

VOLITIONRX LTD
Form 10-Q
May 13, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

**X . QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended **March 31, 2016**

**. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: **001-36833**

VOLITIONRX LIMITED

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation
or organization)

91-1949078

(I.R.S. Employer Identification No.)

1 Scotts Road

#24-05 Shaw Centre

Singapore 228208

(Address of principal executive offices)

+1 (646) 650-1351

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

.

Smaller Reporting Company

X .

(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

. Yes X . No

As of May 13, 2016, there were 23,400,488 shares of the registrant's \$0.001 par value common stock issued and outstanding.

VOLITIONRX LIMITED
QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED MARCH 31, 2016

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Please note that throughout this Quarterly Report, and unless otherwise noted, the words "we," "our," "us," the "Company," or "VNRX" refers to VolitionRx Limited.

PART I - FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS

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VOLITIONRX LIMITED

Condensed Consolidated Balance Sheets

(Expressed in US dollars, except share numbers)

	March 31, 2016	December 31, 2015
	\$ (UNAUDITED)	\$
ASSETS		
Cash and cash equivalents	17,007,462	5,916,006
Prepaid expenses	257,783	152,926
Other current assets	164,310	153,723
Total Current Assets	17,429,555	6,222,655
Property and equipment, net	763,905	783,805
Intangible assets, net	706,795	705,381
Total Assets	18,900,255	7,711,841
LIABILITIES		
Accounts payable and accrued liabilities	1,011,977	712,160
Management and directors' fees payable	81,274	71,893
Current portion of capital lease liability	85,223	81,338
Deferred grant income	228,397	219,360
Current portion of grant repayable	36,337	34,899
Total Current Liabilities	1,443,208	1,119,650
Capital lease liability, net of current portion	290,709	299,863
Grant repayable, net of current portion	258,226	248,009
Total Liabilities	1,992,143	1,667,522
STOCKHOLDERS' EQUITY		
Preferred Stock		
Authorized: 1,000,000 shares of preferred stock, at \$0.001 par value		
Issued and outstanding: Nil shares and Nil shares, respectively		

Common Stock

Authorized: 100,000,000 shares of common stock, at \$0.001 par value

Issued and outstanding: 23,397,887 shares and 18,763,272 shares, respectively	23,398	18,763
Additional paid-in capital	48,482,826	35,149,420
Accumulated other comprehensive loss	(65,791)	(84,171)
Accumulated Deficit	(31,532,321)	(29,039,693)
Total Stockholders' Equity	16,908,112	6,044,319
Total Liabilities and Stockholders' Equity	18,900,255	7,711,841

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

VOLITIONRX LIMITED

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Expressed in US dollars, except share numbers)

(Unaudited)

	For the three months ended	For the three months ended
	March 31, 2016	March 31, 2015
	\$	\$
Revenue		
Expenses		
General and administrative	228,195	247,758
Professional fees	473,268	551,799
Salaries and office administrative fees	328,345	339,537
Research and development	1,462,820	1,210,782
Total Operating Expenses	2,492,628	2,349,876
Net Operating Loss	(2,492,628)	(2,349,876)
Other Income		
Gain on derivative re-measurement		339,744
Net Other Income		339,744
Income taxes		
Net Loss	(2,492,628)	(2,010,132)
Other Comprehensive Income/(Loss)		
Foreign currency translation adjustments	18,380	(21,140)
Total Other Comprehensive Income/(Loss)	18,380	(21,140)
Net Comprehensive Loss		(2,031,272)

		(2,474,248)	
Net Loss per Share	Basic and Diluted	(0.13)	(0.12)
Weighted Average Shares Outstanding			
Basic and Diluted		19,289,484	16,461,816

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

VOLITIONRX LIMITED

Condensed Consolidated Statements of Cash Flows

(Expressed in US dollars)

(Unaudited)

