

RESVERLOGIX CORP.

**ANNUAL INFORMATION FORM**

Fiscal Year-Ended April 30, 2010

July 27, 2010

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**GLOSSARY**

In this Annual Information Form, the following terms shall have the following meaning, unless otherwise defined elsewhere in this Annual Information Form:

ABCA	means the <i>Business Corporations Act</i> (Alberta).
Alpha1 HDL	mature lipid-rich particles that are involved in reverse cholesterol transport (RCT) whereby cholesterol is removed from cell membranes to the liver for excretion.
Alzheimer's disease (AD)	a disease marked by the loss of cognitive ability, generally over a period of 10 to 15 years, and associated with the development of abnormal tissues and protein deposits in the cerebral cortex.
Angioplasty	the surgical repair of a blood vessel by inserting a balloon-tipped catheter to dilate the vessel ( <i>also known as balloon angioplasty</i> ).
Apolipoprotein	the protein combined with a lipid to form a lipoprotein, a component of HDL and LDL.
ApoA-I	is one of the apolipoprotein components of the HDL particle.
ApoB	is one of the apolipoprotein components of the LDL particle.
ApoA-I <sup>Milano</sup>	a naturally occurring variant of ApoA-I, discovered in the body of some people from Limone-sul-Garda, Italy.
Atherosclerosis	a disease in which the deposition of lipids and plaque in arteries results in the hardening and decrease of arterial lumen size.
Atherosclerotic Plaque	the deposit or accumulation of lipid-containing plaques in the arterial wall ( <i>also known as atheroma</i> ).
Beta Amyloid Plaque	is an aggregation of Beta Amyloid a peptide of 39–43 amino acids. Beta Amyloid appears to be the main constituent of amyloid plaques in the brains of Alzheimer's disease patients. These plaques are composed of a tangle of regularly ordered fibrillar aggregates called amyloid fibers, a protein fold shared by other peptides such as the prions associated with protein misfolding diseases.
Bioavailability	the degree and rate at which a drug is absorbed into a living system or is made available at the site of activity after administration.
Biomaterial	a natural or synthetic material that is suitable for introduction into living tissue especially as part of a medical device.
Biopharmaceuticals	a medical drug developed by biotechnology to improve human or animal health.
Cancer	a disease characterized by abnormal and uncontrolled cell growth.
Cardiovascular disease (CVD)	is a group of diseases of the heart and blood vessels.
CETP	Cholesteryl ester transfer protein is a plasma protein that facilitates the transport of cholesteryl esters and triglycerides between the lipoproteins.

Cholesterol	a fatty molecule essential for normal body functions, including the production of hormones and bile acids; it is also an important component of a cell membrane.
Cholesterol Efflux	the removal of cholesterol from the tissues to the liver for excretion.
Common Shares	means common shares in the capital of Resverlogix Corp.
Company	Resverlogix Corp., a corporation incorporated under the ABCA.
Compound	a chemical substance formed from two or more elements ( <i>also see drug</i> ).
Contract Research Organization (CRO)	an organization (commercial, academic or other), contracted by the sponsor to conduct research or development activities.
Clinical Trial/Study	a research study in human subjects to evaluate a new drug, medical device, biologic or other intervention under a strictly controlled scientific setting.
Deoxyribonucleic Acid (DNA)	the material inside the nucleus of cells that carries genetic information.
Drug	is any substance that can be used to modify a chemical process or processes in the body to mitigate, treat or prevent a medical condition.
Drug Eluting Stent (DES)	a cylindrical medical device, typically made of bare metal or a polymer, which is inserted into a body duct or tube, such as an artery, to prevent collapse .
Dyslipidemia	a disorder associated with abnormal levels of blood lipids and lipoproteins.
Endogenous	is a process whereby a molecule is produced within the body.
Enzyme	a protein that acts as a catalyst in mediating and accelerating a specific chemical reaction.
Epidemiology	is the study of factors affecting the health and illness of populations, and serves as the foundation and logic of interventions made in the interest of public health and preventive medicine. It is considered a cornerstone methodology of public health research and is highly regarded in evidence-based medicine for identifying risk factors for disease and determining optimal treatment approaches to clinical practice.
Fibrous Tissue	is tissue consisting of fibers or fiber-containing materials, such as scar tissue.
Food and Drug Administration (FDA)	is the United States governmental agency responsible for the approval, manufacture, usage and sale of food, human diagnostics and therapeutic products.
Gene	a sequence of DNA encoding a protein.
Good Clinical Practice (GCP)	is the international ethical and scientific quality standard for designing, conducting, recording and reporting trials that involve human subjects.

