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** | **91-1949078** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (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. X .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). X .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 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

**PART I - FINANCIAL INFORMATION**

**ITEM 1.**

**FINANCIAL STATEMENTS**

**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 | | |

| | | |
|---|---|---|
| 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 |

| | | | | |
|---|---|---|---|---|
| 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) | |

| | | | |
|---|---|---|---|
| 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 |

| | Cost | Accumulated Depreciation | December 31, 2015 Net Carrying Value |
|---|---|---|---|
| | $ | $ | $ |
| 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<br>$ | Accumulated Amortization<br>$ | June 30, 2016 Net Carrying Value<br>$ |
|---|---|---|---|
| Patents | 1,136,610 | 464,232 | 672,378 |
| | 1,136,610 | 464,232 | 672,378 |

| | Cost<br>$ | Accumulated Amortization<br>$ | December 31, 2015 Net Carrying Value<br>$ |
|---|---|---|---|
| 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.

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 | $86,710 |
| 2019 | $86,710 |
| 2020 | $86,710 |

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 (Unaudited)

($ expressed in U.S. dollars)

**Note 6 - Related Party Transactions**

The Company has an agreement with a related party for consultancy services for a Company subsidiary. See Note 9 for obligations under the agreements.

**Note 7 - Common Stock**

**a) Issuances Upon Warrant Exercises**

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 shares of common stock were issued to a related party.

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 to a related party.

On April 20, 2016, 1,172 warrants were exercised at a price of $2.60 per share, for net cash proceeds to the Company of $3,047. As a result, a total of 1,172 shares of common stock were issued to a related party.

On April 20, 2016, 1,429 warrants were exercised at a price of $2.60 per share, for net cash proceeds to the Company of $3,715. As a result, a total of 1,429 shares of common stock were issued to a related party.

On June 10, 2016, 5,484 warrants were exercised at a price of $0.50 per share, for net cash proceeds to the Company of $2,742. As a result, a total of 5,484 shares of common stock were issued to a related party.

On June 14, 2016, 94,516 warrants were exercised at a price of $0.50 per share, for net cash proceeds to the Company of $47,258. As a result, a total of 94,516 shares of common stock were issued.

**b) Issuances Upon Option Exercises**

On May 20, 2016, stock options were exercised to purchase 88,000 shares of common stock at $3.00 per share in cashless exercises. As a result, a total of 13,419 shares of common stock were issued to related parties.

On May 24, 2016, stock options were exercised to purchase 8,000 shares of common stock at $3.00 per share in cashless exercises. As a result 1,122 shares of common stock were issued.

On May 25, 2016, stock options were exercised to purchase 5,000 shares of common stock at $3.00 per share in cashless exercises. As a result, a total of 562 shares of common stock were issued to a related party.

On May 25, 2016, stock options were exercised to purchase 4,000 shares of common stock at $3.00 per share in cashless exercises. As a result 449 shares of common stock were issued.

On June 16, 2016, stock options were exercised to purchase 29,000 shares of common stock at $2.50 to $3.00 per share in cashless exercises. As a result, a total of 5,179 shares of common stock were issued to a related party.

**c) Issuances In Connection With Public Offering**

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.

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**VOLITIONRX LIMITED**

Notes to the Condensed Consolidated Financial Statements (Unaudited)

($ expressed in U.S. dollars)

**Note 8 Warrants and Options**

**a) Warrants**

See Note 7(a).

On May 4, 2016, the Company amended the expiry period of 341,458 warrants, originally granted on May 11, 2012. The expiration period was extended from four to five years for all 341,458 warrants, with their new expiration date being May 10, 2017. The Company has re-calculated the estimated fair market value of these warrants using the Black-Scholes Option Pricing model and the following assumptions: term 5 years, stock price $3.31, exercise prices $2.60, volatility 131.6%, risk free rate 0.82%.

Below is a table summarizing the warrants issued and outstanding as of June 30, 2016, which have a weighted average exercise price of $2.35 per share and a weighted average remaining contractual life of 2.4 years.

| Date Issued | Number Outstanding | Exercise Price ($) | Contractual Life (Years) | Expiration Date | Proceeds to Company if Exercised ($) |
|---|---|---|---|---|---|
| 05/11/12 | 341,458 | 2.60 | 5.0 | 05/10/17 | 887,790 |
| 03/20/13 | 150,000 | 2.47 | 3.0 to 6.5 | 03/20/16 to 12/20/19 | 370,500 |
| 06/10/13 | 29,750 | 2.00 | 5.0 | 06/10/18 | 59,500 |
| 08/07/13 | 45,000 | 2.40 | 3.0 | 08/07/16 | 108,000 |
| 11/25/13 | 456,063 | 2.40 | 5.0 | 11/25/18 | 1,094,551 |
| 12/31/13 | 64,392 | 2.40 | 5.0 | 12/31/18 | 154,540 |
| 01/28/14 | 2,000 | 2.40 | 3.0 | 01/28/17 | 4,800 |
| 02/26/14 | 1,068,475 | 2.20 | 5.0 | 02/26/19 | 2,350,645 |
| 09/05/14 | 10,000 | 2.40 | 3.0 | 09/05/17 | 24,000 |

