Revive Therapeutics Ltd.

(Formerly Mercury Capital II Limited)

Consolidated Financial Statements

Year Ended June 30, 2014 And Period From August 7, 2012 to June 30, 2013

(Expressed in Canadian Dollars)

MNP LLP

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Revive Therapeutics Ltd.

We have audited the accompanying consolidated financial statements of Revive Therapeutics Ltd., which comprise the consolidated statements of financial position as at June 30, 2014 and 2013, and the consolidated statements of comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 audits to obtain reasonable assurance about whether the 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

ACCOUNTING › CONSULTING › TAX
701 EVANS AVENUE, 8TH FLOOR, TORONTO ON, M9C 1A3
P: 416.626.6000 F: 416.626.8650 MNP.ca

Opinion

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

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
September 15, 2014

Revive Therapeutics Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	June 30, 2014	June 30, 2013
ASSETS		
Current assets		
Cash and cash equivalents	**$ 1,188,919**	$ 705,865
Other receivables	**61,550**	8,614
Prepaid expenses	**25,635**	-
Total current assets	**1,276,104**	714,479
Intangible assets (note 5)	**56,239**	39,246
Equipment (note 6)	**10,473**	-
Total assets	**$ 1,342,816**	$ 753,725
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	**$ 77,776**	$ 41,000
Shareholders' equity		
Share capital (note 7)	**2,428,907**	890,000
Broker warrants (note 9)	**52,459**	-
Stock options (note 10)	**218,038**	-
Accumulated deficit	**(1,434,364)**	(177,275)
Total shareholders' equity	**1,265,040**	712,725
Total shareholders' equity and liabilities	**$ 1,342,816**	$ 753,725

Nature of operations (note 1)
Commitments (note 14)
Subsequent events (note 16)

Approved on behalf of the Board:

"Fabio Chianelli", Director

"Craig Leon", Director

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

Revive Therapeutics Ltd.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Year Ended June 30, 2014	Period from August 7, 2012 to June 30, 2013
Expenses		
Consulting fees (note 13(a)(i)(iv))	**$ 131,686**	$ 80,000
Professional fees (note 13(a)(ii)(iii))	**225,894**	27,642
Salaries and benefits (note 13(b))	**119,696**	-
Stock-based compensation (notes 10(i) and 13(b))	**187,346**	-
Office expenses (note 15)	**55,106**	9,009
Rent	**19,564**	-
Research costs	**164,644**	58,878
Depreciation and amortization (notes 5 and 6)	**4,348**	1,746
Reverse takeover transaction cost (note 8)	**348,805**	-
	1,257,089	177,275
Comprehensive loss for the the year or period	**$ (1,257,089)**	$ (177,275)
Comprehensive loss per share - basic and diluted (note 11)	**$ (0.08)**	$ (0.02)
Weighted average common shares outstanding	**16,037,578**	11,760,263

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

Revive Therapeutics Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended June 30, 2014	Period from August 7, 2012 to June 30, 2013
Cash flow from operating activities		
Comprehensive loss for the year or period	**$ (1,257,089)**	$ (177,275)
Adjustments for:		
Depreciation and amortization	**4,348**	1,746
Stock-based compensation	**187,346**	-
Reverse takeover transaction cost (note 8)	**348,805**	-
Net change in non-cash working capital:		
Other receivables	**(52,936)**	(8,614)
Prepaid expenses	**(24,430)**	-
Accounts payable and accrued liabilities	**25,493**	41,000
Net cash used in operating activities	**(768,463)**	(143,143)
Investing activities		
Purchase of intangible assets	**(19,948)**	(40,992)
Purchase of equipment	**(11,866)**	-
Net cash used in investing activities	**(31,814)**	(40,992)
Financing activities		
Proceeds from issuance of shares (note 7)	**1,113,550**	890,000
Share issue costs (note 7)	**(93,807)**	-
Cash acquired from reverse takeover (note 8)	**263,588**	-
Net cash provided by financing activities	**1,283,331**	890,000
Net change in cash and cash equivalents	**483,054**	705,865
Cash and cash equivalents, beginning of year or period	**705,865**	-
Cash and cash equivalents, end of year or period	**$ 1,188,919**	$ 705,865

