ZENITH

Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Zenith Capital Corp. (the "Company") have been approved by the Board of Directors and have been prepared in accordance with International Financial Reporting, which recognize the necessity of relying on some best estimates and informed 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 24, 2017

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To the Shareholders of Zenith Capital Corp.

We have audited the accompanying consolidated financial statements of Zenith Capital Corp., which comprise the consolidated statements of financial position as at April 30, 2017 and 2016, the consolidated statements of comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Zenith Capital Corp. as at April 30, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

August 24, 2017

Calgary, Canada

Consolidated Statements of Financial Position

As at:

In thousands of US dollars	Notes	April 30 2017	April 30 2016
Assets			
Current assets:			
Cash		$10,175	$ 15
Clinical supplies		196	370
Prepaid expenses and deposits		99	34
Investment tax credit receivable		162	169
Other assets		57	24
Total current assets		10,689	612
Non-current assets:			
Property and equipment	7	1,029	1,124
Intangible assets	8	733	605
Prepaid expenses and deposits		34	73
Clinical supplies		243	15
Total non-current assets		2,039	1,817
Total assets		$12,728	$ 2,429
Liabilities			
Current liabilities:			
Trade and other payables	10	$ 1,637	$ 2,527
Unearned deposits	11	11	175
Promissory notes	12	-	401
Due to Resverlogix Corp.	18	182	5,687
Warrant liability	14 (d)	597	1,033
Financing rights	13	665	1,361
Total liabilities		3,092	11,184
Shareholders' equity (deficit):			
Share capital	14	69,306	44,119
Contributed surplus		1,694	1,554
Deficit		(61,364)	(54,428)
Total shareholders' equity (deficit)		9,636	(8,755)
Total liabilities and shareholders' equity (deficit)		$12,728	$ 2,429

Future Operations (note 3)
Commitments (note 17)

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		2017		2016
Expenses:					
Research and development	16	$	5,812	$	6,358
Investment tax credits			(167)		(161)
Net research and development			5,645		6,197
General and administrative	16		2,293		2,204
			7,938		8,401
Finance (income) costs:					
(Gain) loss on change in fair value of warrant liability	14 (d)		(312)		521
Gain on change in fair value of financing rights	13		(696)		(809)
Interest income			(24)		-
Foreign exchange (gain) loss			(13)		54
Net finance (income) costs			(1,045)		(234)
Loss before income taxes			6,893		8,167
Income taxes	19		43		17
Net and total comprehensive loss		$	6,936	$	8,184
Net loss per share *(note 14 (e))*					
Basic and diluted		$	0.06	$	0.08

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

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the years ended April 30

In thousands of US dollars	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficit)
Balance, April 30, 2015	$ 39,647	$ 1,256	$ (46,244)	$ (5,341)
Common shares issued in connection with private placements, net of financing rights	4,410	-	-	4,410
Common shares issued in connection with stock option and long term incentive plans	67	(34)	-	33
Share issue costs	(5)	-	-	(5)
Shared-based payment transactions	-	332	-	332
Net and total comprehensive loss	-	-	(8,184)	(8,184)
Balance, April 30, 2016	44,119	1,554	(54,428)	(8,755)
Common shares issued in connection with private placement	24,561	-	-	24,561
Common shares issued in connection with stock option and long term incentive plans	398	(407)	-	(9)
Common shares issued in connection with warrant exercises	230	-	-	230
Share issue costs	(2)	-	-	(2)
Shared-based payment transactions	-	547	-	547
Net and total comprehensive loss	-	-	(6,936)	(6,936)
Balance, April 30, 2017	$ 69,306	$ 1,694	$ (61,364)	$ 9,636