| | | | | | |
|---|---|---|---|---|---|
| 09/26/14 | 24,000 | 3.00 | 3.0 | 09/26/17 | 72,000 |
| 11/17/14 | 19,000 | 3.75 | 3.0 | 11/17/17 | 71,250 |
| | **2,210,138** | | | | **$5,197,576** |

**VOLITIONRX LIMITED**

Notes to the Condensed Consolidated Financial Statements (Unaudited)

($ expressed in U.S. dollars)

**Note 8 Warrants and Options (continued)**

**b) Options**

See Note 7(b).

On March 1, 2016, 5,000 stock options expired unexercised.

On April 15, 2016, the Company granted stock options to purchase 775,000 shares at an exercise price of $4.00 per share under its 2015 Stock Incentive Plan. These options vest in full on April 15, 2017 and expire five years after their vesting date. The Company has calculated the estimated fair market value of these options using the Black-Scholes Option Pricing model and the following assumptions: term 6 years, stock price $3.75, exercise price $4.00, volatility 84.4%, risk free rate 1.22%.

On June 15, 2016, the Company amended the expiry period of 37,000 stock options, originally granted on March 20, 2013. The expiration period was extended from three to four years after vesting for all 37,000 stock options. The Company recalculated the estimated fair market value of these options using the Black Scholes model, but the result was deemed to be immaterially different to the original calculation and the financial statements were not adjusted.

On June 15, 2016, the Company amended the expiry period of 16,300 stock options, originally granted on September 2, 2013. The expiration period was extended from three to four years after vesting for all 16,300 stock options. The Company recalculated the estimated fair market value of these options using the Black Scholes model, but the result was deemed to be immaterially different to the original calculation and the financial statements were not adjusted.

On June 23, 2016, the Company granted stock options to purchase 15,000 shares at an exercise price of $4.00 per share under its 2015 Stock Incentive Plan. These options vest in full on June 23, 2017 and expire five years after their vesting date. The Company has calculated the estimated fair market value of these options using the Black-Scholes Option Pricing model and the following assumptions: term 6 years, stock price $3.35, exercise price $4.00, volatility 83.11%, risk free rate 1.25%.

On June 30, 2016, 26,000 stock options expired unexercised, as a result of an officer ceasing employment with the Company.

**VOLITIONRX LIMITED**

Notes to the Condensed Consolidated Financial Statements (Unaudited)

($ expressed in U.S. dollars)

**Note 8 Warrants and Options (continued)**

Below is a table summarizing the options issued and outstanding as of June 30, 2016, all of which were issued pursuant to the 2011 Equity Incentive Plan (for option issuances prior to 2016) or the 2015 Stock Incentive Plan (for option issuances commencing in 2016) and which have a weighted average exercise price of $3.70 per share and a weighted average remaining contractual life of 3.69 years.

| Date Issued | Number Outstanding | Exercise Price ($) | Contractual Life (Years) | Expiration Date | Proceeds to Company if Exercised ($) |
|---|---|---|---|---|---|
| 11/25/11 | 505,000 | 3.00-5.00 | 4.5-7.0 | 05/25/16-11/25/18 | 2,121,000 |
| 09/01/12 | 25,000 | 4.31-6.31 | 3.5-6.0 | 03/01/16-09/01/18 | 137,750 |
| 03/20/13 | 37,000 | 2.35-4.35 | 4.5-7.0 | 09/20/17-03/20/20 | 123,950 |
| 09/02/13 | 16,300 | 2.35-4.35 | 4.5-7.0 | 03/02/18-09/02/20 | 54,605 |
| 05/16/14 | 25,000 | 3.00-5.00 | 3.5-6.0 | 11/16/17-05/16/20 | 100,000 |
| 08/18/14 | 645,000 | 2.50-3.00 | 4.5 and 5.5 | 02/18/19 and 02/18/20 | 1,773,750 |
| 05/18/15 | 20,000 | 3.80 | 4.5 | 11/18/19 | 76,000 |
| 07/23/15 | 317,000 | 4.00 | 4.5 | 01/23/20 | 1,268,000 |
| 08/17/15 | 75,000 | 3.75 | 5.0 | 08/17/20 | 281,250 |
| 04/15/16 | 775,000 | 4.00 | 6.0 | 04/15/22 | 3,100,000 |
| 06/23/16 | 15,000 | 4.00 | 6.0 | 06/23/22 | 60,000 |
| | **2,455,300** | | | | **$9,096,305** |

Total remaining unrecognized compensation cost related to non-vested stock options is approximately $1,648,588 and is expected to be recognized over a period of 1.0 years.

