive plan	14,367	4
Share issue costs	-	(10)
Balance, April 30, 2014	86,063,005	$ 33,987
Issued in connection with private placements	7,167,800	5,192
Issued in connection with warrant exercises	397,267	154
Issued in connection with stock option plan	190,666	67
Issued in connection with long term incentive plan	646,641	253
Share issue costs	-	(6)
Balance, April 30, 2015	94,465,379	$ 39,647

Issuance of Common Shares

On April 10, 2013, the Company issued 1 common share at CAD$1.00 per common share to Resverlogix. This common share was cancelled on June 3, 2013 in connection with the Arrangement.

As described in Note 2a, on June 3, 2013, upon the effective time of the Arrangement, every Resverlogix shareholder received one share in Zenith for every share held in Resverlogix at the effective date.

Private Placements

On March 14, 2014, the Company issued 8 million common shares at a price of $1.00 per share for gross proceeds of $8 million to Eastern Capital Limited ("Eastern") and NGN BioMed Opportunity II, L.P. ("NGN"), and on April 1, 2014 the Company issued 100,000 common shares at a price of $1.00 per share for gross proceeds of $0.1 million. As described in Note 17 "Financing rights", under certain conditions, the subscribers are entitled to receive additional shares.

On May 28, 2014 and July 22, 2014, the Company issued 4,272,500 common shares at a price of $1.00 per share for gross proceeds of $4.3 million to NGN and other subscribers. As described in Note 17 "Financing rights", under certain conditions, the subscribers are entitled to receive additional shares.

On October 7, 2014, the Company issued 1,995,300 common shares at a price of $1.00 per share for gross proceeds of $2.0 million. NGN and two directors of the Company subscribed for 1,000,000 and 50,000 common shares, respectively. As described in Note 17 "Financing rights", under certain conditions, the subscribers are entitled to receive additional shares.

On December 2, 2014, the Company issued 600,000 common shares at a price of $1.00 per share for gross proceeds of $0.6 million. NGN subscribed for 500,000 of the 600,000 common shares. As described in Note 17 "Financing rights", under certain conditions, the subscribers are entitled to receive additional shares.

From February to April 2015, the Company issued 300,000 common shares at a price of $1.00 per share for gross proceeds of $0.3 million. As described in Note 17 "Financing rights", under certain conditions, the subscribers are entitled to receive additional shares.

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

18. Shareholders' deficit (continued)

(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 the stock options vest over zero to three years including certain stock options that vested in part or entirely upon issuance pursuant to the Arrangement. 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. The stock options have between a one and 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, 2013	-	$ -
Granted	5,198,070	0.24
Exercised	(293,332)	0.26
Expired	(1,218,550)	0.27
Forfeited	(64,550)	0.22
Outstanding, April 30, 2014	3,621,638	$ 0.23
Granted	2,632,100	0.45
Exercised	(190,666)	0.18
Expired	(589,871)	0.42
Forfeited	(1,612,563)	0.44
Outstanding, April 30, 2015	3,860,638	$ 0.27

The following table summarizes information about the stock options outstanding and exercisable at April 30, 2015.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.11 - $0.18	1,874,304	1.42	$ 0.15	1,822,939
$0.21 - $0.30	331,500	1.11	0.24	303,167
$0.32 - $0.40	626,000	2.50	0.34	357,905
$0.45 - $0.51	1,028,834	5.15	0.45	388,760
	3,860,638	2.56	$ 0.27	2,872,771

The number of stock options exercisable at April 30, 2015 was 2,872,771 (2014 – 2,566,973) with a weighted average exercise strike price of CAD$0.22 (2014 – CAD$0.23). On June 3, 2013, pursuant to the Plan of Arrangement (described in Note 2a), every Resverlogix stock option holder at the effective date of the Arrangement received one stock option in the Company for every stock option held in Resverlogix (with identical vesting and terms as the corresponding Resverlogix stock options).

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

18. Shareholders' 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 per stock option and $0.15 per stock option associated with stock options granted during the years ended April 30, 2015 and 2014, respectively:

	2015	2014
Risk-free interest rate	1.7%	1.1%
Expected life	6.2 years	2.2 years
Expected volatility	95%	74%
Share price at grant date	CAD$0.44	CAD$0.38
Expected dividends	Nil	Nil

During the year ended April 30, 2014, 464,368 stock options previously granted to former officers and a former director that would have otherwise been forfeited or expired under the initial terms of the stock option agreements were extended to expire on the original expiry dates. The extension of these stock options and the related incremental fair value (as measured as at the modification dates) was recognized as part of share based payment transaction costs in the period.