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	2017	2016
Cash used in:			
Cash flows used in operating activities:			
Net loss		$ (6,936)	$ (8,184)
Items not involving cash:			
Equity-settled share-based payment transactions	16	547	332
Depreciation and amortization	16	269	264
Impairment of intangible assets	8	-	12
Change in fair value of warrant liability	14 (d)	(312)	521
Change in fair value of financing rights	13	(696)	(809)
Interest income		(24)	-
Income taxes	19	43	17
Changes in non-cash working capital:			
Prepaid expenses and deposits		(28)	(48)
Clinical supplies		(53)	(385)
Other assets		(10)	14
Investment tax credit receivable		7	71
Unearned deposits		(164)	(69)
Trade and other payables		(829)	229
(Decrease) increase in due to Resverlogix Corp.		(5,505)	3,732
Cash used in operating activities		(13,691)	(4,303)
Income tax paid		(26)	(60)
Net cash used in operating activities		(13,717)	(4,363)
Cash flows generated from financing activities:			
Proceeds from the issuance of common shares		24,561	4,469
Share issuance costs		(2)	(5)
Proceeds from exercise of warrants		106	-
Proceeds from exercise of stock options		109	34
Restricted stock unit costs		(118)	-
Deferred financing costs		-	31
Proceeds from issuance of promissory notes		-	401
Repayment of promissory notes		(401)	(155)
Net cash generated from financing activities		24,255	4,775
Cash flows used in investing activities:			
Property and equipment expenditures		(128)	(12)
Intangible asset expenditures		(174)	(471)
Changes in non-cash investing working capital		(70)	36
Net cash used in investing activities		(372)	(447)
Effect of foreign currency translation on cash		(6)	(11)
Increase (decrease) in cash		10,160	(46)
Cash, beginning of year		15	61
Cash, end of year		$ 10,175	$ 15

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

Notes to the Consolidated Financial Statements

For the years ended April 30, 2017 and 2016

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

1. General information

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

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

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

2. Background and basis of preparation

(a) Statement of compliance

These 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 24, 2017.

(b) Basis of measurement

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

(c) Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the year ended April 30, 2017.

(d) Functional and presentation currency

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

3. Future Operations

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

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

Notes to the Consolidated Financial Statements

For the years ended April 30, 2017 and 2016

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

3. Future Operations (continued)

As at April 30, 2017, the Company had $10.2 million of cash and is committed to pay $1.6 million of trade and other payables, $0.2 million due to a related party and $1.2 million for research and development commitments and $0.3 million of lease obligations over the next twelve months as described further in Note 17. In addition, estimated expenditures over the next twelve months under cancellable agreements with contract research organizations conducting the Company's Phase 1 clinical trials total approximately $5.9 million. We believe the Company's cash as at April 30, 2017, will be sufficient to fund the Company's contractual commitments for the next year, but will not be sufficient to fund all of the Company's planned business operations for the next year or beyond.

The Company will continue to explore alternatives to generate positive cash flow including raising additional equity and/or debt and/or partnering; however, there is no assurance that these initiatives will be successful.

4. Significant accounting policies

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

Consolidation

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

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

Foreign currency transactions

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

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

Financial instruments

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.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2017 and 2016

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

4. Significant accounting policies (continued)

Financial instruments (continued)

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;

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).

Notes to the Consolidated Financial Statements

For the years ended April 30, 2017 and 2016

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

4. Significant accounting policies (continued)

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.

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

Asset	Method	Rate
Patents and intellectual property	Straight line	20-21 years
Non-integrated software	Straight line	3 years

4. Significant accounting policies (continued)

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 are 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.

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

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

Notes to the Consolidated Financial Statements

For the years ended April 30, 2017 and 2016

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

4. Significant accounting policies (continued)

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 comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

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

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

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

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Earnings per share

Basic (earnings) loss per share ("EPS") is calculated by dividing the net (earnings) loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company uses the treasury stock method to determine the dilutive effect of issued instruments (stock options, restricted stock units and warrants). This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the period.