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

Revive Therapeutics Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Share capital					
	Number of shares	Amount	Broker warrants	Stock options	Accumulated deficit	Total
Balance, August 7, 2012	**-**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Issuance of common shares (note 7(b)(i)(ii)(iii)(iv))	12,933,330	890,000	-	-	-	890,000
Comprehensive loss for the period	-	-	-	-	(177,275)	(177,275)
Balance, June 30, 2013	**12,933,330**	**$ 890,000**	**$ -**	**$ -**	**$ (177,275)**	**$ 712,725**
Common shares issued against subscription receipts issued in private placement (note 7(b)(v))	3,711,833	1,113,550	-	-	-	1,113,550
Share issuance costs for the private placement (note 7(b)(v))	-	(93,807)	-	-	-	(93,807)
Elimination of Old Revive shares (note 7(b)(vi))	(16,645,163)	-	-	-	-	-
Conversion of Old Revive shares (note 7(b)(vi))	16,645,163	-	-	-	-	-
Consideration for reverse takeover (note 8)	1,852,065	555,620	16,003	30,692	-	602,315
Issuance of broker warrants (note 7(b)(vi))	-	(36,456)	36,456	-	-	-
Stock-based compensation (note 10)	-	-	-	187,346	-	187,346
Comprehensive loss for the year	-	-	-	-	(1,257,089)	(1,257,089)
Balance, June 30, 2014	**18,497,228**	**$ 2,428,907**	**$ 52,459**	**$ 218,038**	**$ (1,434,364)**	**$ 1,265,040**

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

1. Nature of Operations

Revive Therapeutics Inc. ("Old Revive") was incorporated pursuant to the provisions of the Business Corporations Act (Ontario) on August 7, 2012.

Mercury Capital II Limited ("Mercury") was incorporated under the Business Corporations Act (Ontario) on March 27, 2012 with the intent on becoming a "Capital Pool Company" ("CPC") pursuant to Policy 2.4 - Capital Pool Companies (the "CPC Policy") of the TSX Venture Exchange (the "Exchange"). On December 30, 2013, the Company completed a triangular amalgamation whereby Old Revive shares were exchanged for Mercury shares on the basis of one (1) Mercury share for each one (1) Old Revive share (the "Amalgamation") (see note 8). The Amalgamation was accounted for as a reverse takeover ("RTO") whereby Old Revive was identified as the acquirer for accounting purpose and the resulting consolidated financial statements are presented as a continuance of Old Revive and the comparative figures presented in the consolidated financial statements after the RTO are those of Old Revive. The transaction was Mercury's Qualifying Transaction (as such term is defined in the CPC Policy) completed in accordance with the policies of the Exchange. Mercury had no significant assets other than cash with no commercial operations at the time of the RTO. Concurrently with the completion of the RTO, Mercury changed its name to "Revive Therapeutics Ltd." (the "Company" or "Revive").

The Company is focused on the development and commercialization of drugs for underserved medical needs. The Company's registered and legal office is located at 5 Director Court, Suite 105, Vaughan Ontario, L4L 4S5.

These consolidated financial statements were authorized for issue by the Board of Directors on September 15, 2014.

2. Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended June 30, 2014.

Basis of measurement

These consolidated financial statements are stated in Canadian dollars and were prepared on a historical cost basis except for certain items which may be accounted for at fair value as further discussed in subsequent notes, using the significant accounting policies and measurement basis summarized below.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars which is the Company’s functional currency.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in the consolidated statement of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. Significant Accounting Policies (continued)

Cash and cash equivalents

Cash in the consolidated statements of financial position comprise cash at banks. The Company’s cash is invested with major financial institutions in business accounts that are available on demand by the Company for its operations.

Financial instruments

The Company’s financial assets are classified into the following categories: at fair value through profit or loss or as loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

Financial assets at fair value through profit and loss include cash and cash equivalents which are carried at fair value. Gains and losses are reflected in the consolidated statements of comprehensive loss.

