

VOLITIONRX LTD
Form 10-Q
August 11, 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 **June 30, 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 .

(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 No

As of August 11, 2016, there were 23,521,219 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 JUNE 30, 2016

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Use of Terms

Except as otherwise indicated by the context, references in this report to Company, VolitionRx, Volition, we, us and VNRX are references to VolitionRx Limited and its wholly-owned subsidiaries, Singapore Volition Pte. Ltd, Belgian Volition S.A., Hypergenomics Pte Ltd. and Volition Diagnostics UK Limited. Additionally, unless otherwise specified, all references to USD, United States Dollars or \$ refer to the legal currency of the United States of America.

Nucleosomics[®], NuQ[®] and HyperGenomics[®] and their respective logos are trademarks and/or service marks of VolitionRx Limited and its subsidiaries. All other trademarks, service marks and trade names referred to in this report are the property of their respective owners.

PART I - FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS

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VOLITIONRX LIMITED

Condensed Consolidated Balance Sheets

(Expressed in U.S. dollars, except share numbers)

	June 30, 2016	December 31, 2015
	\$ (UNAUDITED)	\$
ASSETS		
Cash and cash equivalents	14,500,294	5,916,006
Prepaid expenses	211,106	152,926
Other current assets	221,630	153,723
Total Current Assets	14,933,030	6,222,655
Property and equipment, net	757,645	783,805
Intangible assets, net	672,378	705,381
Total Assets	16,363,053	7,711,841
LIABILITIES		
Accounts payable and accrued liabilities	1,156,512	712,160
Management and directors' fees payable	49,761	71,893
Current portion of capital lease liability	83,861	81,338
Deferred grant income	223,338	219,360
Current portion of grant repayable	38,863	34,899
Total Current Liabilities	1,552,335	1,119,650
Capital lease liability, net of current portion	263,107	299,863
Grant repayable, net of current portion	213,644	248,009
Total Liabilities	2,029,086	1,667,522
STOCKHOLDERS' EQUITY		
Preferred Stock		

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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: 23,521,219 shares and 18,763,272 shares, respectively	23,521	18,763
Additional paid-in capital	48,925,349	35,149,420
Accumulated other comprehensive loss	(133,216)	(84,171)
Accumulated Deficit	(34,481,687)	(29,039,693)
Total Stockholders' Equity	14,333,967	6,044,319
Total Liabilities and Stockholders' Equity	16,363,053	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 (Unaudited)

(Expressed in U.S. dollars, except share numbers)

	For the three months ended June 30, 2016 \$	For the three months ended June 30, 2015 \$	For the six months ended June 30, 2016 \$	For the six months ended June 30, 2015 \$
Revenue				
Expenses				
General and administrative	166,056	122,447	394,251	370,205
Professional fees	510,420	236,731	983,688	788,530
Salaries and office administrative fees	506,691	301,406	835,036	640,943
Research and development	1,792,090	1,356,990	3,254,910	2,567,771
Total Operating Expenses	2,975,257	2,017,574	5,467,885	4,367,449
Net Operating Loss	(2,975,257)	(2,017,574)	(5,467,885)	(4,367,449)
Other Income				
Grants received	25,891	146,812	25,891	146,812
Gain on derivative re-measurement				339,744
Total Other Income	25,891	146,812	25,891	486,556
Provision for income taxes				
Net Loss	(2,949,366)	(1,870,762)	(5,441,994)	(3,880,893)
Other Comprehensive (Loss)/Income				
Foreign currency translation adjustments	(67,425)	45,260	(49,045)	24,120

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Total Other Comprehensive (Loss)/Income	(67,425)	45,260	(49,045)	24,120
Net Comprehensive Loss	(3,016,791)	(1,825,502)	(5,491,039)	(3,856,773)
Net Loss per Share Basic and Diluted	(0.13)	(0.10)	(0.25)	(0.23)
Weighted Average Shares Outstanding Basic and Diluted	23,412,262	17,945,704	21,346,835	17,209,254

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

VOLITIONRX LIMITED

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Expressed in U.S. dollars)

