ZENITH
EPIGENETICS

Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2016 and 2015

Condensed Interim Consolidated Statements of Financial Position

(unaudited)

As at: *In thousands of US dollars*	Notes	January 31, 2016	April 30, 2015
Assets			
Current assets:			
Cash		$ 24	$ 61
Prepaid expenses and deposits		42	59
Investment tax credit receivable		323	240
Other assets		18	38
Clinical supplies		18	-
Total current assets		425	398
Non-current assets:			
Deposits		38	-
Property and equipment		1,176	1,349
Intangible assets		494	174
Deferred financing costs		-	31
Clinical supplies		369	-
Total non-current assets		2,077	1,554
Total assets		$ 2,502	$ 1,952
Liabilities			
Current liabilities:			
Trade and other payables		$ 1,306	$ 2,316
Unearned deposits		155	244
Promissory notes	5	126	155
Due to Resverlogix Corp.	6	5,156	1,955
Warrant liability	10 (d)	1,132	512
Financing rights	9	1,544	2,111
Total liabilities		9,419	7,293
Shareholders' deficit:			
Share capital	10 (a)	44,023	39,647
Contributed surplus		1,492	1,256
Deficit		(52,432)	(46,244)
Total shareholders' deficit		(6,917)	(5,341)
Total liabilities and shareholders' deficit		$ 2,502	$ 1,952

Going concern (note 3)
Commitments (note 12)
Subsequent events (note 13)

Signed on behalf of the Board:

Signed: "Donald McCaffrey" Director

Signed: "Kenneth Zuerblis" Director

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

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three and nine months ended January 31
(unaudited)

In thousands of US dollars	Notes	Three months ended January 31, 2016	2015	Nine months ended January 31, 2016	2015
Expenses:					
Research and development	11	$ 1,337	$ 1,744	$ 4,735	$ 8,701
Investment tax credits		(38)	(53)	(122)	(241)
Net research and development		1,299	1,691	4,613	8,460
General and administrative	11	474	556	1,553	1,817
		1,773	2,247	6,166	10,277
Finance (income) costs:					
Loss (gain) on change in fair value of warrant liability	10 (d)	183	(152)	620	(820)
Gain on change in fair value of financing rights	9	(184)	(825)	(623)	(3,037)
Foreign exchange (gain) loss		(4)	25	16	58
Net finance (income) costs		(5)	(952)	13	(3,799)
Gain on termination of license		-	(1,050)	-	(1,050)
Loss before income taxes		1,768	245	6,179	5,428
Income taxes		5	1	9	26
Net and total comprehensive loss		$ 1,773	$ 246	$ 6,188	$ 5,454
Net loss per share *(note 10 (e))*					
Basic and diluted		$ 0.02	$ -	$ 0.06	$ 0.06

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

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit

For the nine months ended January 31

(unaudited)

In thousands of US dollars	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Deficit
Balance, April 30, 2014	$ 33,987	$ 915	$ (38,328)	$ (3,426)
Common shares issued in connection with private placements, net of financing rights	4,919	-	-	4,919
Common shares issued in connection with warrant exercises	154	-	-	154
Common shares issued in connection with stock option and long term incentive plans	317	(356)	-	(39)
Share issue costs	(6)	-	-	(6)
Share-based payment transactions	-	610	-	610
Net and total comprehensive loss	-	-	(5,454)	(5,454)
Balance, January 31, 2015	$ 39,371	$ 1,169	$ (43,782)	$ (3,242)
Balance, April 30, 2015	$ 39,647	$ 1,256	$ (46,244)	$ (5,341)
Common shares issued in connection with private placements, net of financing rights	4,314	-	-	4,314
Common shares issued in connection with stock option and long term incentive plans	67	(34)	-	33
Share issue costs	(5)	-	-	(5)
Share-based payment transactions	-	270	-	270
Net and total comprehensive loss	-	-	(6,188)	(6,188)
Balance, January 31, 2016	$ 44,023	$ 1,492	$ (52,432)	$ (6,917)

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

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended January 31

(unaudited)