Loans and receivables include other receivables which are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

The Company's financial liabilities are classified into the following categories: at fair value through profit or loss or as other financial liabilities.

Accounts payable and accrued liabilities are classified as other financial liabilities and are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

2. Significant Accounting Policies (continued)

Equipment and intangible assets

Equipment and intangible assets are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment and intangible assets consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, borrowing costs directly associated with the item and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of equipment and intangible assets, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Rate	Method
Equipment	20% - 30%	Declining balance
Intangible assets	20 years	Straight-line

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

An item of equipment and intangible assets is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statements of comprehensive loss.

Where an item of equipment and intangible assets consists of major components with different useful lives, the components are accounted for as separate items of equipment and intangible assets. Expenditures incurred to replace a component of an item of equipment and intangible assets that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset’s fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment. The Company has assessed all of its non-financial assets and has determined that there is no impairment.

2. Significant Accounting Policies (continued)

Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Stock-based compensation

The fair value of stock options granted to employees is recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Income taxes

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

2. Significant Accounting Policies (continued)

Significant accounting judgments and estimates

The application of the Company's accounting policies in compliance with IFRS requires the Company's management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. the recoverability of capitalized intangible assets and equipment which are included in the consolidated statement of financial position.

ii. The Company measures the cost of stock-based transactions with employees and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock-based payment transactions 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 expected life, volatility, dividend yield of the share option and forfeiture rate.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

Change in accounting policies

(i) IFRS 10, Consolidated Financial Statements ("IFRS 10") was issued by the IASB on May 12, 2011 and will replace portions of IAS 27, Consolidated and Separate Financial Statements and interpretation SIC-12, Consolidated - Special Purpose Entities. IFRS 10 incorporates a single model for consolidating all entities that are controlled and revises the definition of control to be "An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee". Along with control, the new standard also focuses on the concept of power, both of which will include a use of judgment and continuous reassessment as facts and circumstances change. At July 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's consolidated financial statements.

2. Significant Accounting Policies (continued)

Change in accounting policies (continued)

(ii) IFRS 11, Joint Arrangements was issued by the IASB on May 12, 2011 and will replace IAS 31, Interest in Joint Ventures. The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidation will be removed and replaced with equity accounting. At July 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's consolidated financial statements.

(iii) IFRS 12, Disclosure of Interest in Other Entities was issued by the IASB on May 12, 2011. The new standard includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. At July 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's consolidated financial statements.

(iv) IAS 28, Investments in Associates and Joint Ventures ("IAS 28") prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture). At July 1, 2013, the Company adopted this standard and there was no material impact on the Company's consolidated financial statements.

Recent accounting pronouncements

(i) IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact of this pronouncement.

(ii) IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

3. Capital Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. The Company considers its capital to be equity comprising share capital, broker warrants, stock options and accumulated deficit which at June 30, 2014 totalled $1,265,040 (June 30, 2013 - $712,725). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the board of directors of the Corporation. The Company's capital management objectives, policies and processes have remained unchanged during the year ended June 30, 2014.

The Company is not subject to any capital requirements imposed by a lending institution.

4. Financial Risk Factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate, and price risk).

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and other receivables. Cash is held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal.

Other receivables include sales tax recoverable from government authorities in Canada, which are in good standing as of June 30, 2014. Management believes that the credit risk concentration with respect to financial instruments included in sales tax recoverable is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2014, the Company had a cash and cash equivalents balance of $1,188,919 (June 30, 2013 - $705,865) to settle current liabilities of $77,776 (June 30, 2013 - $41,000). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

4. Financial Risk Factors (continued)

Market risk

(a) Interest rate risk

The Company has cash balances. The Company’s current policy is to invest excess cash held as collateral in guaranteed investment certificates or interest bearing accounts of select major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

The Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. As of June 30, 2014, the Company's interest rate risk mainly relates to cash balances. Sensitivity to a plus or minus 1% change in interest rates would affect the reported comprehensive loss by approximately $12,000.

(b) Foreign currency risk

The Company’s functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As of June 30, 2014, sensitivity to a plus or minus 10% change in US dollar foreign exchange rate would not have significant impact on the reported comprehensive loss.

