



ZENITH EPIGENETICS

Consolidated Financial Statements

Years Ended April 30, 2014 and 2013

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Zenith Epigenetics Corp. (the "Company") have been approved by the Board of Directors and have been prepared in accordance with International Financial Reporting Standards and policies stated in the notes thereto. 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)
Julie M. Cherrington
President and Chief Executive Officer

(signed)
A. Brad Cann
Chief Financial Officer

August 21, 2014



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Zenith Epigenetics Corp.

We have audited the accompanying consolidated financial statements of Zenith Epigenetics Corp., which comprise the consolidated statements of financial position as at April 30, 2014 and 2013, the consolidated statements of comprehensive income (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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Zenith Epigenetics Corp. as at April 30, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 in the consolidated financial statements, which indicates that Zenith Epigenetics Corp. has insufficient cash to fund contractual commitments due in the next 12 months. This condition, along with the working capital deficiency of \$5.2 million as at April 30, 2014, and other matters as set forth in Note 3 in the consolidated financial statements, indicates the existence of a material uncertainty that may cast significant doubt about Zenith Epigenetics Corp.'s ability to continue as a going concern.

KPMG LLP

Chartered Accountants

August 21, 2014
Calgary, Canada

Consolidated Statements of Financial Position

<i>In thousands of US dollars</i>	Notes	April 30 2014	April 30, 2013
Assets			
Current assets:			
Cash		\$ 1,151	\$ 97
Clinical supplies		31	-
Prepaid expenses and deposits		89	57
Investment tax credit receivable		332	343
Other assets		323	-
Total current assets		1,926	497
Non-current assets:			
Property and equipment	7	1,591	103
Intangible assets	8	185	107
Clinical supplies		30	-
Total non-current assets		1,806	210
Total assets		\$ 3,732	\$ 707
Liabilities			
Current liabilities:			
Trade and other payables	11	\$ 2,285	\$ 1,418
Promissory notes payable to Resverlogix Corp.	12	-	7,646
Due to Resverlogix Corp.	13	167	9,829
Warrant liability	15 (d)	1,444	-
Financing rights	14	3,262	-
Total liabilities		7,158	18,893
Shareholders' deficit:			
Share capital	15	33,987	982
Contributed surplus		915	-
Deficit		(38,328)	(19,168)
Total shareholders' deficit		(3,426)	(18,186)
Total liabilities and shareholders' deficit		\$ 3,732	\$ 707

Commitments (note 18)

Subsequent events (note 21)

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

<i>In thousands of US dollars</i>	Notes	2014	2013
Expenses:			
Research and development	17	\$ 14,942	\$ 10,049
Investment tax credits		(350)	(345)
Net research and development		14,592	9,704
General and administrative	17	1,792	919
		16,384	10,623
Finance costs:			
Loss on change in fair value of warrant liability	15 (d)	138	-
Interest income		(21)	-
Foreign exchange loss		159	-
Net finance costs		276	-
Acquisition of rights	9	2,500	-
Net and total comprehensive loss		\$ 19,160	\$ 10,623

Net loss per share (note 15(e))

Basic and diluted	\$ 0.27
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The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Changes in Shareholders' Deficit

For the years ended April 30

<i>In thousands of US dollars</i>	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Deficit
Balance, May 1, 2012	\$ 982	\$ -	\$ (8,545)	\$ (7,563)
Net and total comprehensive loss	-	-	(10,623)	(10,623)
Balance, April 30, 2013	\$ 982	\$ -	\$ (19,168)	\$ (18,186)
Distribution of RVX Therapeutics to Zenith Epigenetics Corp.	27,145	-	-	27,145
Common shares issued in connection with private placements, net of financing rights	4,838	-	-	4,838
Common shares issued in connection with warrant exercises	929	-	-	929
Common shares issued in connection with long term incentive plan	103	(35)	-	68
Share issue costs	(10)	-	-	(10)
Shared-based payment transactions	-	950	-	950
Net and total comprehensive loss	-	-	(19,160)	(19,160)
Balance, April 30, 2014	\$ 33,987	\$ 915	\$ (38,328)	\$ (3,426)