In thousands of US dollars	2016	2015
Cash used in:		
Cash flows used in operating activities:		
Net loss	$ (6,188)	$ (5,454)
Items not involving cash:		
Equity-settled share-based payment transactions	270	610
Depreciation and amortization	201	182
Impairment of intangible assets	12	144
Change in fair value of warrant liability	620	(820)
Change in fair value of financing rights	(623)	(3,037)
Impairment of clinical supplies	-	382
Gain on termination of license	-	(1,050)
Income taxes	9	26
Changes in non-cash working capital:		
Prepaid expenses and deposits	17	39
Clinical supplies	(388)	(321)
Investment tax credit receivable	(83)	(170)
Other assets	20	299
Deposits	(38)	-
Unearned deposits	(89)	248
Trade and other payables	(1,088)	(718)
Increase in due to Resverlogix Corp.	3,201	1,265
Cash used in operating activities	(4,147)	(8,375)
Income taxes paid	(60)	-
Net cash used in operating activities	(4,207)	(8,375)
Cash flows generated from financing activities:		
Proceeds from the issuance of common shares	4,370	6,868
Share issuance costs	(5)	(6)
Repayment of promissory notes	(155)	-
Receipt of cash from promissory notes	126	-
Proceeds from exercise of stock options	34	29
Proceeds from exercise of warrants	-	130
Restricted stock unit costs	-	(68)
Deferred financing costs	31	(31)
Changes in non-cash financing working capital	5	(5)
Net cash generated from financing activities	4,406	6,917
Cash flows (used in) from investing activities:		
Property and equipment (expenditures) recovery	(10)	9
Intangible asset expenditures	(350)	(138)
Proceeds from termination of license	-	1,000
Changes in non-cash investing working capital	137	(348)
Net cash (used in) from investing activities	(223)	523
Effect of foreign currency translation on cash	(13)	(15)
Decrease in cash	(37)	(950)
Cash, beginning of period	61	1,151
Cash, end of period	$ 24	$ 201

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

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2016 and 2015

(unaudited)

(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 as 1741273 Alberta Ltd.

The condensed interim consolidated financial statements comprise the Company and its wholly-owned subsidiary Zenith Epigenetics Inc. (together referred to as the "Group"). The Company is 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 and ExtraTerminal Domain ("BET") protein (or "bromodomain") 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., a wholly-owned subsidiary. 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) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting.* These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on March 23, 2016.

Certain information, in particular the accompanying notes normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), has been omitted or condensed. These condensed interim consolidated financial statements do not include all disclosures required under IFRS and, accordingly, should be read in conjunction with the annual financial statements for the year ended April 30, 2015 and the notes thereto prepared in accordance with IFRS as prescribed by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

The condensed interim 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).

Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the three and nine months ended January 31, 2016.

(c) Functional and presentation currency

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

(d) Use of estimates and judgment

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in these condensed interim consolidated financial statements and notes.

Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgment used in the preparation of the condensed interim consolidated financial statements remain unchanged from those described in the Group's consolidated financial statements for the year ended April 30, 2015.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2016 and 2015

(unaudited)

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

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

As at January 31, 2016, the Company has $0.02 million of cash and is committed to pay $1.3 million of trade and other payables, $5.2 million due to related parties and $0.9 million for research and development commitments and $0.4 million of lease obligations over the next twelve months as described further in Note 12 "Commitments". In addition, estimated expenditures over the next twelve months under cancellable agreements with contract research organizations conducting the initial work for our upcoming Phase 1 clinical trial total approximately $0.4 million. The Company's cash 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, and may be forced to cease operations. These conditions result in a material uncertainty which casts 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 condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended April 30, 2015 prepared in accordance with IFRS applicable to those annual consolidated financial statements. Except as disclosed below, the same accounting policies, presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the Company's consolidated financial statements for the year ended April 30, 2015.

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, 2015:

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 amendments have not had a material impact on the financial statements.

5. Promissory notes

In November 2015, the Chairman of the Company and an individual subsequently appointed to the Board of Directors lent CAD $0.09 million and CAD $0.09 million, respectively, to the Company. These promissory notes are payable on demand and are non-interest-bearing.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2016 and 2015

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

6. Due to Resverlogix Corp.

Under a letter of understanding between the Company and Resverlogix Corp. ("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 $2.2 million during the three months ended January 31, 2016 as partial consideration, and $0.1 million subsequent to January 31, 2016. In the event that a transaction does not close, any consideration paid by Resverlogix to the Company in connection with the transaction would remain payable by the Company to Resverlogix. The Company expects the aggregate value of the transaction to be no more than $5.0 million.

7. Asset impairment

During the nine months ended January 31, 2016, the Company recognized a $12 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.