Fair value hierarchy and liquidity risk disclosure

The following table illustrates the classification of the Company`s financial instruments recorded at fair value within the fair value hierarchy as at June 30, 2014:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,188,919	$ -	$ -	$ 1,188,919

(Expressed in Canadian dollars)

5. Intangible Assets

Cost	**REV-001**	**REV-002**	**Total**
Balance, August 7, 2012	$ -	$ -	$ -
Additions	15,992	25,000	40,992
Balance, June 30, 2013	15,992	25,000	40,992
Additions	19,948	-	19,948
Balance, June 30, 2014	$ 35,940	$ 25,000	$ 60,940

Accumulated amortization	**REV-001**	**REV-002**	**Total**
Balance, August 7, 2012	$ -	$ -	$ -
Amortization during the period	965	781	1,746
Balance, June 30, 2013	965	781	1,746
Amortization during the year	1,706	1,249	2,955
Balance, June 30, 2014	$ 2,671	$ 2,030	$ 4,701

Carrying value	**REV-001**	**REV-002**	**Total**
Balance, June 30, 2013	$ 15,027	$ 24,219	$ 39,246
Balance, June 30, 2014	$ 33,269	$ 22,970	$ 56,239

The Company in-licensed the rights to develop REV-001 from Numedicus Limited ("Numedicus"). REV-001 has shown indication of efficacy in animal studies for opioid-induced respiratory depression.

The Company was assigned the patent application to develop REV-002 from Xenexus Pharmaceuticals Pty Ltd. ("Xenexus") in 2013 for the treatment of gout.

REV-001

(a) On September 4, 2012, as amended on March 7, 2013, the Company entered into a patent licence agreement with Numedicus whereby the Company acquired the exclusive rights to develop and commercialize Patent Document PCT/GB2012/050831. To date, the Company has paid GBP £10,000 ($15,922 actual Canadian dollars at date of transaction) to Numedicus to comply with the terms of the licence agreement. In addition, certain milestone payments will be paid in the future if certain triggering events occur. There will also be a 3% royalty charged on net sales value for any licensed products. As of June 30, 2014, the Company is in compliance with the terms of the licence agreement.

(b) On September 4, 2012, as amended on March 7, 2013, the Company entered into an additional licence agreement with Numedicus whereby the Company acquired the exclusive rights to develop and commercialize Patent Document PCT/GB2013/051213. To date, the Company has paid GBP £10,000 ($16,927 actual Canadian dollars at date of transaction) to Numedicus to comply with the terms of the licence agreement. In addition, certain milestone payments will be paid in the future if certain triggering events occur. There will also be a 3% royalty charged on net sales value for any licensed products. As of June 30, 2014, the Company is in compliance with the terms of the licence agreement.

Pursuant to the REV-001 agreements in (a) and (b) above, additional annual license fees amounting to GBP £20,000 ($36,522, based on actual Canadian Dollar vs. British Pound exchange rate as at June 30, 2014), are due on September 4, 2014 and each year thereafter.

(Expressed in Canadian dollars)

5. Intangible Assets (continued)

REV-002

(a) On April 3, 2013, the Company entered into a patent licence agreement with Xenexus whereby the Company acquired the exclusive rights to use patented technology to develop and commercialize licensed products. In order to keep the license in good standing the Company was required to make a $10,000 payment on the commencement date (paid). On June 17, 2013, the Company and Xenexus entered into a patent assignment agreement which superseded the original patent licence agreement dated April 3, 2013. Under the terms of the patent assignment agreement the Company was required to make a $15,000 payment (paid). If the Company licences the patent assignment it will be obligated to pay to Xenexus 5% of any fees from its licensee. As of June 30, 2014, the Company is in compliance with the terms of the assignment agreement.

On April 30, 2014, the Company announced that it submitted a pre-Investigational New Drug (pre-IND) meeting request to the US Food and Drug Administration ("FDA") for its gout drug candidate, REV-002.