**VOLITIONRX LIMITED**

Notes to the Condensed Consolidated Financial Statements (Unaudited)

($ expressed in U.S. dollars)

**Note 9 Commitments and Contingencies**

**a) Walloon Region Grant**

On March 16, 2010, the Company entered into an agreement with the Walloon Region government in Belgium wherein the Walloon Region would fund up to a maximum of $1,163,700 (€1,048,020) to help fund the research endeavors of the Company in the area of colorectal cancer. The Company had received the entirety of these funds in respect of approved expenditures as of June 30, 2014. Under the terms of the agreement, the Company is due to repay $349,110 (€314,406) of this amount by installments over the period June 30, 2014 to June 30, 2023. The Company has recorded the balance of $814,590 (€733,614) to other income in previous years as there is no obligation to repay this amount. In the event that the Company receives revenue from products or services as defined in the agreement, it is due to pay a 6 percent royalty on such revenue to the Walloon Region. The maximum amount payable to the Walloon Region, in respect of the aggregate of the amount repayable of $349,110 (€314,406) and the 6 percent royalty on revenue, is twice the amount of funding received. As at June 30, 2016, a total of $252,507 (€227,406) was outstanding to be repaid to the Walloon Region under this agreement.

**b) Consulting Agreement**

On May 11, 2016, Singapore Volition, upon the review and approval by the Company s Compensation Committee, entered into a consultancy agreement with PB Commodities Pte Ltd ( PB Commodities ), for the services of Cameron Reynolds (the 2016 Reynolds Consulting Agreement ). Under the terms of the 2016 Reynolds Consulting Agreement, PB Commodities shall receive $25,925 per month for the services provided to Singapore Volition by Mr. Reynolds on its behalf. The foregoing description of the 2016 Reynolds Consulting Agreement does not purport to summarize all terms and conditions thereof. The 2016 Reynolds Consulting Agreement replaced and terminated the existing consultancy agreement for the provision of office space, office support staff, and consultancy services between Singapore Volition and PB Commodities dated August 6, 2010, as amended.

**c) Lease Obligations Payable**

The Company leases three Tecan machines (automated liquid handling robots) under a lease classified as a capital lease. The total cost of this leased laboratory equipment is $611,213 (€550,454). The leased equipment is amortized on a straight line basis over five years. Total amortization charged to the income statement, related to the leased equipment is $61,121 (€55,045) for the six months ended June 30, 2016 and $10,187 (€9,174) for the six months ended June 30, 2015.

**VOLITIONRX LIMITED**

Notes to the Condensed Consolidated Financial Statements (Unaudited)

($ expressed in U.S. dollars)

**Note 9 – Commitments and Contingencies (continued)**

The following is a schedule showing the future minimum lease payments under capital leases by years and the present value of the minimum payments as of June 30, 2016.

| | | |
|---|---|---|
| 2016 | $ | 45,390 |
| 2017 | | 86,950 |
| 2018 | | 84,010 |
| 2019 | | 81,169 |
| 2020 | | 43,016 |
| Total minimum lease payments | | 340,535 |
| Less: Amount representing interest | | (16,493) |
| **Present value of minimum lease payments** | **$** | **324,042** |

The Company also leases premises and facilities under operating leases with terms ranging from 12 months to 36 months. The annual non-cancelable operating lease payments on these leases are as follows:

| | | |
|---|---|---|
| 2016 | $ | 160,652 |
| 2017 | | 8,761 |
| Thereafter | | nil |
| **Total** | **$** | **169,413** |

**d) Bonn University Agreement**

On July 11, 2012, the Company entered into a collaborative research agreement with Bonn University, Germany, relating to a program of samples testing. The agreement was for a period of two years from June 1, 2012 to May 31, 2014. The total payments made by the Company in accordance with the agreement were $433,048 (€390,000). On

April 16, 2014, the Company entered into an extension of this agreement, for a period of a further two years from June 1, 2014 to May 31, 2016. The total payments made by the Company in accordance with the extension of the agreement were $433,048 (€390,000). On May 25, 2016, the Company entered into an extension to the original agreement, for a period of one further year from June 1, 2016 to May 31, 2017. The total payments to be made by the Company in accordance with the extension of the agreement are $233,180 (€210,000).

**e) Hvidovre Hospital, Denmark Agreement**

On August 8, 2014, the Company entered into a collaborative research agreement with Hvidovre Hospital, University of Copenhagen in Denmark, relating to a program of samples testing associated with colorectal cancer. The agreement will expire on August 8, 2016. Total payments (inclusive of local taxes) to be made by the Company under the agreement are $1,529,240 (DKR 10,245,000). On April 15, 2015, the Company amended the aforementioned collaborative research agreement with an additional commitment for samples costing $50,000, to be provided over a two year period, expiring on April 15, 2017.