Provisions

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

4. Significant accounting policies (continued)

New standards and interpretations adopted

The Company has adopted the following new standards and amendments to standards, with a date of initial application of May 1, 2016:

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 amendments did not have a material impact on the consolidated financial statements.

Share-based Payment

On June 20, 2016 the IASB issued amendments to IFRS 2 *Share-based Payment* to be implemented prospectively for periods beginning on or after January 1, 2018. The Company early adopted the amendments. The amendments made changes to the classification of share-based payment transactions with net settlement features. The amendments did not have a material impact on 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 impact of adoption has not yet been determined.

Leases

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

5. Significant judgments, estimates and assumptions

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

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

5. Significant judgments, estimates and assumptions (continued)

Share-based payment transactions

The Company measures share-based payment transactions by reference to the fair value of the stock options and restricted stock units at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model, including the estimated fair value of the Company's common shares (which has been based primarily on the adjusted net asset value approach based on historical costs of intellectual property, and discounting estimated future cash flows pursuant to the Resverlogix Corp. ("Resverlogix") royalty preferred shares held by the Company), and the expected life of the stock options, volatility and dividend yield. The estimation of the fair value of the Company's common shares requires management to exercise judgment concerning valuation approaches and methods, discount rates, and estimates of future cash flows, including the timing and amounts of discounted risk adjusted future cash flows derived from the Resverlogix royalty preferred shares held by the Company. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 14 (b).

Warrant liability

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

Financing rights

The determination of the fair value of the anti-dilution rights required management to use judgment, including management's estimates of various probabilities of future equity offerings at various prices below $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 Resverlogix 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.

Pursuant to a services agreement (the "Services Agreement") effective January 1, 2015, the Company performed certain research services on behalf of Resverlogix. 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 by the Group 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 by 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. 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.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2017 and 2016

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

6. Financial risk management

Overview

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

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

Risk management framework

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

(a) Liquidity risk

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

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

The Group's exposure to liquidity risk is dependent on its research and development programs and associated commitments and obligations, and the raising of capital. 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, 2017 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, 2017 to the contractual maturity date. The carrying amounts are equivalent to the following contractual undiscounted cash flows.

Trade and other payables	April 30, 2017	April 30, 2016
3 months or less	$ 1,637	$ 2,527
3 - 12 months	-	-
Trade and other payables total	1,637	2,527
Promissory notes payable		
3 months or less	-	401
3 - 12 months	-	-
Promissory notes payable total	-	401
Due to Resverlogix Corp.		
3 months or less	182	5,687
3 - 12 months	-	-
Due to Resverlogix Corp. total	182	5,687
Total	$ 1,819	$ 8,615

6. Financial risk management (continued)

(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, 2017, the Group had Canadian dollar denominated assets and liabilities of: cash in the amount of CAD$0.02 million (2016– CAD$0.01 million), accounts receivable of CAD$0.05 million (2016 - CAD$0.03 million), and accounts payable and promissory notes in the amount of CAD$0.4 million (2016 – CAD$1.3 million). A change of $0.01 in exchange rate as measured on April 30, 2017 would result in a foreign currency gain or loss of $0.01 million (2016 – $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, 2017, 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

For the years ended April 30, 2017 and 2016

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7. Property and equipment

	Laboratory equipment	Office furniture and equipment	Computer hardware and software	Leasehold improvements	Total
Cost					
Balance at April 30, 2015	$ 453	$ 139	$ 51	$ 1,028	$ 1,671
Additions, net of recoveries	5	-	7	-	12
Disposals	(49)	-	(12)	-	(61)
Balance at April 30, 2016	409	139	46	1,028	1,622
Additions	115	-	13	-	128
Disposals	(3)	-	-	-	(3)
Balance at April 30, 2017	$ 521	$ 139	$ 59	$ 1,028	$ 1,747
Accumulated depreciation					
Balance at April 30, 2015	$ 148	$ 34	$ 33	$ 107	$ 322
Depreciation	89	29	11	107	236
Disposals	(49)	-	(11)	-	(60)
Balance at April 30, 2016	188	63	33	214	498
Depreciation	76	29	11	107	223
Disposals	(3)	-	-	-	(3)
Balance at April 30, 2017	$ 261	$ 92	$ 44	$ 321	$ 718
Net book value					
As at April 30, 2016	$ 221	$ 76	$ 13	$ 814	$ 1,124
As at April 30, 2017	260	47	15	707	1,029