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

Consolidated Statements of Cash Flows

For the years ended April 30

<i>In thousands of US dollars</i>	Note	2014	2013
Cash used in:			
Cash flows used in operating activities:			
Net loss		\$ (19,160)	\$ (10,623)
Less: RVX Therapeutics Inc. pre-acquisition net loss	2 (a)	1,191	-
Items not involving cash:			
Equity-settled share-based payment transactions		950	-
Depreciation and amortization		73	15
Change in fair value of warrant liability		138	-
Interest income		(21)	-
Changes in non-cash working capital:			
Prepaid expenses and deposits		(30)	(57)
Clinical supplies		(17)	-
Investment tax credit receivable		2	(343)
Other assets		(322)	-
Trade and other payables		936	1,366
Cash used in operating activities		(16,260)	(9,642)
Interest received		21	-
Net cash used in operating activities		(16,239)	(9,642)
Cash flows generated from financing activities:			
Distribution from Resverlogix Corp.		9,700	-
Proceeds from the issuance of common shares		8,100	-
Share issuance costs		(6)	-
Increase in due to Resverlogix Corp.		167	-
Proceeds from exercise of warrants		568	-
Proceeds from exercise of stock options		68	-
Advances from and promissory notes payable to Resverlogix Corp.		-	9,829
Net cash generated from financing activities		18,597	9,829
Cash flows used in investing activities:			
Property and equipment expenditures		(1,095)	(105)
Intangible asset expenditures		(76)	(27)
Net cash used in investing activities		(1,171)	(132)
Effect of foreign currency translation on cash		(133)	2
Increase in cash		1,054	57
Cash, beginning of period		97	40
Cash, end of period		\$ 1,151	\$ 97

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

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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

1. General information

Zenith Epigenetics Corp. (formerly 1741273 Alberta Ltd.) (the “Company” or “Zenith”) is a company domiciled in Canada and was incorporated under the *Business Corporations Act* (Alberta) on April 10, 2013. On May 24, 2013, 1741273 Alberta Ltd. changed its name to Zenith Epigenetics Corp. The Company was a wholly owned subsidiary of Resverlogix Corp. (“Resverlogix”) until June 3, 2013. On June 3, 2013, Resverlogix, RVX Therapeutics Inc., and the Company completed a Plan of Arrangement (“the Arrangement”) pursuant to the *Business Corporations Act* (Alberta). Under the terms of the Arrangement, every Resverlogix shareholder received one share in the Company for every share held in Resverlogix at the effective date. Upon the effective time of the Arrangement, the Company owns all of the shares of RVX Therapeutics Inc. and all outstanding Resverlogix royalty preferred shares.

The consolidated financial statements comprise the Company and its wholly-owned subsidiary RVX Therapeutics Inc. (together referred to as the “Group”). The Company and RVX Therapeutics Inc. are incorporated under the laws of Alberta. The Company’s head office is located at Suite 300, 4820 Richard Road S.W., Calgary, Alberta, T3E 6L1. The registered and records office is located at Suite 600, 815 - 8th Avenue S.W., Calgary, Alberta, T2P 3P2.

The Company is a discovery-stage company that has an epigenetic platform technology that modulates protein production. New compounds arising from the Company’s epigenetic drug discovery platform function by inhibiting BET bromodomains and have the potential to impact multiple diseases including cancer, autoimmune and neurodegenerative disorders.

2. Background and basis of preparation

(a) Background

Plan of Arrangement

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

Resverlogix will continue to focus on the clinical development of RVX-208, whereas the Group will focus on innovative drug research and development by leveraging its epigenetics platform in multiple diseases including autoimmune and oncology, excluding ApoA-I and RVX-208 technology.

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

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

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

Pursuant to the Arrangement, the Company was also issued royalty preferred shares in the capital of Resverlogix which will provide the Company with dividends receivable on a percentage of revenue, if any, received by Resverlogix for compounds that result in a therapeutic relevant elevation in the plasma levels of Apo A-I (see Note 10 “Royalty preferred shares”).

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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

2. Background and basis of preparation (continued)

(a) Background (continued)

As described further in Note 5 "Significant judgments, estimates and assumptions", as Resverlogix incurred certain of RVX Therapeutics Inc.'s costs and performed certain of RVX Therapeutics Inc.'s activities, it was necessary to make allocations of these costs reported in these financial statements. The costs are primarily employee related or associated with research performed by external research organizations. As described further in Note 8 "Intangible assets", the Company has licensed or acquired intellectual property from Resverlogix and has developed intellectual property, and conducts research related to epigenetics, autoimmune diseases and cancer. These financial statements include the Company's assets and liabilities and costs related to its programs.

For comparative purposes, the pre-Arrangement operational results for RVX Therapeutics Inc. have been included in the consolidated statements of comprehensive loss and the consolidated statements of cash flows. Also, the comparative statement of financial position includes the assets and liabilities of RVX Therapeutics as at April 30, 2013 and the balances presented in the statement of changes in shareholders' deficit as at May 1, 2012 and April 30, 2013 reflect those of RVX Therapeutics Inc. prior to the completion of the Arrangement. In the current period, the operational results for RVX Therapeutics Inc. for the pre-Arrangement period of May 1, 2013 to June 2, 2013 have been included in these consolidated financial statements to present complete information about the acquired entity. RVX Therapeutics Inc.'s pre-Arrangement cash flows have not been included in the current period consolidated statements of cash flows. No comparative net loss per share has been included as there were no shares outstanding in the comparative period since the Company was incorporated on April 10, 2013.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 21, 2014.