	For the three months ended March 31,	For the three months ended March 31,
	2016	2015
	\$	\$
Operating Activities		
Net loss	(2,492,628)	(2,010,132)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	72,243	40,158
Stock based compensation	152,657	296,548
(Gain)/loss on warrant re-measurement	(71,647)	261
Gain on derivative re-measurement	-	(339,744)
Changes in operating assets and liabilities:		
Prepaid expenses	(102,934)	(91,227)
Other current assets	(5,376)	(20,206)
Accounts payable and accrued liabilities	286,250	(81,476)
Net Cash Used In Operating Activities	(2,161,435)	(2,205,818)
Investing Activities		
Purchases of patents	-	(55,000)
Purchases of property and equipment	-	(18,302)
Net Cash Used in Investing Activities	-	(73,302)
Financing Activities		
Net proceeds from issuance of common shares	13,257,030	11,203,421
Capital lease funding	(20,370)	-
Net Cash Provided By Financing Activities	13,236,660	11,203,421
Effect of foreign exchange on cash	16,231	(31,888)
Increase in Cash	11,091,456	8,892,413

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Cash and cash equivalents	Beginning of Period	5,916,006	2,138,964
Cash and cash equivalents	End of Period	17,007,462	11,031,377
Supplemental Disclosures of Cash Flow Information:			
Interest paid		2,364	-
Income tax paid		-	-
Non Cash Investing and Financing Activities:			
Reduction in derivative liability		-	1,237,896

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

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

March 31, 2016 and December 31, 2015

(\$ expressed in US dollars)

(Unaudited)

Note 1 - Condensed Financial Statements

The accompanying unaudited financial statements have been prepared by VolitionRx Limited (the Company) without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at March 31, 2016, and for all periods presented herein, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed unaudited financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2015 audited financial statements. The results of operations for the periods ended March 31, 2016 and 2015 are not necessarily indicative of the operating results for the full years.

Note 2 - Going Concern

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred losses since inception of \$31,532,321 and currently has no revenues, which creates substantial doubt about its ability to continue as a going concern.

The future of the Company as an operating business will depend on its ability to obtain sufficient capital contributions and/or financing as may be required to sustain its operations. Management's plan to address this need includes, (a) continued exercise of tight cost controls to conserve cash, (b) receiving additional grant funds, and (c) obtaining additional financing through debt or equity financing.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

Note 3 - Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company also regularly evaluates estimates and assumptions related to deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Principles of Consolidation

The accompanying condensed consolidated financial statements for the period ended March 31, 2016 include the accounts of the Company and its wholly-owned subsidiaries, Singapore Volition Pte. Limited, Belgian Volition S.A., Hypergenomics Pte. Limited and Volition Diagnostics UK Limited. All significant intercompany balances and transactions have been eliminated in consolidation.

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

March 31, 2016 and December 31, 2015

(\$ expressed in US dollars)

(Unaudited)

Note 3 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. As at March 31, 2016 and December 31, 2015, the Company had \$17,007,462 and \$5,916,006, respectively, in cash and cash equivalents. At March 31, 2016 and December 31, 2015 the Company had approximately \$13,278,751 and \$762,187 in its domestic accounts in excess of Federal Deposit Insurance Corporation insured limits, respectively. At March 31, 2016 and December 31, 2015 the Company had approximately \$31,336 and \$395,100 in its foreign accounts in excess of the Belgian Deposit Guarantee insured limits, respectively. At March 31, 2016 and December 31, 2015 the Company had approximately \$3,296,622 and \$4,338,088 in its foreign accounts in excess of the Singapore Deposit Insurance Scheme, respectively.

Basic and Diluted Net Loss Per Share

The Company computes net loss per share in accordance with ASC 260, Earnings Per Share, which requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing Diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. As of March 31, 2016, 1,313,892 dilutive warrants and options and 925,432 potentially dilutive warrants and options were excluded from the Diluted EPS calculation as their effect is anti-dilutive.

Foreign Currency Translation

The Company's functional currency is the Euro and its reporting currency is the United States dollar. Management has adopted ASC 830-20, Foreign Currency Matters - Foreign Currency Transactions. All assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. For revenues and expenses, the weighted average exchange rate for the period is used. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in other comprehensive loss.

Recent Accounting Pronouncements

Management has considered all recent accounting pronouncements issued since the last audit of our consolidated financial statements. The Company's management believes that these recent pronouncements will not have a material effect on the Company's consolidated financial statements.