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For the years ended April 30, 2017 and 2016

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

8. Intangible assets

	Patents and intellectual property	Non-integrated software	Total
Cost			
Balance at April 30, 2015	$ 174	$ 20	$ 194
Additions	466	5	471
Impairment	(12)	-	(12)
Balance at April 30, 2016	628	25	653
Additions	151	23	174
Balance at April 30, 2017	$ 779	$ 48	$ 827
Accumulated amortization			
Balance at April 30, 2015	$ 9	$ 11	$ 20
Amortization	33	7	40
Impairment	(12)	-	(12)
Balance at April 30, 2016	30	18	48
Amortization	38	8	46
Balance at April 30, 2017	$ 68	$ 26	$ 94
Net book value			
As at April 30, 2016	$ 598	$ 7	$ 605
As at April 30, 2017	711	22	733

During the year ended April 30, 2016, the Company recognized a $0.01 million impairment loss on intellectual property related to certain patents it decided not to pursue. The loss is included in research and development on the statement of comprehensive loss.

9. Royalty preferred shares

As at April 30, 2017, the Company holds 75,202,620 royalty preferred shares of Resverlogix. On July 2, 2015, Resverlogix's articles were amended to make certain changes to the dividend entitlement of holders of royalty preferred shares. As a result of the amendment, the dividend amount in a prescribed dividend payment period would not exceed the aggregate of all amounts received by Resverlogix or its affiliates in respect of Net Apo Revenue (as described below) in such period. On December 15, 2016, holders of common shares of the Company and holders of common shares of Resverlogix approved amendments to the royalty preferred shares of Resverlogix to remove the requirement that the particular Resverlogix pharmaceutical agent elevates plasma levels of ApoA-1; Resverlogix's Articles of Incorporation were subsequently amended to reflect this amendment.

The holder of the royalty preferred shares is entitled to dividends in the amount of 6-12% of Resverlogix's Net Revenue, if any. Net Revenue is defined as the aggregate of the following amounts: (i) amounts received by Resverlogix or its affiliates (as defined in the Arrangement) from any person who is not Resverlogix or its affiliate (a "third party") in consideration for granting a license or other rights to the third party which entitle the third party to research, develop, make, manufacture, modify, administer, offer to sell, sell or distribute one or more of Resverlogix's products and/or intellectual property rights or amounts received under the terms of such license or other right that are granted to the third party; (ii) the gross consideration received from a third party by Resverlogix, any licensee or their respective affiliates from the sale of any product (other than consideration received by Resverlogix, any licensee or their respective affiliates from a licensee of such product or its affiliate); less (A) credits or allowances, if any, actually granted; (B) discounts actually allowed; (C) freight, postage, and insurance charges and additional special packaging charges; and (D) customs duties, and excise sales taxes, duties or other taxes imposed upon and paid with respect to such sales (excluding what is commonly known as income taxes); (E) rebates and chargebacks or retroactive price reductions made to federal, state or local governments (or their agencies), or any third party payor, administrator or contractor, including managed health organizations; and (F) commissions related to import, distribution or promotion of any product paid to third parties (specifically excluding any commissions paid to sales personnel, sales representatives and sales agents who are employees or consultants of, or members of a contract sales force engaged by or on

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

9. Royalty preferred shares (continued)

behalf of, the Company, any licensee or their respective affiliates), and (iii) amounts received from a third party by Resverlogix or its affiliates in consideration for the sale of any intellectual property right.