(c) Restricted stock units

The Company's long term incentive plan allows for the reservation of a number of common shares not to exceed 10% of the Company's issued and outstanding common shares on an undiluted basis less the number of common shares reserved under the Company's 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, 2015, the Company granted 1,687,952 (2014 – 753,000 in connection with the Plan of Arrangement) RSUs to employees. Every Resverlogix restricted stock unit holder at the effective date of the Arrangement received one restricted stock unit in the Company for every restricted stock unit held in Resverlogix (with identical vesting and terms as the corresponding Resverlogix RSUs). Therefore, certain RSUs vested in part or entirely upon issuance pursuant to the Arrangement. The weighted average fair value of the RSUs granted in the year ended April 30, 2015 was $0.31 per RSU (2014 - $0.30). The Company estimates the fair value of RSUs based on the market price of the underlying stock (net of an estimated illiquidity discount) on the date of grant.

Commencing on November 1, 2014, directors fees are paid by way of the issuance of RSUs in lieu of payment in cash.

Between October and November 2014, the Company allowed the exercise of RSUs on a "net of tax" basis, whereby the number of shares issued was equal to the number determined net of the respective taxes attributable to the exercise; 799,585 RSUs were exercised on a net of tax basis, resulting in the issuance or distribution of 496,721 common shares.

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For the years ended April 30, 2015 and 2014

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

18. Shareholders' deficit (continued)

(c) Restricted stock units (continued)

	Number of restricted stock units		Weighted average grant date fair value (USD)
Outstanding, April 30, 2013	-	$	-
Granted	753,000		0.30
Exercised	(14,367)		0.30
Forfeited	(42,033)		0.30
Outstanding, April 30, 2014	696,600	$	0.30
Granted	1,687,952		0.31
Exercised	(949,505)		0.34
Forfeited	(132,095)		0.39
Outstanding, April 30, 2015	1,302,952	$	0.28

During the year ended April 30, 2014, 167,200 RSUs previously granted to former officers that would have otherwise been forfeited under the initial terms of the RSU agreements were extended to expire on the original expiry dates. The extension of these RSUs and the related incremental fair value (as measured as at the modification dates) was recognized as part of share based payment transaction costs in the period.

(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, 2013	-	$	-	$	-
Issued	11,647,282		0.24		1,667
Exercised	(2,452,686)		0.25		(361)
Expired	(1,393,466)		0.25		-
Revaluation of warrant liability	-		-		138
Outstanding, April 30, 2014	7,801,130	$	0.24	$	1,444
Exercised	(397,267)		0.35		(24)
Expired	(1,924,423)		0.36		-
Revaluation of warrant liability	-		-		(908)
Outstanding, April 30, 2015	5,479,440	$	0.19	$	512

The following table summarizes information about the warrants outstanding and exercisable at April 30, 2015.

Exercise Price (CAD)	Number Outstanding	Weighted Average Remaining Life (years)		Weighted Average Exercise Price (CAD)
$0.14	1,320,000	2.33	$	0.14
$0.20	3,430,800	1.13		0.20
$0.22	728,640	2.86		0.22
	5,479,440	1.65	$	0.19

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

18. Shareholders' deficit (continued)

(d) Warrant liability (continued)

On June 3, 2013, pursuant to the Plan of Arrangement (described in Note 2a), every Resverlogix warrant holder at the effective date of the Arrangement received one warrant in the Company for every warrant held in Resverlogix (with identical vesting and terms as the corresponding Resverlogix warrants).

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.

No warrants were issued during the year ended April 30, 2015. The grant date weighted average fair value of the warrants granted during the year ended April 30, 2014 was $0.14 per warrant, using the Black-Scholes option pricing model with the following weighted average assumptions:

	2015	2014
Risk-free interest rate	-	1.1%
Expected life	-	2.1 years
Fair value per common share	-	CAD $0.38
Expected volatility	-	70%

(e) Per share amounts

The loss per share has been calculated using net loss for the period and the basic and diluted weighted average shares outstanding during the year ended April 30, 2015 of 91,587,553 (2014 - 69,779,633). The effect of any potential exercise of stock options, restricted stock units and warrants outstanding during the period has been excluded from the calculation of diluted loss per share, as it would be anti-dilutive.

19. Personnel costs

	2015	2014
Short-term employee benefits	$ 1,960	$ 802
Equity-settled share-based payments	698	950
Total personnel expenses	$ 2,658	$ 1,747

20. 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.

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

20. Expenses by nature (continued)

	2015	2014
Included in research and development expenses:		
Share-based payment transaction costs	$ 287	$ 448
Amortization and depreciation	242	74
Impairment of intangible assets	144	-
Impairment of clinical supplies	382	-
Included in general and administrative expenses:		
Share-based payment transaction costs	$ 411	$ 502
Amortization and depreciation	9	-
	$ 1,475	$ 1,024

Refer to Note 8 “Asset impairment” for more details on the impairments above.

As described in Note 22 “Related party transactions”, the Company has engaged Resverlogix under the Assignment and Services Agreement to supply research and administrative services.