(c) Basis of measurement

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

(d) 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 and its ability to finance its cash requirements. It is not possible to predict the outcome of future research and development programs, or the Company's ability to fund these programs in the future.

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

As at April 30, 2014, the Company had \$1.2 million of cash and is committed to pay \$2.3 million of trade and other payables, and \$1.8 million for research and development commitments and \$0.3 million of lease obligations over the next twelve months as described further in Note 18 "Commitments". As described in Note 21 "Subsequent events", subsequent to April 30, 2014 the Company closed a private placement of 4.3 million common shares at a price of \$1.00 per share for gross proceeds of \$4.3 million.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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

3. Future operations (continued)

The Company's cash, including the proceeds from the private placement closed subsequent to April 30, 2014, 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. We intend to close additional private placements. If the Company is not able to raise capital, the Company would have to reduce its cash requirements by eliminating or deferring spending on research, development and corporate activities. These conditions result in a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

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

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

4. Significant accounting policies

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

Consolidation

The consolidated financial statements include the accounts of Zenith Epigenetics Corp. and its wholly-owned subsidiary RVX Therapeutics Inc. 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 dates 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 loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes party to the contractual provisions of the instrument.

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.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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

4. Significant accounting policies (continued)

Financial instruments (continued)

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.

Financial assets

Financial assets are comprised of cash and investment tax credit receivable. Financial assets are classified as follows:

Cash

Cash consists of cash on hand and interest bearing deposits with the Group's banks and have been designated as held for trading. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Investment tax credit receivable

Investment tax credit receivable has been classified as loans and receivables initially recognized at fair value. Subsequent to initial recognition it is measured at amortized cost, using the effective interest rate method.

Financial liabilities

Financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Financial liabilities are classified as follows:

Trade and other payables and due to Resverlogix Corp.

Trade and other payables and amounts due to Resverlogix Corp. are non-interest-bearing and are initially recorded at fair market value less any directly attributable transaction costs. They are classified as other financial liabilities and are subsequently measured at amortized cost using the effective interest rate method.

Warrant liability

Warrants with an exercise price denominated in a foreign currency are recorded as a warrant liability and classified as fair value through profit or loss. The warrant liability is initially measured at fair value with subsequent changes in fair value recorded as finance income or cost in the consolidated statement of comprehensive loss. These warrants have not been listed on an exchange and therefore do not trade on an active market.

Financing rights

The financing rights are initially measured at fair value with subsequent changes in fair value recorded as finance income or cost in the consolidated statement of comprehensive loss.

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).

Transaction Costs

Transaction costs are expensed as incurred for financial instruments designated as held for trading. Transaction costs for other financial instruments are recognized as part of the financial instrument's carrying value.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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

4. Significant accounting policies (continued)

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 expenditure, 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 expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is 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 years
Non-integrated software	Straight line	3 years

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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

4. Significant accounting policies (continued)

Impairment

Impairment of financial assets

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

Impairment of long lived assets

Property and equipment and finite-lived intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. 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 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 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 terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. 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 estimate of the future volatility of the Company's shares corresponding to the expected term), expected term of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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

4. Significant accounting policies (continued)

Share-based payment transactions (continued)

account in determining fair value. Any consideration received upon exercise of the options and similar instruments together with the amount of non-cash compensation cost recognized in contributed surplus is recorded as an increase in common shares. The Company estimates the fair value of restricted stock units ("RSUs") based on the estimated fair market value of the underlying stock (net of an estimated illiquidity discount) on the date of grant.

Government grants

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

Finance income and costs

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

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

Income tax

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

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

Deferred tax is recognized in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Share capital

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

Earnings per share

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

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

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.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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

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, 2013:

IFRS 10 - Consolidated Financial Statements - supersedes IAS 27 “Consolidation and Separate Financial Statements” and SIC-12 “Consolidation – Special Purpose Entities”. This standard provides a single model to be applied in control analysis for all investees including special purpose entities. The adoption of IFRS 10 did not have a material impact on the consolidated financial statements.

IFRS 11 - Joint Arrangements - divides joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. IFRS 11 replaces the guidance in IAS 31 *Interest in Joint Ventures*, and essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures must now use the equity method of accounting. The adoption of IFRS 11 did not have a material impact on the consolidated financial statements.

IFRS 12 - Disclosure of Interests in Other Entities - combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements as well as unconsolidated structured entities. The adoption of IFRS 12 did not have a material impact on the consolidated financial statements.