**VOLITIONRX LIMITED**

Notes to the Condensed Consolidated Financial Statements (Unaudited)

($ expressed in U.S. dollars)

**Note 9 Commitments and Contingencies (continued)**

**f) Legal Proceedings**

There are no legal proceedings which the Company believes will have a material adverse effect on its financial position.

**Note 10 Subsequent Events**

Effective July 11, 2016, the Company amended the expiry period of 45,000 warrants, originally granted on August 7, 2013. The expiration period was extended from three to four years for all 45,000 warrants. The new expiration date of the aforementioned warrants is August 7, 2017.

**END NOTES TO FINANCIALS**

**ITEM 2.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

***Cautionary Note Regarding Forward-Looking Statements***

*This Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 or the Report, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ). These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Report or incorporated by reference into this Report are forward-looking statements. These statements include, among other things, any predictions of earnings, revenues, expenses or other financial items; plans or expectations with respect to our development activities or business strategy; statements concerning industry trends; statements regarding anticipated demand for our products, or the products of our competitors, statements relating to manufacturing forecasts, and the potential impact of our relationship with contract manufacturers and original equipment manufacturers on our business; assumptions regarding the future cost and potential benefits of our research and development efforts; forecasts of our liquidity position or available cash resources; statements relating to the impact of pending litigation; and statements relating to the assumptions underlying any of the foregoing. Throughout this Report, we have attempted to identify forward-looking statements by using words such as may, believe, will, could, project, anticipate, expect, estimate, should, continue, potential, plan, forecasts, goal, seek, intend, other forms of these words or similar words or expressions or the negative thereof (although not all forward-looking statements contain these words).*

*We have based our forward-looking statements on our current expectations and projections about trends affecting our business and industry and other future events. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Forward-looking statements are subject to substantial risks and uncertainties that could cause our future business, financial condition, results of operations or performance, to differ materially from our historical results or those expressed or implied in any forward-looking statement contained in this Report. For instance, if we fail to develop and commercialize diagnostic products, we may be unable to execute our plan of operations. Other risks and uncertainties include our failure to obtain necessary regulatory clearances or approvals to distribute and market future products in the clinical IVD market; a failure by the marketplace to accept the products in our development pipeline or any other diagnostic products we might develop; we will face fierce competition and our intended products may become obsolete due to the highly competitive nature of the diagnostics market and its rapid technological change; and other risks identified elsewhere in this Report, as well as in our other filings with the Securities and Exchange Commission, or the SEC. In addition, actual results may differ as a result of additional risks and uncertainties of which we are currently unaware or which we do not currently view as material to our business. For these reasons, readers are cautioned not to place*

*undue reliance on any forward-looking statements.*

*You should read this Report in its entirety, together with our Annual Report on Form 10-K filed with the SEC on March 11, 2016, the documents that we file as exhibits to this Report and the documents that we incorporate by reference into this Report, with the understanding that our future results may be materially different from what we currently expect. The forward-looking statements we make speak only as of the date on which they are made. We expressly disclaim any intent or obligation to update any forward-looking statements after the date hereof to conform such statements to actual results or to changes in our opinions or expectations. If we do update or correct any forward-looking statements, readers should not conclude that we will make additional updates or corrections.*

***Company Overview***

We are a clinical stage life sciences company focused on developing blood based diagnostic tests that meet the need for accurate, fast, cost effective and scalable tests for detecting and diagnosing cancer and other diseases. We have developed thirty two blood assays to date to detect specific biomarkers that can be used individually or in combination to generate a profile which forms the basis of a test for a particular cancer or disease. We intend to commercialize our products in the future through various channels within the European Union, the United States and eventually throughout the rest of the world beginning with China and India.

We do not anticipate earning significant revenues until such time as we are able to fully market our intended products on the clinical in-vitro diagnostics, or IVD, market. For this reason, our auditors stated in their report on our most recent audited financial statements that our losses and negative cash flow from operations raise substantial doubt that we will be able to continue as a going concern without further financing. Our ability to continue as a going concern is dependent upon our ability to successfully accomplish our plan of operations, obtain financing and eventually attain profitable operations.

***Overview of Plan of Operations***

Management has identified the specific processes and resources required to achieve the near and medium term objectives of the business plan, including personnel, facilities, equipment, research and testing materials including antibodies and clinical samples, and the protection of intellectual property. To date, operations have proceeded satisfactorily in relation to the business plan. However it is possible that some resources will not readily become available in a suitable form or on a timely basis or at an acceptable cost. It is also possible that the results of some processes may not be as expected and that modifications of procedures and materials may be required. Such events could result in delays to the achievement of the near and medium term objectives of the business plan, in particular the progression of clinical validation studies and regulatory approval processes for the purpose of bringing products to the IVD market. However, at this point, the most significant risk to the Company is that it will not succeed in obtaining additional financing in the medium term.