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 therefore written off. During the three months ended October 31, 2014, the Company recognized a $0.1 million impairment loss on intellectual property and a $0.4 million impairment loss on clinical supplies. Both were included in research and development on the statement of comprehensive loss. The Company has continued to pursue additional compounds and progress its preclinical development programs.

8. Royalty preferred shares

As at January 31, 2016, 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 may not exceed the aggregate of all amounts received by Resverlogix or its affiliates in respect of and including Net Apo Revenue in such period.

As the exclusive holder of the royalty preferred shares, as at January 31, 2016 the Company 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 Plan of Arrangement signed June 3, 2013 ("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; (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 Apo Product paid to third parties (specifically excluding any commissions paid to sales personnel, sales representatives and sales agents who are employees or consultants of, or members of a contract sales force engaged by or on behalf of, the Company, any licensee or their respective affiliates), and (iii) amounts received from a third party by Resverlogix or its affiliates in consideration for the sale of any Apo intellectual property right.

The holder of the royalty 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 royalty 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.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2016 and 2015

(unaudited)

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

8. Royalty preferred shares (continued)

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.

9. Financing rights

As at January 31, 2016, the Company has granted various financing rights, as summarized in the following table, to certain subscribers pursuant to certain private placements, as described in Note 10 "Shareholders' deficit".

Anti-Dilution, Transaction and Additional Rights

Private Placement	Number of Shares	Anti-Dilution Rights	Transaction Rights	Additional Rights
March 2014	8,000,000	36 months	Yes	Yes
July 2014	1,500,000	36 months	No	No
October 2014	1,995,300	36 months	Yes	Yes
December 2014	600,000	36 months	Yes	Yes
February - April 2015	300,000	18 months	No	No
September 2015	15,000	180 days	No	No
December 2015	75,000	180 days	No	No
	12,485,300			

Pursuant to the terms of the private placements that the Company closed with anti-dilution rights, in the event that the Company completes an equity financing within a period of time stipulated 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, in the event that the Company has received aggregate 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.

Furthermore, pursuant to the terms of the private placements that the Company closed with additional rights, in the event that the Company completes an equity financing within a period of time stipulated and the Company issues or grants additional securities, contractual rights or entitlements to any of the subsequent subscribers, then the Company shall issue or grant the same additional securities, contractual rights or entitlements to the initial subscribers.

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, only a portion of these rights are still outstanding. 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.

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

9. Financing rights (continued)

Valuation (continued)

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 $25 million in equity, and (2) the fair value of the Company. On 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 profit or loss.

Management's estimate of the fair value of the Company's common shares was $0.38 per share as at January 31, 2016 and $0.21 per share as at April 30, 2015. As at January 31, 2016, the fair value of the financing rights 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 estimates of the fair value of the anti-dilution and transaction rights as at January 31, 2016 were otherwise unchanged.

10. 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, 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
Issued in connection with private placements	4,370,000	4,314
Issued in connection with stock option plan	206,666	65
Issued in connection with long term incentive plan	-	2
Share issue costs	-	(5)
Balance, January 31, 2016	99,042,045	$ 44,023

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

10. Shareholders' deficit (continued)

(a) Common shares (continued)

Private placements

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. NGN BioMed Opportunity II, L.P. ("NGN") subscribed for 1,000,000 of the 4,272,500 common 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 subscribed for 1,000,000 of the 1,995,300 common shares. As described in Note 9 "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 9 "Financing rights", under certain conditions, the subscribers are entitled to receive additional shares.

From February through 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 9 "Financing rights", under certain conditions, the subscribers are entitled to receive additional shares.

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.

(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 stock options outstanding as at January 31, 2016 have between a three and seven year term, the majority vest over zero to three years, and include certain stock options that vested in part or entirely upon issuance pursuant to the Arrangement. Certain stock options have performance conditions which must be met in order for the options to vest. The options are settled by way of the issuance of equity instruments of the Company ("equity-settled").

	Number of options	Weighted average exercise price (CAD)
Outstanding, April 30, 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
Granted	603,800	0.32
Exercised	(206,666)	0.21
Expired	(240,805)	0.33
Forfeited	(5,199)	0.33
Outstanding, January 31, 2016	4,011,768	$ 0.27

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

10. Shareholders' deficit (continued)

(b) Stock options (continued)

The following table summarizes information about the options outstanding and exercisable at January 31, 2016.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
$0.13 - $0.18	1,805,968	0.71	$ 0.15	1,805,968
$0.21 - $0.29	593,800	3.78	0.28	85,000
$0.32 - $0.33	472,200	2.41	0.32	425,733
$0.45 - $0.47	1,139,800	4.47	0.45	614,773
	4,011,768	2.43	$ 0.27	2,931,474

As at January 31, 2016, 2,931,474 (2015 – 3,310,070) stock options were exercisable, with a weighted average exercise strike price of CAD$0.24 (2015 – CAD$0.25).