IFRS 13 - Fair Value Measurement - replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurement to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other. Due to the nature of the Company’s financial assets and liabilities, the adoption of IFRS 13 did not have a material impact on the consolidated financial statements. The initial adoption of IFRS 13 resulted in the inclusion of certain fair value disclosures which were previously applicable to annual financial statements only.

Amendments to IAS 1 - Presentation of Financial Instruments - requires an entity to present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. As the amendments only required changes in the presentation of items in other comprehensive income, the new standard did not have a material impact on the consolidated financial statements.

Amendments to IFRS 7 - Offsetting Financial Assets and Liabilities - contains new disclosure requirements for offset financial assets and liabilities and netting arrangements. The amendments to IFRS 7 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

In November 2009, 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. In October 2010, the IASB issued additions to IFRS 9 regarding financial liabilities. The IASB removed the January 1, 2015 mandatory effective date from IFRS 9. The IASB will decide on a new effective date when the entire IFRS 9 project is closer to completion. Entities may still early-adopt the finalized and issued provisions of IFRS 9. We do not anticipate that there will be a material impact on our financial position or results of operations.

Offsetting Financial Assets and Liabilities

An amendment to IAS 32 - *Offsetting Financial Assets and Liabilities*, (a) clarifies requirements for the right to set-off for rights that are contingent, and enforceability in default, insolvency or bankruptcy of all parties to a liability and (b) clarifies provisions on net settlement. The amendments to IAS 32 will be adopted May 1, 2014. We are currently assessing the impact of adopting the IAS 32 amendments on our consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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

5. Significant judgments, estimates and assumptions

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

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

Share-based payment transactions

The Company measures share-based payment transactions by reference to the fair value of the stock options and restricted stock units at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model, including the estimated fair value of the Company's common shares (which has been based primarily on the adjusted net asset value approach based on historical costs of intellectual property, and discounting estimated future cash flows pursuant to the Resverlogix royalty preferred shares held by the Company), and the expected life of the stock options, volatility and dividend yield. The estimation of the fair value of the Company's common shares requires management to exercise judgment concerning valuation approaches and methods, discount rates, and estimates of future cash flows, including the timing and amounts of discounted risk adjusted future cash flows derived from the Resverlogix royalty preferred shares held by the Company. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 15.

Warrant liability

The Company measures the initial warrant liability and subsequent revaluations of the warrant liability by reference to the fair value of the warrants at the date at which they were granted and subsequently revalues them at each reporting date. Estimating fair value for these warrants requires management to determine the most appropriate valuation model. This estimate also requires management to make assumptions about the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield. The assumptions and model used for estimating fair value of the warrants are disclosed in Note 15.

Financing rights

The determination of the fair value of the anti-dilution rights required management to use judgment, including management's estimates of: (1) various probabilities of future equity offerings at various prices below \$1 per share, and (2) the fair value of the Company. 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. The costs are primarily employee related or associated with research performed by external research organizations. Research fees and compensation related costs have been allocated to the Group using methodologies primarily based on proportionate time spent on the Group's and Resverlogix's respective activities. These cost allocations have been determined on a basis considered by the Group and Resverlogix to be a reasonable reflection of the utilization of services provided to the Group.

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 judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Notes to the Consolidated Financial Statements

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

5. Significant judgments, estimates and assumptions (continued)

Taxes (continued)

To date the Company has determined that none of the deferred tax assets should be recognized other than the provincial portion of the Investment tax credit receivable. The deferred tax assets are mainly comprised of the net operating losses from prior years, prior year research and development expenses, and investment tax credits. These tax pools have varying expiry dates. There are no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

6. Financial risk management

Overview

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

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework, including the development and monitoring of the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company 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 Company's exposure to liquidity risk is dependent on its research and development programs and associated commitments and obligations; and the raising of capital. The Company has historically relied on funding from its former parent company, Resverlogix, to support its operations and, recently, primarily from equity private placements. There are no assurances that funds will be available to the Company when required. The Company holds cash on deposit of which as at April 30, 2014, is not subject to any external restrictions. The Company also continuously monitors actual and projected expenditures and cash flows.

The table below presents a maturity analysis of the Company's financial liabilities on the expected cash flows from April 30, 2014 to the contractual maturity date. The carrying amounts are equivalent to the following contractual undiscounted cash flows.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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6. Financial risk management (continued)

(a) Liquidity risk (continued)

	April 30, 2014	April 30, 2013
Trade and other payables balance		
3 months or less	\$ 2,285	\$ 1,418
3 - 12 months	-	-
Trade and other payables total	\$ 2,285	\$ 1,418
Promissory notes payable to Resverlogix Corp.		
3 months or less	\$ -	\$ 7,646
3 - 12 months	-	-
Promissory notes payable to Resverlogix Corp. total	\$ -	\$ 7,646
Due to Resverlogix Corp.		
3 months or less	\$ 167	\$ 9,829
3 - 12 months	-	-
Due to Resverlogix Corp. total	\$ 167	\$ 9,829
Total	\$ 2,452	\$ 18,893

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Company'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 Company is exposed to currency risk on transactions that are denominated in a currency other than the functional currency of the Company. The currency in which these foreign transactions primarily are denominated in is the Canadian dollar. The Company is also exposed to foreign exchange risk on its Canadian dollar denominated cash. The Company manages its exposure to currency fluctuations by holding cash denominated in Canadian dollars sufficient to satisfy current and anticipated Canadian dollar financial liabilities.