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. The Company will recognize a royalty receivable when royalties are reasonably determinable and the economic benefits are probable to flow to the Company.

10. Trade and other payables

	2017	2016
Trade payables	$ 1,088	$ 2,049
Accrued liabilities	549	478
	$ 1,637	$ 2,527

11. 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 $0.3 million deposit to the Company against which charges, at cost, will be applied as services are rendered. The Company received an additional $0.1 million in the year ended April 30, 2016 from Resverlogix, based on the anticipated volume of services and supplies to be utilized. 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.

12. Promissory notes

During the year ended April 30, 2016, the Chairman of the Company and another director of the Company lent CAD$0.3 million and CAD$0.1 million, respectively, to the Company. These promissory notes were payable on demand and were non-interest-bearing. These notes were repaid during the year ended April 30, 2017.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2017 and 2016

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

13. Financing rights

Anti-Dilution, Transaction and Additional Rights

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

	Number of Rights		Liability amount
Outstanding, April 30, 2015	15,267,800	$	1,790
Granted in connection with private placements	4,468,730		59
Expired	(7,167,500)		(38)
Revaluation of financing rights liability	-		(450)
Outstanding, April 30, 2016	12,569,030		1,361
Granted	24,560,500		-
Expired	(25,034,230)		-
Revaluation of financing rights liability	-		(696)
Outstanding, April 30, 2017	12,095,300	$	665

The following table summarizes the changes in the Transaction Rights outstanding.

	Number of Rights		Liability amount
Outstanding, April 30, 2015	10,595,300	$	(321)
Revaluation of financing rights liability	-		321
Outstanding, April 30, 2016	10,595,300		-
Expired	(10,595,300)		-
Outstanding, April 30, 2017	-	$	-

The following table summarizes the Company's Anti-Dilution and Additional Rights outstanding as at April 30, 2017.

Private Placement	Number of Shares	Anti-Dilution Rights Expiry	Additional Rights Expiry
March 2014	8,000,000	December 2017	December 2017
July 2014	1,500,000	December 2017	Not applicable
October 2014	1,995,300	December 2017	December 2017
December 2014	600,000	December 2017	December 2017
	12,095,300		

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 period of time prescribed by the applicable subscription agreement and the price per share is below $1.00, the price per share paid by the initial subscriber will be adjusted to the lower price per share and they will, accordingly, receive additional common shares for no additional consideration.

Additionally, in the event that the Company received gross proceeds from equity financings of less than $25 million and granted a license to a third party (excluding Resverlogix) ("third party"), sold intellectual property rights to a third party, or greater than 66 2/3% of the Company's common shares were sold to a third party, the initial subscriber would receive, for no additional consideration, additional common shares equal to the number originally subscribed for by each party as described above. As described in Note 14 (a), in May 2016 the Company closed a US$24.6 million private placement, resulting in the expiry of all the transaction rights described above which were outstanding at the time of the May 2016 private placement (based on US$25 million in cumulative gross proceeds from equity financings being reached prior to the occurrence of a triggering event as described above).

Notes to the Consolidated Financial Statements

For the years ended April 30, 2017 and 2016

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

13. Financing rights (continued)

Furthermore, in the event that the Company completes an equity financing within a prescribed period of time of either 180 days, 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 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 $0.37 per share as at April 30, 2016 and $0.45 per share as at April 30, 2017. As at April 30, 2017 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, 2017 were otherwise materially unchanged.

14. 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.