	For the six months ended June 30, 2016 \$	For the six months ended June 30, 2015 \$
Operating Activities		
Net loss	(5,441,994)	(3,880,893)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	151,780	91,458
Stock based compensation	579,506	431,330
Gain on warrant re-measurement	(112,615)	(20,641)
Non-operating income grants received	(25,891)	(146,812)
Gain on derivative re-measurement		(339,744)
Changes in operating assets and liabilities:		
Prepaid expenses	(57,362)	(119,261)
Other current assets	(68,253)	(70,173)
Accounts payable and accrued liabilities	416,362	(83,606)
Net Cash Used In Operating Activities	(4,558,467)	(4,138,342)
Investing Activities		
Purchases of patents		(55,000)
Purchases of property and equipment	(68,382)	(62,247)
Net Cash Used in Investing Activities	(68,382)	(117,247)
Financing Activities		
Net proceeds from issuance of common shares	13,313,795	11,253,421
Grants received	25,891	146,812
Grants repaid	(36,135)	(33,174)
Deferred grant income		48,831
Capital lease funding	(41,358)	

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Net Cash Provided By Financing Activities	13,262,193	11,415,890
Effect of foreign exchange on cash	(51,056)	10,084
Increase in Cash	8,584,288	7,170,385
Cash and cash equivalents Beginning of Period	5,916,006	2,138,964
Cash and cash equivalents End of Period	14,500,294	9,309,349
Supplemental Disclosures of Cash Flow Information:		
Interest paid	6,897	
Income tax paid		
Non Cash Investing and Financing Activities:		
Common stock issued on cashless exercises of stock options	21	
Reduction in derivative liability		1,237,896
Capital lease obligation for equipment purchases	346,968	610,674

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

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(\$ expressed in U.S. dollars)

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 June 30, 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 (U.S. GAAP) 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 June 30, 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 U.S. GAAP 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 \$34,481,687 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, financing and/or generate revenues as may be required to sustain its operations. Management plans to address the above as needed by, (a) securing additional grant funds, (b) obtaining additional financing through debt or equity financing and (c) developing and commercializing its products on an accelerated timeline. Management also continues to exercise tight cost controls to conserve cash.

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 U.S. GAAP 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 June 30, 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 (Unaudited)

(\$ expressed in U.S. dollars)

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. At June 30, 2016 and December 31, 2015, the Company had \$14,500,294 and \$5,916,006, respectively, in cash and cash equivalents. At June 30, 2016 and December 31, 2015, the Company had approximately \$8,529,577 and \$762,187 in its domestic accounts in excess of Federal Deposit Insurance Corporation insured limits, respectively. At June 30, 2016 and December 31, 2015, the Company had approximately \$2,778,802 and \$395,100 in its foreign accounts in excess of the Belgian Deposit Guarantee insured limits, respectively. At June 30, 2016 and December 31, 2015, the Company had approximately \$2,812,750 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 June 30, 2016, 1,128,747 dilutive warrants and options and 1,246,716 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 and Software	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 (Unaudited)

(\$ expressed in U.S. dollars)

Note 4 - Property and Equipment

The Company's property and equipment consist of the following amounts as of June 30, 2016 and December 31, 2015:

	Cost	Accumulated Depreciation	June 30, 2016 Net Carrying Value
	\$	\$	\$
Computer hardware and software	140,870	58,169	82,701
Laboratory equipment	324,998	142,196	182,802
Equipment held under capital lease	611,213	132,429	478,784
Office furniture and equipment	34,775	21,417	13,358
	1,111,856	354,211	757,645
			December 31, 2015 Net Carrying Value
	Cost	Accumulated Depreciation	\$
	\$	\$	
Computer hardware and software	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 \$611,213 (€550,454).

During the six month period ended June 30, 2016 and the six month period ended June 30, 2015, the Company recognized \$108,235 and \$48,687, respectively, in depreciation expense.

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(\$ expressed in U.S. dollars)

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 \$	June 30, 2016 Net Carrying Value \$
Patents	1,136,610	464,232	672,378
	1,136,610	464,232	672,378
	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 six month period ended June 30, 2016, and the six month period ended June 30, 2015, the Company recognized \$43,545 and \$42,771 in amortization expense, respectively.

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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	\$43,355
2017	\$86,710
2018	