The Company had no forward exchange contract to manage its foreign currency risk. As at April 30, 2014, the Company had Canadian denominated assets and liabilities of: cash in the amount of CAD\$595 (2013 - CAD\$28) and accounts payable in the amount of CAD\$908 (April 30, 2012 - CAD\$320). A change of \$0.01 in exchange rate as measured on April 30, 2014 would result in a foreign currency gain or loss of CAD\$3 (2013 - CAD\$3).

(c) Credit risk

Credit risk is the risk of financial loss to the Company 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 Company 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, 2014, the carrying amounts of the Company'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, 2014 and 2013

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

7. Property and equipment

	Laboratory equipment	Office furniture and equipment	Computer hardware and software	Leasehold improvements	Total
Cost					
Balance at April 30, 2013	\$ 135	\$ 3	\$ 1	\$ -	\$ 139
Additions	318	130	56	1,046	1,550
Disposals	-	(3)	-	-	(3)
Balance at April 30, 2014	\$ 453	\$ 130	\$ 57	\$ 1,046	\$ 1,686
Accumulated depreciation					
Balance at April 30, 2013	\$ 34	\$ 1	\$ 1	\$ -	\$ 36
Depreciation	42	7	13	-	62
Disposals	-	(3)	-	-	(3)
Balance at April 30, 2014	\$ 76	\$ 5	\$ 14	\$ -	\$ 95
Net book value					
As at April 30, 2013	101	2	-	-	103
As at April 30, 2014	377	125	43	1,046	1,591

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

8. Intangible assets

	Patents and intellectual property	Non-integrated software	Total
Cost			
Balance at April 30, 2013	\$ 102	\$ 9	\$ 111
Additions	87	3	90
Balance at April 30, 2014	\$ 189	\$ 12	\$ 201
Accumulated amortization and impairment losses			
Balance at April 30, 2013	\$ 3	\$ 1	\$ 4
Amortization	8	4	12
Balance at April 30, 2014	\$ 11	\$ 5	\$ 16
Net book value			
As at April 30, 2013	99	8	107
As at April 30, 2014	178	7	185

Effective May 1, 2012, Resverlogix transferred intellectual property rights and technology to the Company, pursuant to the Assignment and Services Agreement between Resverlogix and the Company. The expenditures corresponding to the transferred intellectual property rights and technology do not meet the recognition criteria for intangibles assets.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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9. License

Amended and Restated License Agreement

On June 3, 2013 (see Note 19 “Related party transactions”), RVX Therapeutics Inc. and Resverlogix entered into an Amended and Restated License Agreement (the “License Amendment”), effective January 31, 2013, which amended a License Agreement dated August 1, 2005. Pursuant to the License Amendment, Resverlogix granted an irrevocable, worldwide license to RVX Therapeutics Inc. under certain licensed patents and licensed know-how to develop, commercialize and sell licensed products in any field other than the Apolipoprotein A-I (ApoA-I) therapeutic field (the prevention, treatment or mitigation of any disease via the administration of a pharmaceutical agent that results in a specified therapeutic elevation in the plasma levels of ApoA-I).

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

Waiver Agreement

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

10. Royalty preferred shares

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

The holder of the royalty preferred shares is entitled to dividends in the amount of 6-12% of net Apo Revenue, if any. Net Apo revenue is defined as the aggregate of the following amounts: (i) amounts received by Resverlogix or its affiliates (as defined in the Arrangement) from any person who is not Resverlogix or its affiliate (a “third party”) in consideration for granting a license or other rights to the third party which entitle the third party to research, develop, make, manufacture, modify, administer, offer to sell, sell or distribute one or more of the Apo products and/or Apo intellectual property rights or amounts received under the terms of such license or other right that are granted to the third party; (ii) the gross consideration received from a third party by Resverlogix, any licensee or their respective affiliates from the sale of any Apo product (other than consideration received by Resverlogix, any licensee or their respective affiliates from a licensee of such Apo product or its affiliate); less (A) credits or allowances, if any, actually granted; (B) discounts actually allowed; (C) freight, postage, and insurance charges and additional special packaging charges; and (D) customs duties, and excise sales taxes, duties or other taxes imposed upon and paid with respect to such sales (excluding what is commonly known as income taxes); and (iii) amounts received from a third party by Resverlogix or its affiliates in consideration for the sale of any Apo intellectual property right.