(ii) Issued and outstanding:

Common shares	Number of shares	Amount
Balance, April 30, 2015	94,465,379	$ 39,647
Issued in connection with private placements	4,468,730	4,410
Issued in connection with stock option plan	206,666	65
Issued in connection with long term incentive plan	-	2
Share issue costs	-	(5)
Balance, April 30, 2016	99,140,775	44,119
Issued in connection with private placements	24,560,500	24,561
Issued in connection with warrant exercises	690,550	230
Issued in connection with stock option plan	951,067	299
Issued in connection with long term incentive plan	144,508	99
Share issue costs	-	(2)
Balance, April 30, 2017	125,487,400	$ 69,306

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

14. Shareholders' deficit (continued)

(a) Common shares (continued)

Private Placements

In May 2015, the Company issued 4,280,000 common shares at a price of $1.00 per share for gross proceeds of $4.3 million. Eastern Capital Limited ("Eastern") subscribed for 4,000,000 of the 4,280,000 common shares.

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

(b) Stock options

The Company's stock option plan has been approved as a rolling 10% plan that allows for reservation of a number of common shares under the plan equal to 10% of the Company's issued and outstanding common shares on an undiluted basis. Additionally, the plan is a reloading plan, which allows for the number of common shares reserved for issuance related to the options under the plan to automatically become eligible to be reallocated pursuant to stock option based grants upon option expiry, cancellation or exercise. The Company may grant options to its directors, officers, employees and consultants. The majority of options vest over zero to three years and have a four to five year term. Certain stock options granted in the year ended April 30, 2015 have performance conditions which are required to be met in order for the options to vest. These stock options have a seven year term. The stock options are settled by way of the issuance of equity instruments of the Company ("equity-settled").

	Number of options	Weighted average exercise price (CAD)
Outstanding, April 30, 2015	3,860,638	$ 0.27
Granted	603,800	0.32
Exercised	(206,666)	0.21
Expired	(275,805)	0.32
Forfeited	(5,199)	0.33
Outstanding, April 30, 2016	3,976,768	0.27
Granted	623,400	0.50
Exercised	(951,067)	0.15
Expired	(382,701)	0.15
Forfeited	(16,866)	0.38
Outstanding, April 30, 2017	3,249,534	$ 0.37

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

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.13 - $0.18	472,200	0.15	$ 0.14	472,200
$0.28 - $0.29	549,734	2.76	0.28	289,437
$0.32 - $0.33	472,200	1.16	0.32	472,200
$0.45 - $0.48	1,309,800	3.32	0.46	714,800
$0.50 - $0.55	445,600	4.09	0.50	-
	3,249,534	2.56	$ 0.37	1,948,637

The number of stock options exercisable at April 30, 2017 was 1,948,637 (2016 – 2,921,474) with a weighted average exercise strike price of CAD$0.32 (2016 – CAD$0.24).

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

14. 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 $0.32 per stock option and $0.17 per stock option associated with stock options granted during the years ended April 30, 2017 and 2016, respectively:

	2017	2016
Risk-free interest rate	0.8%	0.8%
Expected life	4.3 years	4.3 years
Expected volatility	131%	108%
Share price at grant date	CAD$0.50	CAD$0.30
Expected dividends	Nil	Nil

During the year ended April 30, 2016, 240,000 stock options previously granted to a former director that would have otherwise been forfeited or expired under the initial terms of the stock option agreements were extended to expire on the original expiry dates; these stock options would have otherwise expired 30 days after the departure of the director. 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, 2017, the Company granted 1,016,445 (2016 – 1,493,568) RSUs. The weighted average fair value of the RSUs granted in the year ended April 30, 2017 was $0.39 per RSU (2016 - $0.23 per RSU). The Company estimates the fair value of RSUs based on the estimated market price of the underlying stock (net of an estimated illiquidity discount) on the date of grant.

On September 30, 2016, restricted stock units were exercised on a "net of tax" basis. The number of shares issued was equal to the number determined net of the respective taxes attributable to the exercise; 684,339 RSUs were exercised on a net of tax basis, resulting in the issuance 144,508 common shares and the distribution of 253,882 common shares (which distribution is taken from the 263,032 common shares issued during the year ended April 30, 2014 and held by a financial institution to satisfy further redemptions under the Company's long term incentive plan, thus these exercises did not result in an increase in the number of common shares outstanding).