Good Laboratory Practice (GLP)	is the international regulation which embodies a set of principles which provide a framework for laboratory studies, ensuring high quality experimental standards and reliable data.
Good Manufacturing Practice (GMP)	is the international set of regulations, codes and guidelines for the manufacture of drugs, medical devices, diagnostics and food products.
High-density Lipoprotein (HDL)	a complex of lipids and proteins (ApoA-I) that function in the transport of cholesterol away from the tissues to the liver and is associated with a decreased risk of atherosclerosis and coronary heart disease ( <i>also known as "good cholesterol"</i> ).
Health Canada	is the governmental agency which regulates the manufacture, use and sale of human diagnostics and therapeutic products in Canada, and oversees safety of foods.
Hepatic Transaminases	are variables analyzed in plasma that describe liver function and liver cell integrity. They include, for example, Alanine Transaminase (ALT) and Aspartate Transaminase (AST).
In vivo	an experimental procedure conducted in a living organism.
Investigational New Drug (IND)	the application submitted to the FDA prior to a drug being tested in humans in clinical trials.
Life Science Organization(s)	an industry term describing both biotechnology and pharmaceutical organizations.
Low-density Lipoprotein (LDL)	a complex of lipids and proteins (ApoB) that function by transporting cholesterol to the tissues, in particular the arteries, and is associated with an increased risk of atherosclerosis and coronary heart disease ( <i>also know as "bad cholesterol"</i> ).
Lipids	are fatty substances, including cholesterol and triglycerides, that are present in cell membranes and body tissues.
Lipoproteins	a complex of proteins and lipids that are the principal means by which fat and cholesterol is transported in the blood; major lipoproteins are low-density lipoproteins (LDL) and high-density lipoproteins (HDL).
Macrophage	a type of white blood cell that ingests foreign particles, including cholesterol.
Medical Device	a diagnostic or therapeutic article that does not work by chemical action ( <i>see DES</i> ).
Metabolism	is the biochemical modification or degradation of a drug, often readily removing the drug from the body.
Monocyte	a white blood cell that circulates in the blood and becomes a macrophage when it enters the body's tissues and organs.
New Drug Application (NDA)	the documentation submitted to the FDA, Health Canada or other local regulatory authorities to obtain approval to market a new drug.

NexVas AD	NexVas™ Alzheimer's Disease is a discovery stage technology for the development of drugs that enhance ApoA-I for stabilization and regression of Beta Amyloid Plaque.
NexVas PR	NexVas™ Plaque Reduction is the Company's primary program for the development of drugs that increase the production of ApoA-I to reduce the risk of cardiovascular diseases. ApoA-I is the key building block of HDL, the "good cholesterol".
NexVas VI	NexVas™ Vascular Inflammation is the Company's second CVD program, a discovery stage technology for the development of drugs that target molecular markers of inflammation.
Patent Cooperation Treaty (PCT)	a multinational treaty (effective in 1978) that provides a unified procedure for filing a patent application, active in approximately 125 countries.
Pharmacological Agent	(see "Drug").
Pharmacodynamics	the study of the biological actions of a drug in the body, specifically the relationship between how much drug is present and its effects.
Pharmacokinetics	the study of how a drug is absorbed, distributed, metabolized and eliminated (ADME) by the body over time.
Pharmacology	the study of pharmacological agents and their origin, nature, properties and effects on living organisms.
Phase 1 Clinical Trial	a smaller scale trial, where a drug is first tested on a small number of healthy human volunteers to evaluate the drug's safety, schedule, dose, pharmacokinetics and pharmacodynamics (an approximate 1-2 year time trial).
Phase 2 Clinical Trial	a study intended to evaluate the efficacy of a new drug in patients suffering from the condition that the drug is intended to treat (an approximate 1-3 year time trial).
Phase 3 Clinical Trial	a pivotal, large scale study conducted to demonstrate the safety and efficacy of a new drug in a random population of patients suffering from the condition that the drug is intended to treat (an approximate 2-5 year time trial).
Pre-beta1 HDL	lipid-poor particles that initiate reverse cholesterol transport (RCT) from cell membranes to the liver for excretion (also known as nascent HDL).
Preclinical Studies	the studies conducted in animals to evaluate the toxic effects, pharmacokinetics and metabolism of a drug to provide evidence for safety, efficacy and bioavailability of the drug prior to its administration to humans in clinical studies.
Restenosis	the re-narrowing of the inside of a vessel, typically a complication after an angioplasty.
ReVas	ReVas™ is the Company's third CVD program, a research stage technology for the development of therapeutics to be used with medical devices for the treatment of cardiovascular diseases.