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

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

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11. Trade and other payables

	2014	2013
Trade payables	\$ 1,994	\$ 1,360
Accrued liabilities	291	58
	\$ 2,285	\$ 1,418

12. Promissory notes payable to Resverlogix Corp.

	2014	2013
August 1, 2005 promissory notes	\$ -	\$ 120
May 1, 2012 promissory notes	-	7,526
	\$ -	\$ 7,646

Effective May 1, 2012, Resverlogix transferred intellectual property rights and technology to RVX Therapeutics Inc., pursuant to the Assignment and Services Agreement. In consideration RVX Therapeutics Inc. paid to Resverlogix the aggregate amount of \$8.5 million by issuing a promissory note in the amount of \$7.5 million (net of \$1.0 million Resverlogix owed RVX Therapeutics Inc.). The promissory notes are payable to Resverlogix, non-interest bearing, repayable sixty days subsequent to demand, and unsecured.

As described in Note 2a, pursuant to the Arrangement, on June 3, 2013 the promissory notes were transferred from Resverlogix to Zenith such that, subsequent to the Arrangement, RVX Therapeutics Inc. was indebted to Zenith in respect of these liabilities. For the year ended April 30, 2014, these promissory notes payable between Zenith and its wholly-owned subsidiary RVX Therapeutics Inc. now eliminate on consolidation.

13. Due to Resverlogix Corp.

As at April 30, 2014, advances from Resverlogix total \$0.2 million. They are payable on demand and non-interest bearing.

As at April 30, 2013, advances from Resverlogix totalled \$9.8 million. They were payable on demand and non-interest bearing. As described in Note 2a, pursuant to the Arrangement, on June 3, 2013 advances from Resverlogix were transferred from Resverlogix to Zenith such that, subsequent to the Arrangement, RVX Therapeutics Inc. was indebted to Zenith in respect of this liability. For the year ended April 30, 2014, this intercompany balance between Zenith and its wholly-owned subsidiary RVX Therapeutics Inc. now eliminates on consolidation.

14. Financing rights

Pursuant to the terms of private placements described in Note 15 "Shareholders' deficit", in the event that the Company completes an equity financing within 18 months and the price per share is lower than US\$1.00, the price per share paid by the initial subscribers will be adjusted to the lower price per share and they will, accordingly, receive additional common shares for no additional consideration. Furthermore, in the event that the Company completes an equity financing within 18 months 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. Additionally, in the event that the Company receives gross proceeds from equity financings of less than US\$25 million and grants a license to a third party, 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.

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14. Financing rights (continued)

The Company determined the fair value of the 8 million common shares to be \$4.8 million which is net of a \$2.3 million of anti-dilution rights and \$0.9 million of transaction rights. The determination of the fair value of the anti-dilution rights required management to use judgment, including management's estimates of: (1) various probabilities of future equity offerings at various prices below \$1 per share, and (2) the fair value of the Company. 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 recorded the anti-dilution and transaction rights as liabilities with off-setting reductions to the carrying amount of the common shares. Management's estimates of the fair value of the anti-dilution and transaction rights as at April 30, 2014 were unchanged.

15. 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:

	Number of shares	Amount
Common shares		
Issuance of common shares on incorporation	1	\$ 0.001
Balance, April 30, 2013	1	0.001
Cancelled in connection with Plan of Arrangement	(1)	(0.001)
Issued in connection with Plan of Arrangement	75,202,620	28,127
Issued in connection with private placements	8,100,000	4,838
Issued in connection with warrant exercises	2,452,686	929
Issued in connection with stock option plan	293,332	99
Issued in connection with long term incentive plan	14,367	4
Share issue costs	-	(10)
Balance, April 30, 2014	86,063,005	\$ 33,987

Issuance of Common Shares

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

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

Private Placements

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

As described in Note 20 "Subsequent events", subsequent to April 30, 2014 the Company closed a private placement of 4.3 million common shares at a price of \$1.00 per share for gross proceeds of \$4.3 million.