6. Equipment

Cost	Computer equipment	Office equipment	Total
Balance, June 30, 2013	$ -	$ -	$ -
Additions	4,129	7,737	11,866
Balance, June 30, 2014	$ 4,129	$ 7,737	$ 11,866

Accumulated depreciation	Computer equipment	Office equipment	Total
Balance, June 30, 2013	$ -	$ -	$ -
Depreciation during the year	620	773	1,393
Balance, June 30, 2014	$ 620	$ 773	$ 1,393

Carrying value	Computer equipment	Office equipment	Total
Balance, June 30, 2013	$ -	$ -	$ -
Balance, June 30, 2014	$ 3,509	$ 6,964	$ 10,473

(Expressed in Canadian dollars)

7. Share Capital

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

As at June 30, 2014, the issued share capital amounted to $2,428,907. Changes in issued share capital are as follows:

Old Revive

	Number of Common Shares		Amount
Balance, August 7, 2012	-	$	-
Issuance of common shares (i)(ii)(iii)(iv)	12,933,330		890,000
Balance, June 30, 2013	**12,933,330**	**$**	**890,000**

Revive

	Number of Common Shares		Amount
Balance, June 30, 2013	**12,933,330**	**$**	**890,000**
Common shares issued against subscription receipts issued in private placement (v)	3,711,833		1,113,550
Share issuance costs for the private placement (v)	-		(93,807)
Elimination of Old Revive shares (vi)	(16,645,163)		-
Conversion of Old Revive shares (vi)	16,645,163		-
Conversion of Revive shares and consideration for RTO ((vi) and note 8)	1,852,065		555,620
Valuation of broker warrants (vi)	-		(36,456)
Balance, June 30, 2014	**18,497,228**	**$**	**2,428,907**

(i) On August 7, 2012, 10,000,000 Old Revive shares were issued to the founder of Old Revive at $0.001 per share for gross proceeds of $10,000.

(ii) On August 30, 2012, the Company closed a private placement financing with one investor which consisted of an aggregate of 833,333 Old Revive shares priced at $0.30 per common share.

(iii) On December 13, 2012, the Company closed a private placement financing which consisted of an aggregate of 999,999 Old Revive shares priced at $0.30 per common share.

(iv) On March 11, 2013, the Company closed a private placement financing which consisted of an aggregate of 1,099,998 Old Revive shares priced at $0.30 per common share.

(Expressed in Canadian dollars)

7. Share Capital (continued)

b) Common shares issued (continued)

(v) On December 30, 2013, Old Revive completed a private placement of 3,711,833 subscription receipts at a deemed price of $0.30 per subscription receipt, for aggregate gross proceeds of $1,113,550. Each subscription receipt issued in connection with the private placement entitled the holder to acquire one Old Revive share just prior to the Amalgamation. The Company incurred share issuance costs of $93,807 paid to Hampton Securities Limited ("Hampton").

(vi) On December 30, 2013, Old Revive and Mercury completed the Amalgamation whereby Old Revive shares were exchanged for Mercury shares on the basis of one (1) Mercury share for each one (1) Old Revive share. The Amalgamation effectively provided for the acquisition of all of the outstanding equity interests of Old Revive by Mercury, indirectly through Mercury Capital III Limited ("AcquisitionCo"), a wholly owned Ontario incorporated subsidiary of Mercury, in a transaction in which the security holders of Old Revive received shares of Mercury and, if applicable, convertible securities of Mercury. As a result of the Amalgamation of AcquisitionCo and Revive ("AmalCo"), Mercury became the sole beneficial owner of all of the issued and outstanding shares of AmalCo. Pursuant to the Amalgamation, Mercury issued an aggregate of 16,645,163 Mercury shares to the shareholders of Old Revive (including an aggregate of 3,711,833 Mercury shares to purchasers in connection with the closing of the subscription receipt financing).

The Amalgamation was accounted for as a RTO whereby Old Revive was identified as the acquirer for accounting purpose (see note 8).

Pursuant to the subscription receipt financing and the subsequent RTO, 296,387 broker warrants were issued to Hampton with each broker warrant exercisable into one share of the Company at a price of $0.30 per share for a period of one year. The broker warrants have an estimated fair value of $36,456, using the Black-Scholes valuation model with the following assumptions: risk-free interest rate of 1.09%, expected life of one year, expected volatility of 100% and expected dividend of $nil.