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

	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, April 30, 2015	1,302,952	$ 0.28
Granted	1,493,568	0.23
Exercised	(9,150)	0.30
Forfeited	(252,566)	0.23
Outstanding, April 30, 2016	2,534,804	0.26
Granted	1,016,445	0.39
Exercised	(684,339)	0.32
Forfeited	(38,866)	0.30
Outstanding, April 30, 2017	2,828,044	$ 0.29

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

14. Shareholders' deficit (continued)

(d) Warrant liability

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

	Number of warrants	Weighted average exercise price (CAD)	Liability amount
Outstanding, April 30, 2015	5,479,440	$ 0.19	$ 512
Revaluation of warrant liability	-	-	521
Outstanding, April 30, 2016	5,479,440	0.19	1,033
Exercised	(690,550)	0.20	(124)
Expired	(2,740,250)	0.20	-
Revaluation of warrant liability	-	-	(312)
Outstanding, April 30, 2017	2,048,640	$ 0.17	$ 597

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

Exercise Price (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
$0.14	1,320,000	0.33	$ 0.14
$0.22	728,640	0.85	0.22
	2,048,640	0.51	$ 0.17

No warrants were issued during the years ended April 30, 2017 and 2016.

Under IFRS, the prescribed accounting treatment for warrants issued with an exercise price denominated in a foreign currency is to treat these warrants as a liability measured at fair value with subsequent changes in fair value accounted for through profit or loss. The fair value of these warrants is determined using the Black Scholes option pricing model. All of the Company's warrants meet this liability classification requirement and thus the value of these warrants are presented as a current liability on the consolidated statement of financial position. As these warrants are exercised, the fair value of the recorded warrant liability on date of exercise is included in share capital along with the proceeds from the exercise.

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

(e) Per share amounts

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

	2017	2016
Weighted average common shares outstanding - basic and diluted	124,186,337	98,699,915

The effect of any potential exercise of stock options, restricted stock units and warrants outstanding is excluded from the calculation of diluted loss per share in periods where the effect would be anti-dilutive.

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

15. Personnel costs

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

	2017	2016
Short-term employee benefits	$ 2,208	$ 1,516
Equity-settled share-based payments	547	332
Total personnel expenses	$ 2,755	$ 1,848

16. 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.

	2017	2016
Included in research and development expenses:		
Share-based payment transaction costs	$ 172	$ 124
Amortization and depreciation	248	245
Impairment of intangible assets	-	12
Included in general and administrative expenses:		
Share-based payment transaction costs	$ 375	$ 208
Amortization and depreciation	21	19

The impairment of intangible assets above is described in Note 8.

17. Commitments

As at April 30, 2017, the Group is party to cancellable agreements with contract research organizations conducting the initial work for our clinical trials. Corresponding estimated aggregate expenditures over the next twelve months total approximately $5.9 million (2016 – $3.5 million).

As at April 30, 2017, the Group is committed to expenditures over the next twelve months of $1.2 million (2016 – $0.8 million), pursuant to various research and development contracts.

As at April 30, 2017, Resverlogix was committed to operating lease payments for office and laboratory premises, for which the Company is allocated, as follows:

	2017	2016
Less than 1 year	$ 251	$ 452
Between 1 and 5 years	613	778
More than 5 years	245	519
	$ 1,109	$ 1,749

The Company agreed to pay Resverlogix for its proportionate share of operating lease payments and operating costs for office and laboratory premises of an estimated $0.3 million and $0.1 million, respectively, for the next twelve months. The operating lease payments are included in the figures above.

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

18. 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 up to and including November 26, 2015, the date that the Company and NGN ceased being related as described below.