***Liquidity and Capital Resources***

As of June 30, 2016, the Company had cash and cash equivalents of $14,500,294, prepayments of $211,106, other current assets of $221,630 and current liabilities of $1,552,335. This represents a working capital surplus of $13,380,695.

The Company used $4,558,467 in net cash for operating activities for the six months ended June 30, 2016, compared to $4,138,342 for the six months ended June 30, 2015. The increase in cash used year over year is primarily a result of increased expenditures on research and development activities. See *Results of Operations* for more detail.

Net cash used in investing activities decreased year over year by $48,865 to $68,382 in the 2016 period, mainly as a result of the 2015 purchase of the Nucleosomics® WO2005019826: Detection of Histone Modifications in Cell-Free Nucleosomes patent (i.e. the patent that underlies the NuQ®-M tests) from Chroma Therapeutics Limited for $55,000.

Net cash provided by financing activities amounted to $13,262,193 for the six months ended June 30, 2016, compared to $11,415,890 for the six months ended June 30, 2015. The Company raised approximately $13.1 million in net proceeds in March 2016 through the sale and issuance of approximately 4.3 million shares of common stock in a public offering. In addition, approximately $0.2 million in net proceeds have been raised through the exercise of warrants in 2016. The Company raised approximately $9.7 million in net proceeds in February 2015 through the sale and issuance of approximately 2.8 million shares of common stock in a public offering at the time of our up-listing to

the NYSE MKT. We also raised another $1.5 million from further issuances in a private placement during the first quarter of 2015. This resulted in an increase of cash of $8,584,288 for the six month period ended June 30, 2016, compared to an increase of $7,170,385 for the six month period ended June 30, 2015.

We intend to use our cash reserves to predominantly fund further research and development activities. We do not currently have any substantial source of revenues and expect to rely on additional future financing, through the sale of additional equity securities, but there is no assurance that we will be successful in raising further funds.

In the event that additional financing is delayed, the Company will prioritize the maintenance of its research and development personnel and facilities, primarily in Belgium, and the maintenance of its patent rights. However the completion of clinical validation studies and regulatory approval processes for the purpose of bringing products to the IVD market would be delayed. In the event of an ongoing lack of financing, we may be obliged to discontinue operations, which will adversely affect the value of our common stock.

***Results of Operations***

***Three Months Ended June 30, 2016 and June 30, 2015***

The following table sets forth the Company s results of operations for the three months ended on June 30, 2016 and the comparative period for the three months ended June 30, 2015.

| | Three months Ended June 30, 2016 ($) | Three months Ended June 30, 2015 ($) | Increase/ (Decrease) ($) | Percentage Increase/ (Decrease) (%) |
|---|---|---|---|---|
| Revenues | - | - | - | - |
| General and administrative expenses | 166,056 | 122,447 | 43,609 | 36% |
| Professional fees | 510,420 | 236,731 | 273,689 | 116% |
| Salaries and office administrative fees | 506,691 | 301,406 | 205,285 | 68% |
| Research and development expenses | 1,792,090 | 1,356,990 | 435,100 | 32% |
| Total Operating Expenses | 2,975,257 | 2,017,574 | 957,683 | 47% |
| Other Income | (25,891) | (146,812) | (120,921) | (82%) |
| Income Taxes | - | - | - | - |
| Net Loss | (2,949,366) | (1,870,762) | 1,078,604 | 58% |
| Basic and Diluted Loss Per Common Share | (0.13) | (0.10) | 0.03 | 30% |
| Weighted Average Basic and Diluted Common Shares Outstanding | 23,412,262 | 17,945,704 | 5,466,558 | 30% |

***Revenues***

The Company had not generated revenues from operations in either the three months ended June 30, 2016 or the three months ended June 30, 2015. The Company s operations are still predominantly in the development stage.

***Total Operating Expenses***

For the three months ended June 30, 2016, the Company s total operating expenses increased by $957,683, or 47%, compared to the same period in 2015. Total expenses are comprised of general and administrative expenses, professional fees, salaries and office administrative fees, and research and development expenses.

***General and Administrative Expenses***

General and administrative expenses increased by $43,609, or 36%, in the three month period ended June 30, 2016 compared to the prior year period. The increase was primarily a result of an increase in insurance costs by $9,307 and an increase in additional costs of $18,108 due to the opening of a UK office.

***Professional Fees***

Professional fees increased by $273,689, or 116%, in the three month period ended June 30, 2016 compared to the prior year period. The increase was the result of increased marketing fees of $67,414 as we move towards product commercialization and increased legal and professional fees of $203,640 arising from the greater complexity of the Company and preparation for its move into product launch.