Reverse Cholesterol Transport (RCT)	the term that signifies the process whereby cholesterol, an insoluble molecule, is packaged and transported by special particles in the plasma called lipoproteins for movement from peripheral tissues through the blood and back to the liver for excretion from the body. Cholesterol that moves from peripheral tissues to the liver is considered to be moving in the reverse direction.
Statin	a class of drugs that block cholesterol production in the body by inhibiting an enzyme called HMG-CoA reductase.
Therapeutic	a biopharmaceutical useful for treating a disease.
Toxicology	the study of the harmful effects of substances in the body, including the level of toxicity, the mechanism by which toxicity occurs and how it can be controlled.
Therapeutic Products Directorate (TPD)	the Canadian governmental agency that is responsible for the regulation and approval of the sale of drugs and diagnostics in Canada.
Triglycerides	a type of fat found in the blood and other parts of the body.

#### **NOTE REGARDING FORWARD-LOOKING STATEMENTS**

All statements, other than statements of historical facts, included in this Annual Information Form regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words “believe”, “anticipate”, “estimate”, “plan”, “expect”, “intend”, “may”, “project”, “will”, “would” and similar expressions and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements.

Our statements of “belief” in respect of our drug candidates are based primarily upon our results derived to date from our pre-clinical and clinical research and development and our research and development program. We also use the term “demonstrated” in this Annual Information Form to describe certain findings that we make arising from our research and development including any pre-clinical and clinical studies that we have conducted to date.

We believe that we have a reasonable scientific basis upon which we have made such statements of “belief” or arrived at such findings. It is not possible, however, to predict, based upon in vitro, animal and/or human studies whether a new therapeutic agent will be proved to be safe and/or effective in humans and no conclusions should be drawn in that regard from what we state has been demonstrated by us to date. We cannot assure you that the particular results expected by us will occur.

There are a number of important factors that could cause our actual results to differ materially from those indicated or implied by forward-looking statements or statements of “belief”, including the factors discussed under “Risk Factors”. These factors and the other cautionary statements made in this Annual Information Form should be read as being applicable to all related forward-looking statements and statements of “belief” wherever they appear in this Annual Information Form.

Any forward-looking statements and statements of “belief” represent our estimates only as of the date of this Annual Information Form and should not be relied upon as representing our estimates as of any subsequent date. Except as required by law, we do not assume any obligation to update any forward-looking statements or statements of “belief”. We disclaim any intention or obligation to update or revise

any forward-looking statements or statements of “belief”, whether as a result of new information, future events or otherwise except as otherwise required by law. The forward-looking statements contained in this Annual Information Form include, but are not limited to, statements regarding our:

- intention to commercialize our products for the treatment of unmet medical needs, including cardiovascular disease, Alzheimer's disease and inflammatory diseases;
- intention to carry out trials on our products for the treatment of cardiovascular disease, Alzheimer's disease and inflammatory diseases;
- intention to obtain regulatory approval for our products;
- expectations with respect to the cost of the testing and commercialization of our products;
- sales and marketing strategy;
- anticipated sources of revenue;
- intentions regarding the protection of our intellectual property;
- business strategy; and
- intention with respect to dividends.

Such forward-looking statements involve known and unknown risks and uncertainties, including those referred to in this Annual Information Form, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks include, but are not limited to:

- risks related to the early stage of our products and the Company;
- uncertainties related to clinical trials and product development;
- uncertainties relating to current economic conditions;
- rapid technological change;
- uncertainties relating to forecasts and timing of clinical trials and regulatory approval;
- competition in the market for therapeutic products to treat cardiovascular disease, Alzheimer's disease and inflammatory diseases;
- risks relating to potential product liability claims;
- availability of additional financing and access to capital for research and development, clinical trials and regulatory approval;
- market acceptance and commercialization of our products;
- the availability and supply of raw materials, including supplies of sufficient active pharmaceutical ingredients for larger clinical trials and future commercial production;
- risks relating to the effective management of our growth;
- potential reliance on partnering agreements to provide support for discovery and development efforts, and on corporate sponsors, pharmaceutical companies, universities, research groups and other to successfully develop and commercialize the Company's technology;
- the willingness of health care insurers and other organizations to pay for our products;
- risks relating to our reliance on key personnel;
- risks relating to the regulatory approval process for the manufacture and sale of non-therapeutic and human therapeutic products; and
- the Company's ability to secure and protect its intellectual property, and to operate without infringing on the proprietary rights of others or having third parties circumvent the rights owned or licensed by the Company.

Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- interest rates;
- the timing of the receipt of regulatory and governmental approvals for research and development projects;
- the availability of financing for research and development projects, or the availability of financing on reasonable terms;
- the costs of pre-clinical and clinical trials;
- our ability to attract and retain skilled staff;

- the impact of changes in Canadian dollar-euro, Canadian dollar-US dollar and other foreign exchange rates on the our costs and results;
- market competition;
- tax benefits and tax rates; and
- ongoing relations with employees and with business partners.