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15. Shareholders' deficit (continued)

(b) Stock options

The Company's stock option plan has been approved as a rolling 10% plan that allows for reservation of a number of common shares under the plan equal to 10% of the Company's issued and outstanding common shares on an undiluted basis. Additionally, the plan is a reloading plan, which allows for the number of common shares reserved for issuance related to the options under the plan to automatically become eligible to be reallocated pursuant to stock option based grants upon option expiry, cancellation or exercise. The Company may grant options to its directors, officers, employees and consultants. The stock options vest over two to three years including certain stock options that vested in part or entirely upon issuance pursuant to the Arrangement and the stock options have between a two and five year term. 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 10 and 30, 2013	-	\$ -
Granted	5,198,070	0.24
Exercised	(293,332)	0.26
Expired	(1,218,550)	0.27
Forfeited	(64,550)	0.22
Outstanding, April 30, 2014	3,621,638	\$ 0.23

The following table summarizes information about the options outstanding and exercisable at April 30, 2014.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
\$0.11 - \$0.18	2,050,138	2.44	\$ 0.15	1,576,407
\$0.21 - \$0.30	556,900	1.70	0.25	493,566
\$0.32 - \$0.40	667,600	3.55	0.34	150,000
\$0.51	347,000	0.90	0.51	347,000
	3,621,638	2.38	\$ 0.23	2,566,973

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

The fair value of each 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 \$0.15 per option associated with stock options granted during the year ended April 30, 2014:

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

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15. Shareholders' deficit (continued)

(b) Stock options (continued)

During the year ended April 30, 2014, 464,368 options previously granted to former officers and a former director that would have otherwise been forfeited or expired under the initial terms of the stock option agreements were extended to expire on the original expiry dates. The extension of these 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 restricted stock units fully vest over two or three years.

During the year ended April 30, 2014, in connection with the Plan of Arrangement, the Company granted 753,000 (2013 - nil) RSUs to employees. Every Resverlogix restricted stock unit holder at the effective date of the Arrangement received one restricted stock unit in the Company for every restricted stock unit held in Resverlogix (with identical vesting and terms as the corresponding Resverlogix RSUs). The RSUs vest over a period of two or three years from the original date of grant. Therefore, certain RSUs vested in part or entirely upon issuance pursuant to the Arrangement. The weighted average fair value of the RSUs granted in the year ended April 30, 2014 was \$0.30 per RSU (2013 - nil). 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.

	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, April 10 and 30, 2013	-	\$ -
Granted	753,000	0.30
Exercised	(14,367)	0.30
Forfeited	(42,033)	0.30
Outstanding, April 30, 2014	696,600	\$ 0.30

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

(d) Warrant liability

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

	Number of warrants	Weighted average exercise price (CAD)	Liability amount
Outstanding, April 10 and 30, 2013	-	\$ -	\$ -
Issued	11,647,282	0.24	1,667
Exercised	(2,452,686)	0.25	(361)
Expired	(1,393,466)	0.25	-
Revaluation of warrant liability	-	-	138
Outstanding, April 30, 2014	7,801,130	\$ 0.24	\$ 1,444

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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

15. Shareholders' deficit (continued)

(d) Warrant liability (continued)

The following table summarizes information about the warrants outstanding and exercisable at April 30, 2014.

Exercise Price (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)
\$0.14	1,320,000	3.33	\$ 0.14
\$0.20	3,445,000	2.13	0.20
\$0.22	728,640	3.86	0.22
\$0.36	2,307,490	0.13	0.36
	7,801,130	1.90	\$ 0.24

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

Under IFRS, the prescribed accounting treatment for warrants issued with an exercise price denominated in a foreign currency is to treat these warrants as a liability measured at fair value with subsequent changes in fair value accounted for through profit or loss. The fair value of these warrants is determined using the Black Scholes option pricing model. All of the Company's warrants meet this liability classification requirement and thus the value of these warrants are presented as a current liability on the consolidated statement of financial position. As these warrants are exercised, the fair value of the recorded warrant liability on date of exercise is included in share capital along with the proceeds from the exercise. If these warrants expire, the related decrease in warrant liability is recognized in profit or loss, as part of the change in fair value of warrant liability. There is no cash flow impact as a result of this accounting treatment.

The grant date weighted average fair value of the warrants granted during the year ended April 30, 2014 was \$0.14 per warrant, using the Black-Scholes option pricing model with the following weighted average assumptions:

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

(e) Per share amounts

The loss per share has been calculated using net loss for the period and the basic and diluted weighted average shares outstanding during the year ended April 30, 2014 of 69,779,633. The effect of any potential exercise of stock options, restricted stock units and warrants outstanding during the period has been excluded from the calculation of diluted loss per share, as it would be anti-dilutive. No comparative net loss per share has been included as there were no shares outstanding in the comparative period since the Company was incorporated on April 10, 2013.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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

16. Personnel costs

	2014	2013
Short-term employee benefits	\$ 950	\$ -
Equity-settled share-based payments	797	-
Total personnel expenses	\$ 1,747	\$ -

As described in Note 19 “Related party transactions”, commencing on May 1, 2012, the Company engaged Resverlogix under a services agreement to supply research and administrative services. As such, the Company recognized service fees rather than personnel expenses during the year ended April 30, 2013. The short-term employee benefits recorded in the year ended April 30, 2014 relate to employees transferred to Zenith from Resverlogix during the year.