***Salaries and Office Administrative Fees***

Salaries and office administrative fees increased by $205,285, or 68%, in the three month period ended June 30, 2016 compared to the prior year period. The increase was the result increased employee headcount, staff salary and an extra $156,704 incurred on the cost of amortization of stock options.

***Research and Development Expenses***

Research and development expenses increased by $435,100, or 32%, in the three month period ended June 30, 2016 compared to the prior year period. The increase was the result of $124,721 in antibody expenditures, required for testing, plus increased staff costs from an increase in headcount in research and development.

***Other Income***

For the three months ended June 30, 2016, the Company recognized other income of $25,891, as compared to other income of $146,812 for the three months ended June 30, 2015. Other income for both periods consisted of grant funds received from public bodies in respect of approved expenditures, where there is no obligation to repay.

***Net Loss***

For the three months ended June 30, 2016, our net loss was $2,949,366, an increase of $1,078,604, or 58%, in comparison to a net loss of $1,870,762 for the three months ended June 30, 2015. The change was a result of the factors described above.

***Six Months Ended June 30, 2016 and June 30, 2015***

The following table sets forth the Company s results of operations for the six months ended on June 30, 2016 and the comparative period for the six months ended June 30, 2015.

| | Six months Ended June 30, 2016 ($) | Six months Ended June 30, 2015 ($) | Increase/ (Decrease) ($) | Percentage Increase/ (Decrease) (%) |
|---|---|---|---|---|
| Revenues | - | - | - | - |
| General and administrative expenses | 394,251 | 370,205 | 24,046 | 6% |
| Professional fees | 983,688 | 788,530 | 195,158 | 25% |
| Salaries and office administration fees | 835,036 | 640,943 | 194,093 | 30% |
| Research and development expenses | 3,254,910 | 2,567,771 | 687,139 | 27% |
| Total Operating Expenses | 5,467,885 | 4,367,449 | 1,100,436 | 25% |
| Other Income | (25,891) | (486,556) | (460,665) | (95%) |
| Income Taxes | - | - | - | - |
| Net Loss | (5,441,994) | (3,880,893) | 1,561,101 | 40% |
| Basic and Diluted Loss Per Common Share | (0.25) | (0.23) | 0.02 | 9% |
| Weighted Average Basic and Diluted Common Shares Outstanding | 21,346,835 | 17,209,254 | 4,137,581 | 24% |

***Revenues***

The Company had not generated revenues from operations in either the six months ended June 30, 2016 or the six months ended June 30, 2015. The Company s operations are still predominantly in the development stage.

***Total Operating Expenses***

For the six months ended June 30, 2016, the Company s total operating expenses increased by $1,100,436, or 25%, compared to the same period in 2015. Total expenses are comprised of general and administrative expenses, professional fees, salaries and administrative fees and research and development expenses.

***General and Administrative Expenses***

General and administrative expenses increased by $24,046, or 6%, in the six month period ended June 30, 2016 compared to the prior year period. The increase was the result of the Company s insurance costs, which rose by $39,766, additional costs of $31,486 due to the opening of a UK office, along with an increase in travel and associated costs of $19,416 related to new employee activity. The increases in these costs were partially offset on a comparative basis by the absence of the capital raising expenses incurred in the March 31, 2015 quarter for the up-listing to the NYSE MKT in an amount of approximately $94,400.

***Professional Fees***

Professional fees increased by $195,158, or 25%, in the six month period ended June 30, 2016 compared to the prior year period. The increase was the result of higher marketing fees of $71,724 as we move towards product commercialization and an increase of $128,924 in legal and professional fees arising from the greater complexity of the Company and preparation for its move into product launch.

***Salaries and Office Administrative Fees***

Salaries and office administrative fees increased by $194,093, or 30%, in the six month period ended June 30, 2016 compared to the prior year period. The increase was the result of an increase in the cost of stock option amortization expense with some remuneration increases.

***Research and Development Expenses***

Research and development expenses increased by $687,139, or 27%, in the six month period ended June 30, 2016 compared to the prior year period. The increase was the result of an increase in antibody and sample expenditures, required for testing, of $438,979. Other increases in costs on a year over year basis include employment costs, due to an increase in employee headcount and capital lease interest costs, relating to the new Tecan machines purchased in 2015.

***Other Income***

Other income amounted to $25,891 for the six months ended June 30, 2016. This related to grant funds received from public bodies in respect of approved expenditures, where there is no obligation to repay. Other income of $486,556 was generated for the six months ended June 30, 2015 and consisted of $146,812 related to grant funds received from public bodies in respect of approved expenditures, where there is no obligation to repay, and $339,744 related to the re-measurement of a derivative liability associated with warrants issued in February 2014. The re-measurement of the warrant liability occurred when 25,000 of these warrants were exercised in February 2015 and when the remaining derivative liability expired later in the same month.