21. Commitments

As at April 30, 2015, the Company is committed under various research and development contracts as follows:

	2015	2014
Less than 1 year	$ 1,729	$ 1,847
Between 1 and 5 years	-	-
More than 5 years	-	-
	$ 1,729	$ 1,847

As at April 30, 2015, Resverlogix was committed to operating lease payments for office and laboratory premises, for which the Company is allocated, as follows:

	2015	2014
Less than 1 year	$ 380	$ 264
Between 1 and 5 years	788	1,012
More than 5 years	746	1,173
	$ 1,914	$ 2,449

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 $0.4 million and $0.1 million, respectively, for the next twelve months. The operating lease payments are included in the figures above.

22. 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 and NGN.

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

22. Related party transactions (continued)

Key management personnel

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

	2015	2014
Short-term employee benefits	$ 1,205	$ 1,185
Termination benefits	326	164
Equity-settled shared-based payments	428	600
Key management personnel compensation	$ 1,959	$ 1,949

As at April 30, 2015, $0.4 million (2014 - $0.2 million) is accrued for outstanding compensation to these individuals. As described in Note 16 "Promissory notes," CAD $0.1 million is owed to the Chairman of the Company as at April 30, 2015. As described in Note 18 (a), during the year ended April 30, 2015, the Company issued 50,000 shares to two directors of the Company for gross proceeds of $0.05 million.

Related party transactions with Resverlogix

Resverlogix and Zenith have all of the same directors in common and, thus, are considered related parties. Resverlogix provides research and administrative services to the Group pursuant to the Assignment and Services Agreement. As consideration for the services, the Group 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, 2015, the Group incurred an aggregate of $1.1 million (2014 - $4.8 million) of service fees and reimbursable expenses, comprised of $0.4 million (2014 - $2.5 million) for research services, $0.5 million (2014 - $0.6 million) for administrative services, and $0.2 million (2014 - $1.7 million) of reimbursable expenses. As at April 30, 2015 there is a payable of $2.0 million (2014 - $0.2 million) associated with the underlying transactions with Resverlogix. This balance is payable on demand and non-interest bearing.

Effective January 1, 2015, the Company entered into a Services Agreement whereby its lab staff supplies limited research services to Resverlogix. During the year ended April 30, 2015, Zenith provided $0.01 million of research services with an unearned deposit balance remaining as outlined in Note 15 "Unearned deposits".

As described in Note 9 "Property and equipment", during the year ended April 30, 2014 the Company purchased laboratory equipment and office furniture and equipment from Resverlogix Corp. for $0.3 million, which represents the fair value of the assets.

As described in Note 12 "License", the Company and Resverlogix entered into a Waiver Agreement during the year ended April 30, 2014. In consideration for this waiver, RVX Therapeutics Inc. paid Resverlogix $2.5 million in cash. During the year ended April 30, 2015 Resverlogix terminated the License. As consideration for the termination, Resverlogix paid Zenith $1.05 million, the estimated fair value of the License. Pursuant to the Waiver Agreement, Zenith continues to be restricted from developing any patents for any indication within the ApoA-I Therapeutic Field for a period of five years from the effective date of the License.

Related party transactions with NGN

As a director of the Company holds positions of control at both the Company and NGN, NGN is considered a related party of the Company. As outlined in Note 18 (a), during the year ended April 30, 2015, the Company issued a total of 2,500,000 shares to NGN for gross proceeds of $2.5 million. During the year ended April 30, 2014, the Company issued 2,000,000 shares to NGN for gross proceeds of $2.0 million.

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23. 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:

	2015	2014
Expected tax recovery expense - 25% (2014 - 25%)	$ (1,966)	$ (4,790)
Revaluation of financing rights	(782)	-
Revaluation of the fair value of warrant liability	(227)	35
Stock-based compensation	175	237
Other	(8)	(58)
Additions to tax pools related to transfer of intellectual property rights and technology to the Company	-	(1,376)
Current year losses and other for which no deferred tax asset is recognized	2,859	5,952
Income tax expense	$ 51	$ -

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:

	2015	2014
Non-capital losses	$ 9,187	$ 6,470
Scientific research and experimental development expenditures	1,997	1,543
Undepreciated capital cost and other	1,105	1,416
Unrecognized deferred tax	$ 12,289	$ 9,429

The Company has non-capital losses of approximately $36.7 million (2014 - $25.9 million) available to reduce future years' taxable income expiring at various times until 2035. As at April 30, 2015, the Company has non-refundable federal investment tax credits of approximately $1.6 million (2014 - $1.3 million) which are available to reduce future taxes payable, subject to approval by Canada Revenue Agency and expiring at various times until 2035. The Company has unclaimed scientific research and development expenditures available to reduce future years' taxable income of approximately $8.0 million (2014 - $6.2 million) over an indefinite future period. The Company has undepreciated capital cost pools of approximately $5.9 million (2014 - $7.4 million). The potential benefits of these tax pools have not been recorded in the financial statements.

24. Subsequent events

Private Placement

Subsequent to April 30, 2015, the Company issued 4.0 million common shares at a price of $1.00 per share for gross proceeds of $4.0 million to Eastern and issued 0.3 million common shares to other subscribers at a price of $1.00 per share for gross proceeds of $0.3 million.