17. 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.

	2014	2013
Included in research and development expenses:		
Share-based payment transaction costs	\$ 448	\$ -
Amortization and depreciation	74	15
Included in general and administrative expenses:		
Share-based payment transaction costs	\$ 502	\$ -
Amortization and depreciation	-	-

As described in Note 19 “Related party transactions”, commencing on May 1, 2012, RVX Therapeutics Inc. engaged Resverlogix under the Assignment and Services Agreement to supply research and administrative services.

18. Commitments

As at April 30, 2014, the Company is committed under various research and development contracts as follows:

	2014	2013
Less than 1 year	\$ 1,847	\$ 2,384
Between 1 and 5 years	-	-
More than 5 years	-	-
	\$ 1,847	\$ 2,384

As at April 30, 2014, Resverlogix was committed to operating lease payments for office and laboratory premises, for which the Company is allocated, as follows:

	2014	2013
Less than 1 year	\$ 264	\$ 137
Between 1 and 5 years	1,012	11
More than 5 years	1,173	-
	\$ 2,449	\$ 148

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 \$0.2 million, respectively, for the next twelve months.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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

19. 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 with Resverlogix.

Key management personnel compensation

Key management personnel of the Company consists of its executive management and its Board of Directors. 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:

	2014	2013
Short-term employee benefits	\$ 1,185	\$ 868
Termination benefits	164	-
Equity-settled shared-based payments	600	-
Key management personnel compensation	\$ 1,949	\$ 868

Related party transactions with Resverlogix

Resverlogix provides research and administrative services to the Group pursuant to the Assignment and Services Agreement. As consideration for the services, the Group pays Resverlogix a service fee, consisting of salary and other compensation costs attributable to the services and reimbursable expenses incurred by Resverlogix in connection with the services.

During the year ended April 30, 2014, the Group incurred an aggregate of \$4.8 million (2013 - \$17.4 million) of service fees and reimbursable expenses, comprised of \$2.5 million (2013 - \$2.3 million) for research services, \$0.6 million (2013 - \$0.5 million) for administrative services, and \$1.7 million (2013 - \$14.6 million) of reimbursable expenses.

As described in Note 7 "Property and equipment", the Company purchased laboratory equipment and office furniture and equipment from Resverlogix Corp. for \$0.3 million, which represents the fair value of the assets.

As described in Note 9 "License", RVX Therapeutics Inc. and Resverlogix entered into a Waiver Agreement. In consideration for this waiver, RVX Therapeutics Inc. paid Resverlogix \$2.5 million in cash.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2014 and 2013

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

20. 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:

	2014	2013
Expected tax recovery expense - 25% (2013 - 25%)	\$ (4,790)	\$ (2,655)
Stock-based compensation	237	-
Revaluation of the fair value of warrant liability	35	-
Other	(58)	-
Additions to tax pools related to transfer of intellectual property rights and technology to the Company (Note 8)	(1,376)	-
Current year losses and other for which no deferred tax asset is recognized	5,952	2,655
Income tax expense	\$ -	\$ -

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:

	2014	2013
Non-capital losses	\$ 6,470	\$ 2,537
Scientific research and experimental development expenditures	1,543	965
Undepreciated capital cost and other	1,416	(24)
Unrecognized deferred tax	\$ 9,429	\$ 3,478

The Company has non-capital losses of approximately \$25.9 million (2013 - \$10.1 million) available to reduce future years' taxable income expiring at various times until 2034. As at April 30, 2014, the Company has non-refundable federal investment tax credits of approximately \$1.3 million (2013 - \$0.5 million) which are available to reduce future taxes payable, subject to approval by Canada Revenue Agency and expiring at various times until 2034. The Company has unclaimed scientific research and development expenditures available to reduce future years' taxable income of approximately \$6.2 million (2013 - \$3.9 million) over an indefinite future period. The Company has undepreciated capital cost pools of approximately \$7.4 million (2013 - \$4.9 million). The potential benefits of these tax pools have not been recorded in the financial statements.

21. Subsequent events

Private Placement

Subsequent to April 30, 2014 the Company closed a private placement of 4.3 million common shares at a price of \$1.00 per share for gross proceeds of \$4.3 million.

Pursuant to the terms of the private placement, in the event that the Company completes an equity financing within 18 months and the price per share is lower than US\$1.00, the price per share paid by subscribers will be adjusted to the lower price per share and they will, accordingly, receive additional common shares for no additional consideration.

Wind up

Subsequent to April 30, 2014 the Company wound-up RVX Therapeutics Inc. RVX Therapeutics Inc. transferred all of its assets to the Company and the Company assumed all of RVX Therapeutics Inc.'s liabilities.