***Net Loss***

For the six months ended June 30, 2016, our net loss was $5,441,994, an increase of $1,561,101, or 40%, in comparison to a net loss of $3,880,893 for the six months ended June 30, 2015. The change was a result of the factors described above.

***Going Concern***

We have not attained profitable operations and are dependent upon obtaining financing to pursue any extensive activities. For these reasons, our auditors stated in their report on our audited financial statements for the fiscal year ended December 31, 2015 that they have substantial doubt that we will be able to continue as a going concern without further financing.

***Off-Balance Sheet Arrangements***

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity,

capital expenditures or capital resources that are material to stockholders.

***Future Financings***

We may seek to obtain additional capital through the sale of debt or equity securities, if we deem it desirable or necessary. However, we may be unable to obtain such additional capital when needed, or on terms favorable to us or our stockholders, if at all. If we raise additional funds by issuing equity securities, the percentage ownership of our stockholders will be reduced, stockholders may experience additional dilution or such equity securities may provide for rights, preferences or privileges senior to those of the holders of our common stock. If additional funds are raised through the issuance of debt securities, the terms of such securities may place restrictions on our ability to operate our business.

***Critical Accounting Policies***

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP, applied on a consistent basis. 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in the notes to our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

***Recently Issued Accounting Pronouncements***

The Company has implemented all new accounting pronouncements that are in effect. The Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

**ITEM 3.**

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act, and are not required to provide the information under this item.

**ITEM 4.**

**CONTROLS AND PROCEDURES**

***Evaluation of Disclosure Controls and Procedures***

Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our management carried out an evaluation under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded, as they previously concluded as of December 31, 2015, that our disclosure controls and procedures continue to not be effective as of June 30, 2016, because of material weaknesses in our internal control over financial reporting, as described below and in detail in our Annual Report for the year ended December 31, 2015 on Form 10-K as filed with the SEC on March 11, 2016, and in our Quarterly Report for the quarter ended March 31, 2016 on Form 10-Q as filed with the SEC on May 13, 2016.

***Changes in Internal Control over Financial Reporting***

The Audit Committee of the Board of Directors meets regularly with our financial management and counsel, and with the independent registered public accounting firm engaged by us. Internal accounting controls and the quality of financial reporting are discussed during these meetings. The Audit Committee has discussed with the independent registered public accounting firm matters required to be discussed by the auditing standards adopted or established by the Public Company Accounting Oversight Board. In addition, the Audit Committee and the independent registered public accounting firm have discussed the independent registered public accounting firm s independence from the Company and its management, including the matters in the written disclosures required by Public Company Accounting Oversight Board Rule 3526 Communicating with Audit Committees Concerning Independence .

As at June 30, 2016, we did not maintain sufficient internal controls over financial reporting for part of the cash process, including failure to segregate some of the accounting functions and our purchase order process not being fully implemented across the Company and its subsidiaries. We have developed, and are currently implementing, a remediation plan for such weaknesses, including the uniform adoption of our purchase order authorization process. The successful remediation of these weaknesses will require review and evidence of the effectiveness of the related internal controls as part of our next annual assessment of our internal controls over financial reporting.

As we continue to evaluate and work to enhance our internal controls over financial reporting, we may determine that additional measures should be taken to address these or other control deficiencies, and/or that we should modify our remediation plan.

Except as disclosed above, and except for the previously disclosed weakness regarding dual signatures on one of the Company s bank accounts that was remediated in May 2016, there have been no changes in our internal controls over financial reporting that occurred during the fiscal quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

***Limitations of the Effectiveness of Disclosure Controls and Internal Controls***

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the

benefits of controls must be considered relative to their costs. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**PART II - OTHER INFORMATION**

**ITEM 1.**

**LEGAL PROCEEDINGS**

In the ordinary course of business, we may be subject to claims, counter claims, suits and other litigation of the type that generally arise from the conduct of our business. We know of no material, existing or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which our director, officer or any affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

**ITEM 1A.**

**RISK FACTORS**

Except as set forth below, there have been no material changes in our assessment of risk factors affecting our business since those presented in our Annual Report on Form 10-K, Item 1A, for the fiscal year ended December 31, 2015 as filed with the Securities and Exchange Commission on March 11, 2016, as amended by those presented in our Quarterly Report on Form 10-Q, Item 1A, for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission on May 13, 2016, or the March 10-Q.

The risk factors below amend, restate and replace in their entirety each of the same titled risk factors in our Form 10-K or March 10-Q, as applicable.