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 $0.17 per stock option granted during the nine months ended January 31, 2016 (2015 – $0.31 per stock option):

	2016	2015
Risk-free interest rate	0.8%	1.7%
Expected life	4.3 years	6.2 years
Expected volatility	108%	95%
Share price at grant date	CAD$0.30	CAD$0.44
Expected dividends	Nil	Nil

(c) Restricted stock units

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

	Number of restricted stock units	Weighted average grant date fair value (USD)
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
Granted	1,400,066	0.22
Exercised	(9,150)	0.30
Forfeited	(252,566)	0.23
Outstanding, January 31, 2016	2,441,302	$ 0.25

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2016 and 2015

(unaudited)

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

10. Shareholders' deficit (continued)

(c) Restricted stock units (continued)

During the nine months ended January 31, 2016, the Company granted 1,400,066 (2015 – 989,487) RSUs to employees. The weighted average fair value of the RSUs granted in the nine months ended January 31, 2016 was $0.22 per RSU (2015 - $0.37 per RSU). 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.

During the nine months ended January 31, 2016, 9,150 restricted stock units were exercised and distributed from the 263,032 common shares that were issued in fiscal 2014 and held by a financial institution to satisfy further redemptions under the Company's long term incentive plan; thus, these did not result in an increase in the number of common shares issued.

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 of 496,721 common shares.

(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, 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
Revaluation of warrant liability	-	-	620
Outstanding, January 31, 2016	5,479,440	$ 0.19	$ 1,132

The following table summarizes information about the warrants outstanding and exercisable at January 31, 2016.

Exercise Price (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
$0.14	1,320,000	1.57	$ 0.14
$0.20	3,430,800	0.37	0.20
$0.22	728,640	2.10	0.22
	5,479,440	0.89	$ 0.19

Under IFRS, the prescribed accounting treatment for warrants issued with an exercise price denominated in a foreign currency, and not within the scope of IFRS 2, 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 satisfy the criteria for liability classification 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 nine months ended January 31, 2016 or 2015.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2016 and 2015

(unaudited)

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

10. Shareholders' deficit (continued)

(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 three and nine months ended January 31, 2016 of 98,981,056 and 98,579,018 respectively (2015 - 93,756,195 and 90,730,705, respectively). 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.

11. Expenses by nature

Presentation of expenses is based on the function of each expense. The following details highlight certain components of the research and development and general and administrative expenses classified by nature. Remaining research and development and general and administrative expenses include personnel costs and expenses paid to third parties, including the service fees paid to Resverlogix.

	Three months ended January 31,		Nine months ended January 31,	
	2016	2015	2016	2015
Included in research and development expenses:				
Share-based payment transaction costs	$ 31	$ (7)	$ 93	$ 158
Amortization and depreciation	57	55	187	175
Included in general and administrative expenses:				
Share-based payment transaction costs	$ 48	$ 130	$ 177	$ 452
Amortization and depreciation	5	4	14	7

12. Commitments

As at January 31, 2016, the Group is committed to expenditures over the next twelve months of $938 (2015 – $599) pursuant to various research and development contracts.

As at January 31, 2016, the Group is party to cancellable agreements with contract research organizations conducting the initial work for our upcoming Phase 1 clinical trial. Corresponding estimated aggregate expenditures over the next twelve months total approximately $428 (2015 – nil).

As at January 31, 2016, Resverlogix was committed to operating lease payments for office and laboratory premises, for which the Company is allocated, as follows:

	2016	2015
Less than 1 year	$ 425	$ 399
Between 1 and 5 years	1,853	828
More than 5 years	584	808
	$ 2,862	$ 2,035

The Company agreed to reimburse 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.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2016 and 2015

(unaudited)

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

13. Subsequent events

Subsequent to January 31, 2016, $0.2 million of the investment tax credit receivable was collected. Subsequent to January 31, 2016, Resverlogix paid Zenith $0.1 million, as described in Note 6 “Due to Resverlogix Corp.”