Key management personnel

Key management personnel of the Group consist 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:

	2017	2016
Short-term employee benefits	$ 717	$ 991
Equity-settled shared-based payments	432	226
Key management personnel compensation	$ 1,149	$ 1,217

As at April 30, 2017, $0.2 million (2016 - $0.3 million) of outstanding compensation is payable to key management personnel.

During the year ended April 30, 2016, the Company issued 75,000 common shares at a price of $1.00 per share for gross proceeds of $0.1 million to a close family member of a director of the Company. As outlined in Note 14 (b), during the year ended April 30, 2016, 240,000 stock options previously granted to a former director of the Company 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; these stock options would have otherwise expired 30 days after the departure of the director.

Related party transactions with Resverlogix

Resverlogix and Zenith have a majority of their directors in common, and thus are considered related parties. Resverlogix provides management and administrative services to 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, 2017, the Group incurred an aggregate of $1.2 million (2016 - $1.2 million) of service fees and reimbursable expenses, comprised of $0.6 million (2016 - $0.7 million) for administrative services provided by Resverlogix and $0.7 million (2016 - $0.6 million) of reimbursable expenses, net of $0.1 million (2016 - $0.1 million) for research services provided by Zenith. As at April 30, 2017, the Company owes Resverlogix $0.2 million (April 30, 2016 - $5.7 million). This balance is payable on demand and non-interest bearing.

Conversely, effective January 1, 2015, the Company entered into a Services Agreement whereby it supplies research services to Resverlogix. During the year ended April 30, 2017, Zenith provided $0.2 million of research services (2016 - $0.2 million) with an unearned deposit balance remaining as outlined in Note 11.

During the year ended April 30, 2016, the Company entered into a letter of understanding with Resverlogix in connection with a proposal that the Company grant royalty rights related to some or all of the Company's intellectual property, Resverlogix paid Zenith $2.3 million. In the event that a transaction did not close, any consideration paid by Resverlogix to the Company in connection with the transaction would remain payable by the Company to Resverlogix. Zenith decided to pursue other alternatives, and therefore, Resverlogix and the Company mutually agreed not to pursue a proposed royalty arrangement. The letter of understanding was therefore cancelled and the $2.3 million was repaid.

Related party transactions with NGN

A former director of the Company held positions of control at both the Company and NGN; therefore, NGN was considered a related party of the Company until the former director's departure effective November 26, 2015. There were no transactions with NGN during the year ended April 30, 2016, other than the compensation for the former director included in the disclosure above.

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

19. Income taxes

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

	2017	2016
Expected tax recovery expense - 27% (2016 - 26.7%)	$ (1,861)	$ (2,178)
Revaluation of financing rights	(84)	(216)
Revaluation of the fair value of warrant liability	(188)	139
Stock-based compensation	148	88
Change in enacted rates	-	(983)
Other	10	(18)
Current year losses and other for which no deferred tax asset is recognized	2,018	3,185
Income tax expense	$ 43	$ 17

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

Deferred tax assets are recognized, to the extent that it is probable that taxable income will be available, against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. The components of the unrecognized net deferred income tax asset are as follows:

	2017	2016
Non-capital losses	$ 14,061	$ 12,117
Scientific research and experimental development expenditures	2,770	2,459
Undepreciated capital cost and other	661	898
Unrecognized deferred tax	$ 17,492	$ 15,474

The Company has non-capital losses of approximately $52.1 million (2016 - $44.9 million) available to reduce future years' taxable income expiring at various times until 2037. As at April 30, 2017, the Company has non-refundable federal investment tax credits of approximately $2.0 million (2016 - $1.8 million) which are available to reduce future taxes payable, subject to approval by Canada Revenue Agency and expiring at various times until 2037. The Company has unclaimed scientific research and development expenditures available to reduce future years' taxable income of approximately $10.3 million (2016 - $9.1 million) over an indefinite future period. The Company has undepreciated capital cost pools of approximately $4.2 million (2016 - $5.0 million). The potential benefits of these tax pools have not been recorded in the financial statements.