***If the patents that we rely on to protect our intellectual property prove to be inadequate, our ability to successfully commercialize our future products will be harmed and we may never be able to operate our business profitably.***

Our success depends, in large part, on our ability to protect proprietary methods, discoveries and technologies that we develop under the patents and intellectual property laws of the United States, the European Union and other countries, so that we can seek to prevent others from unlawfully using our inventions and proprietary information. We have four

patents related to our diagnostic tests granted in the United States; one patent granted in the European Union and four patents granted in other countries. We also hold an exclusive worldwide license to one pending patent application in the United States and five patents granted in other countries. Additionally, we have patent applications in the name of our subsidiaries pending in the United States, the European Union and other countries. We cannot assure you that any of the pending patent applications will result in patents being issued. In addition, due to technological changes that may affect our future products or judicial interpretation of the scope of our patents, our intended products might not, now or in the future, be adequately covered by our patents.

***If equity research analysts do not publish research or reports about our business, or if they do publish such reports but issue unfavorable commentary or downgrade our common stock, the price and trading volume of our common stock could decline.***

The trading market for our common stock could be affected by whether and to what extent equity research analysts publish research or reports about us and our business. We cannot predict at this time how many research analysts will cover us and our common stock or whether they will publish research and reports on us. If one or more equity analysts cover us and publish research reports about our common stock, the price of our stock could decline if one or more securities analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing reports about us.

If any of the analysts who elect to cover us downgrade their recommendation with respect to our common stock, our stock price could decline rapidly. If any of these analysts ceases coverage of us, we could lose visibility in the market, which in turn could cause our common stock price or trading volume to decline and our common stock to be less liquid.

**ITEM 2.**

**UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the quarter ended June 30, 2016, the Company issued the shares described below in private placements pursuant to Section 4(2) of the Securities Act of 1933, as amended, ( Securities Act ), and Rule 506 of Regulation D, in each case on the basis that the shares were offered and sold in a non-public offering to an accredited investor as defined in Rule 501 of Regulation D. Additionally, at the time of the issuances, the shares were deemed to be restricted securities under the Securities Act and the certificates evidencing such shares bear a legend to that effect.

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On or about April 20, 2016, 2,601 warrants were exercised at a price of $2.60 per share, for net cash proceeds to the Company of $6,762. As a result, a total of 2,601 shares of common stock were issued to two (2) non U.S. accredited investors.

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On or about June 10, 2016, 5,484 warrants were exercised at a price of $0.50 per share, for net cash proceeds to the Company of $2,742. As a result, a total of 5,484 shares of common stock were issued to one (1) non U.S. accredited investor.

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On or about June 14, 2016, 94,516 warrants were exercised at a price of $0.50 per share, for net cash proceeds to the Company of $47,258. As a result, a total of 94,516 shares of common stock were issued to one (1) non U.S. accredited investor.

**ITEM 3.**

**DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4.**

**MINE SAFETY DISCLOSURES**

Not Applicable.

**ITEM 5.**

**OTHER INFORMATION**

None.

**ITEM 6.**

**EXHIBITS**

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 10.1# | First Amendment to Executive Chairman s Agreement by and between VolitionRx and Dr. Faulkes, dated May 11, 2016. | 10-Q | 001-36833 | 10.1 | 05/13/2016 | |
| 10.2# | Consultancy Agreement by and between the Singapore Volition and PB Commodities, dated May 11, 2016. | 10-Q | 001-36833 | 10.2 | 05/13/2016 | |
| 10.3# | First Amendment to Consultancy Agreement by and between VolitionRx and Borlaug, dated May 11, 2016. | 10-Q | 001-36833 | 10.3 | 05/13/2016 | |
| 10.4 | English translation of French Sale Agreement dated April 15, 2016, by and between Belgian Volition and Gerard Dekoninck S.A., for the purchase of a research and development facility in Les Isnes, Belgium. | 10-Q | 001-36833 | 10.4 | 05/13/2016 | |
| 31.1 | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 31.2 | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.1* | Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 101.INS | XBRL Instance Document. | | | | | X |
| 101.SCH | XBRL Taxonomy Extension Schema Document. | | | | | X |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. | | | | | X |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. | | | | | X |

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|---|---|---|
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. | X |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. | X |

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Indicates a management contract or compensatory plan or arrangement

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The certifications attached as Exhibit 32.1 accompany this Quarterly Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed filed by the registrant for purposes of Section 18 of the Exchange Act and are not to be incorporated by reference into any of the registrant s filings under the Securities Act or the Exchange Act, irrespective of any general incorporation language contained in any such filing.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**VOLITIONRX LIMITED**

Dated: August 11, 2016

*/s/ Cameron Reynolds*
Cameron Reynolds
Duly Authorized Officer, President and Principal Executive Officer

Dated: August 11, 2016

*/s/ David Kratochvil*
David Kratochvil
Duly Authorized Officer, Chief Financial Officer and Principal Financial and Accounting Officer