8. Reverse Takeover

The share capital of each company prior to the RTO was as follows:

Mercury

	Number of Common Shares	Amount
Balance, June 30, 2013	666,665	$ 97,495
Balance at December 30, 2013 prior to the RTO	1,852,065	$ 311,709

Old Revive

	Number of Common Shares	Amount
Balance, June 30, 2013	12,933,330	$ 890,000
Balance at December 30, 2013 prior to the RTO	12,933,330	$ 890,000

8. Reverse Takeover (continued)

On December 30, 2013, Old Revive and Mercury completed the Amalgamation whereby Old Revive shares were exchanged for Mercury shares on the basis of one (1) Mercury share for each one (1) Old Revive share. Pursuant to the Amalgamation, Mercury issued an aggregate of 16,645,163 Mercury shares to the shareholders of Revive (including an aggregate of 3,711,833 Mercury shares to purchasers in connection with the closing of the subscription receipt financing) (see note 7(b)(vi)).

In accordance with IFRS 3, Business Combination, the substance of the transaction is a reverse takeover of a non-operating company. The transaction does not constitute a business combination as Mercury does not meet the definition of a business under the standard. As a result, the transaction is accounted for as a capital transaction with Old Revive being identified as the acquirer and the equity consideration being measured at fair value. The resulting consolidated statement of financial position is presented as a continuance of Old Revive and comparative figures presented in the consolidated financial statements after the reverse takeover are those of Old Revive.

IFRS 2, Share-based Payment, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Because Old Revive would have issued shares with a value in excess of the assets received, the difference is recognised in comprehensive loss as a transaction cost. The amount assigned to the transaction cost of $348,805 is the difference between the fair value of the consideration and the net identifiable assets of Mercury acquired by Old Revive and included in the consolidated statement of comprehensive loss.

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the amalgamated entity after the transaction. This represents the fair value of the shares that Old Revive would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of Old Revive acquiring 100% of the shares in Mercury. The percentage of ownership Mercury shareholders had in the combined entity is 10% after the issue of 16,645,163 Mercury shares. The fair value of the consideration in the RTO is equivalent to the fair value of the 1,852,065 Revive shares controlled by original Mercury shareholders, 185,206 stock options to Mercury stock options holders and 118,540 broker warrants to Mercury broker warrant holders. The fair value of the shares controlled by original Mercury shareholders was estimated to be $555,620 based on the fair market value of $0.30 per share on the date of December 30, 2013. The fair value of the stock options was estimated to be $30,692 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rates of 1.09% to 2.37%; and expected lives of 1 to 4 years. The fair value of the broker warrants was estimated to be $16,003 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rate 1.09%; and an expected life of 1.53 years.

(Expressed in Canadian dollars)

8. Reverse Takeover (continued)

Based on the statement of financial position of Mercury at the time of the RTO, the net assets at estimated fair value that were acquired by Revive were $253,510 and the resulting transaction cost charged to the consolidated statement of comprehensive loss is as follows:

Consideration		
Shares	$	555,620
Broker warrants		16,003
Stock options		30,692
Total consideration	$	602,315
Identifiable assets acquired		
Cash	$	263,588
Prepaid expenses		1,205
Accounts payable and accrued liabilities		(11,283)
Unidentifiable assets acquired		
Transaction cost		348,805
Total net identifiable assets and transaction cost	$	602,315

(Expressed in Canadian dollars)

9. Broker Warrants

The following table reflects the continuity of broker warrants for the period ended June 30, 2013 and year ended June 30, 2014:

	Number of Broker Warrants	Weighted Average Exercise Price
Balance, August 7, 2012 and June 30, 2013	**-**	**$ -**
Issued as consideration for the RTO (note 8)	118,540	0.30
Issued to broker (note 7(b)(vi))	296,387	0.30
Balance, June 30, 2014	**414,927**	**$ 0.30**

The following table reflects the actual broker warrants issued and outstanding as of June 30, 2014:

Expiry Date	Exercise Price ($)	Fair Value ($)	Number of Broker Warrants Outstanding
July 12, 2015	0.30	16,003	118,540
December 30, 2014	0.30	36,456	296,387
	0.30	**52,459**	**414,927**

10. Stock Options

The following table reflects the continuity of stock options for the period ended June 30, 2013 and year ended June 30, 2014:

	Number of Stock Options	Weighted Average Exercise Price
Balance, August 7, 2012 and June 30, 2013	**-**	**$ -**
Issued as consideration for the RTO (note 8)	185,206	0.30
Grant (i)	590,000	0.66
Balance, June 30, 2014	**775,206**	**$ 0.57**

(Expressed in Canadian dollars)

10. Stock Options (continued)

The following table reflects the actual stock options issued and outstanding as of June 30, 2014:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Grant Date Fair Value
December 30, 2014	0.30	0.50	119,273	119,273	$ 14,671
July 9, 2023	0.30	9.03	65,933	65,933	16,021
January 31, 2024	0.66	9.59	590,000	295,000	265,568
			775,206	480,206	$ 296,260

(i) On January 31, 2014, the Company granted 590,000 stock options to certain officers, directors, and employees of the Company at an exercise price of $0.66 per common share expiring on January 31, 2024. The fair value of the stock options was estimated to be $265,568 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rates of 1.95%; and expected lives of 4 years. The options vest as to one-half on the date of grant and one-half on one year anniversary of the date of grant. During the year ended June 30, 2014, $187,346 was recorded as stock-based compensation in the consolidated statement of comprehensive loss.

11. Net Loss per Common Share

The calculation of basic and diluted loss per share for the year ended June 30, 2014 was based on the loss attributable to common shareholders of $1,257,089 (period from August 7, 2012 to June 30, 2013 - $177,275) and the weighted average number of common shares outstanding of 16,037,578 (period from August 7, 2012 to June 30, 2013 - 11,760,263).

12. Income Taxes

Reconciliation of statutory tax rate

The following table reconciles the expected income tax recovery at the Canadian federal and provincial statutory rate of 26% (2013 - 26%) to the amount recognized in the statement of comprehensive loss:

	Year ended June 30, 2014	Period from August 7, 2012 to June 30, 2013
Loss before recovery of income taxes	$ (1,257,089)	$ (177,275)
Statutory tax rate	26.5%	26.5%
Expected income tax recovery at statutory rates	$ (333,130)	$ (46,980)
Tax rate changes and other adjustments	7,780	-
Effect of non-deductible expenses	143,160	-
Change in tax benefits not recognized	182,190	46,980
Income tax recovery reflected in the consolidated statement of comprehensive loss	**$ -**	**$ -**

(Expressed in Canadian dollars)

12. Income Taxes (continued)

Unrecognized deferred tax assets

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2014	2013
Property, plant and equipment	$ 1,390	$ -
Intangible assets	92,370	1,310
Share issue costs	75,050	-
Non-capital losses carried forward	789,500	-
	$ 958,310	**$ 1,310**

Share issue and financing costs will be fully amortized in 2018. The remaining deductible temporary difference may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2032	172,470
2033	96,120
2034	520,930
	789,520

(Expressed in Canadian dollars)

13. Related Party Balances and Transactions and Major Shareholders

(a) Related party balances and transactions:

Related parties include the directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

	Year Ended June 30, 2014	Period from August 7, 2012 to June 30, 2013
Fabiotech Inc. ("Fabiotech") (i)	**$ 56,000**	$ 70,670
Marrelli Support Services Inc. ("Marrelli Support") (ii)	**$ 23,880**	$ 2,500
McMillan LLP ("McMillan") (iii)	**$ 133,433**	$ -
RangerCap Inc. ("RangerCap") (iv)	**$ 37,500**	$ -

(i) Fabiotech is a corporation controlled by the Chief Executive Officer ("CEO"), President and Director of the Company. As at June 30, 2014, $nil (June 30, 2013 - $32,000) was owed to Fabiotech and this amount was included in accounts payable and accrued liabilities.