Property and Equipment

Property and equipment is stated at cost and is amortized on a straight-line basis, at the following rates:

Computer Hardware	3 years
Laboratory Equipment	5 years
Equipment held under Capital Lease	5 years
Office Furniture and Equipment	5 years

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

March 31, 2016 and December 31, 2015

(\$ expressed in US dollars)

(Unaudited)

Note 4 - Property and Equipment

The Company's property and equipment consist of the following amounts as of March 31, 2016 and December 31, 2015:

	Cost	Accumulated Depreciation	March 31, 2016 Net Carrying Value
	\$	\$	\$
Computer hardware	75,296	50,714	24,581
Laboratory equipment	332,359	129,240	203,120
Equipment held under capital lease	625,057	104,176	520,881
Office furniture and equipment	35,563	20,240	15,323
	1,068,275	304,370	763,905
			December 31, 2015 Net Carrying Value
	Cost	Accumulated Depreciation	\$
	\$	\$	\$
Computer hardware	72,317	45,731	26,586
Laboratory equipment	319,209	108,589	210,620
Equipment held under capital lease	600,325	70,038	530,287
Office furniture and equipment	34,155	17,843	16,312
	1,026,006	242,201	783,805

On April 8, 2015 the Company entered into a five year capital lease to purchase three Tecan machines (automated liquid handling robots) for a total sum of \$625,057 (€550,454).

During the three month period ended March 31, 2016 and the three month period ended March 31, 2015, the Company recognized \$50,691 and \$18,988, respectively, in depreciation expense.

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

March 31, 2016 and December 31, 2015

(\$ expressed in US dollars)

(Unaudited)

Note 5 - Intangible Assets

The Company's intangible assets consist of intellectual property and patents, mainly acquired in the acquisition of ValiBio SA. The patents and intellectual property are being amortized over their remaining lives, which range from 7 to 15 years.

	Cost \$	Accumulated Amortization \$	March 31, 2016 Net Carrying Value \$
Patents	1,158,617	451,822	706,795
	1,158,617	451,822	706,795
	Cost \$	Accumulated Amortization \$	December 31, 2015 Net Carrying Value \$
Patents	1,119,302	413,921	705,381
	1,119,302	413,921	705,381

During the three month period ended March 31, 2016, and the three month period ended March 31, 2015, the Company recognized \$21,552 and \$21,170 in amortization expense, respectively.

The Company amortizes the long-lived assets on a straight line basis with terms ranging from 8 to 20 years. The annual estimated amortization schedule over the next five years is as follows:

2016 - remaining	\$66,302
2017	\$88,403
2018	\$88,403
2019	\$88,403
2020	\$88,403

The Company periodically reviews its long lived assets to ensure that their carrying value does not exceed their fair market value. The Company carried out such a review in accordance with ASC 360 as of December 31, 2015. The result of this review confirmed that the fair value of the patents exceeded their carrying value as of December 31, 2015.

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

March 31, 2016 and December 31, 2015

(\$ expressed in US dollars)

(Unaudited)

Note 6 - Related Party Transactions

The Company has had agreements with a related party to rent office space, be provided with office support staff, and have consultancy services provided on behalf of the Company. See Note 9 for obligations under the agreements.

Note 7 - Common Stock

On January 15, 2016, 100,000 warrants were exercised at a price of \$0.50 per share for net cash proceeds to the Company of \$50,000. As a result 100,000 shares of common stock were issued.

On March 22, 2016, 100,000 warrants were exercised at a price of \$0.50 per share for net cash proceeds to the Company of \$50,000. As a result 100,000 share of common stock were issued.

On March 23, 2016, 4,334,615 shares of common stock were issued at a price of \$3.25 per share, less underwriting discounts and commissions, for net cash proceeds to the Company of approximately \$13.1 million.

On March 29, 2016, 100,000 warrants were exercised at a price of \$0.50 per share for net cash proceeds to the Company of \$50,000. As a result 100,000 shares of common stock were issued.

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

March 31, 2016 and December 31, 2015

(\$ expressed in US dollars)

(Unaudited)

Note 8 Warrants and Options

a) Warrants

On January 15, 2016, 100,000 warrants were exercised at a price of \$0.50 per share, for net cash proceeds to the Company of \$50,000. As a result, a total of 100,000 shares of common stock were issued.

On March 22, 2016, 100,000 warrants were exercised at a price of \$0.50 per share, for net cash proceeds to the Company of \$50,000. As a result, a total of 100,000 shares of common stock were issued to a related party.