(ii) Marrelli Support was owed $2,500 as at June 30, 2014 (June 30, 2013 - $2,500) for the services of Carmelo Marrelli to act as Chief Financial Officer of the Company. This amount was included in accounts payable and accrued liabilities. In addition, Marrelli Support also provides bookkeeping services to the Company. Carmelo Marrelli is the president of Marrelli Support. The amounts charged by Marrelli Support are based on what Marrelli Support usually charges its clients. The Company expects to continue to use Marrelli Support for an indefinite period of time.

(iii) McMillan was owed $nil as at June 30, 2014 (June 30, 2013 - $nil) for legal services (including disbursements) and this amount was included in accounts payable and accrued liabilities. Robbie Grossman, Corporate Secretary of the Company, is a partner at McMillan. The amounts charged by McMillan are based on what McMillan usually charges its clients. The Company expects to continue to use McMillan for an indefinite period of time.

(iv) RangerCap was owed $14,125 as at June 30, 2014 (June 30, 2013 - $nil) for consulting services and this amount was included in accounts payable and accrued liabilities. RangerCap is owned by Craig Leon, one of the directors of the Company.

(b) Remuneration of directors and key management personnel of the Company, excluding consulting fees, was as follows:

	Year Ended June 30, 2014	Period from August 7, 2012 to June 30, 2013
Stock-based compensation	**$ 180,996**	$ -
Salaries and benefits	**$ 87,500**	$ -

13. Related Party Balances and Transactions and Major Shareholders (continued)

(c) Major shareholders:

As at June 30, 2014, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all of the common shares of the Company other than Mr. Fabio Chianelli, the CEO and a Director of the Company, who owns or controls, directly or indirectly, 47.96% of the issued and outstanding shares of the Company. These stockholdings can change at any time at the discretion of the owner.

None of the Company's major shareholders have different voting rights other than holders of the Company's common shares.

The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company. Other than Mr. Fabio Chianelli, the CEO and a Director of the Company, who owns or controls, directly or indirectly, 47.96% of the issued and outstanding shares of the Company, the Company is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

14. Commitments

The Company has entered into an agreement (the "Employment Agreement") with an officer (Fabio Chianelli) (the "Officer") of the Company to provide services to the Company in the general capacity of CEO and to undertake the duties and exercise the powers associated with this role. Under the terms of the Employment Agreement, the CEO is contracted by the Company for an indefinite term, commencing as of January 1, 2014. The Company shall pay the CEO a $175,000 base salary per annum (the "Annual Base Salary") and annual bonus payments (the "Bonus") from time to time, at the Board's entire discretion, of up to 100% of the Annual Base Salary based on the achievement of corporate goals and benchmarks relating to the Company's overall performance. The Employment Agreement requires an additional contingent lump-sum payment equal to the Officer's then Annual Base Salary and the Bonus paid or declared to the Officer, if any, in the Company's previously completed fiscal year upon the occurrence of a change of control or termination without cause. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Company entered into a lease commencing on September 2013 for a 24-month period. The Company is required to pay minimum annual lease payments of $25,353 for the premise.

See note 5 for patent license payment commitments.

(Expressed in Canadian dollars)

15. Office Expenses

	Year Ended June 30, 2014	Period from August 7, 2012 to June 30, 2013
Administrative	**$ 16,556**	$ 1,791
Bank charges	**1,693**	586
Insurance	**9,426**	-
Interest income	**(6,225)**	-
Meals and entertainment	**8,096**	852
Reporting issuer costs	**17,734**	-
Travel and accommodation	**7,826**	5,780
	$ 55,106	$ 9,009

16. Subsequent Events

(i) On July 23, 2014, 296,387 broker warrants expiring on December 30, 2014 were exercised for 296,387 common shares of the Company at $0.30 per share for total proceeds of $88,916.

(ii) On July 24, 2014, 118,540 broker warrants expiring on July 12, 2015 were exercised for 118,540 common shares of the Company at $0.30 per share for total proceeds of $35,562.

(iii) On September 4, 2014 the patent license agreement with Numedicus related to Patent Document PCT/GB2012050831 was terminated.