The foregoing list of important factors and assumptions is not exhaustive. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. You should also carefully consider the matters discussed under "Risk Factors" in this Annual Information Form. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as required by securities legislation.

## **CURRENCY**

In this Annual Information Form, unless otherwise noted, all dollar amounts are expressed in Canadian dollars.

## CORPORATE STRUCTURE

### Name and Incorporation

Resverlogix Corp. (“Resverlogix” or the “Company”) was incorporated under the ABCA on August 17, 2000 as Apsley Management Group Inc. The Company acquired all of the shares of Resverlogix Inc. on April 25, 2003. The Company amalgamated with Resverlogix Inc. to form Resverlogix Corp. on February 7, 2005.

The Company’s head office is located at Suite 202, 279 Midpark Way S.E., Calgary, Alberta, T2X 1M2. The registered and records office is located at Suite 600, 815 - 8<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3P2.

### Inter-Corporate Relationships

RVX Therapeutics Inc., incorporated by a Certificate of Incorporation under the ABCA on February 11, 2005, is a wholly-owned subsidiary of the Company. References to the business operations or financial condition of Resverlogix include RVX Therapeutics Inc.

Resverlogix Inc. incorporated by a Certificate of Incorporation in the state of Delaware on July 18, 2008, is a wholly-owned subsidiary of the Company. References to the business operations or financial condition of Resverlogix include Resverlogix Inc.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

During the last three years, the Company has expanded its operations and technology platform, further advanced the development of the NexVas™ Plaque Regression (NexVas™ PR) program and established new research programs such as NexVas™ Alzheimer’s Disease (NexVas™ AD). These accomplishments have been achieved by executing on the Company’s business strategies, establishing a Clinical Advisory Board and Clinical Steering Committee, hiring internationally renowned personnel and collaborating with leading research institutions and contract research organizations.

The following principal events have influenced the general development of the Company’s business in the last three years.

#### *Product Development*

In May 2007, the Company announced that the research it sponsored in the laboratory of Dr. M. Francesca Cordeiro, at the Institute of Ophthalmology, University College London and Hon. Consultant Ophthalmologist Western Eye Hospital, London, was presented in a poster during the 2007 Annual Meeting for the Association for Research Vision and Ophthalmology. This research demonstrated a successful method and route of delivery for a potential therapeutic to select cells in the back of the eye.

In June 2007, the Company announced that it signed a collaborative research agreement with Dr. Larry Sparks of the Sun Health Research Institute to study Resverlogix’s ApoA-I enhancing therapy for the treatment of Alzheimer’s disease.

In July 2007, the Company announced that a study using clinical lead compound RVX-208 in adult African green monkeys illustrated that RVX-208 elevated both ApoA-I and HDL-c in a dose-dependent manner. When RVX-208 was administered over 28-day and 42-day treatment regimens, ApoA-I levels increased up to 52% and HDL cholesterol levels increased up to 75%.

In December 2007, the Company announced that it has received approval by the FDA to initiate a Phase 1a clinical trial of oral RVX-208 in the United States to examine whether RVX-208 can increase the

production of ApoA-I and HDL in healthy adult subjects. ApoA-I is regarded as the critical cardioprotective protein for the treatment of cardiovascular diseases. The Phase 1 clinical trial is taking place at a leading contract research organization in the United States. The trial consists of three arms, an ascending single dose, a fed and fasted dose effect, and a 7-day ascending multiple dose that will enroll a total of 70-80 healthy volunteers. The primary objective of the trial is to evaluate oral RVX-208 in healthy adult subjects for safety, tolerability, and pharmacokinetics.

In January 2008, the Company announced preliminary data from the RVX-208 Phase 1 safety and pharmacokinetics study. Forty healthy volunteers were treated of which sixteen received multiple doses. As anticipated from the extensive Investigational New Drug toxicology studies, no safety and tolerance problems were encountered at any of the given doses.

In April 2008, the Company announced that it had completed dosing of its Phase 1a safety, tolerability and pharmacokinetics study for its lead drug candidate, RVX-208, which addresses the atherosclerosis market. The primary objectives of the Phase 1a trial were to examine the safety, tolerability and pharmacokinetics of RVX-208. This study successfully met those objectives. In addition to the completed Phase 1a human clinical trial, RVX-208 had been the subject of 126 preclinical studies at that time, comprising safety, toxicity, pharmacokinetics and pharmacology studies. The Phase 1a results enabled the Company to plan for the Phase 1b/2a trial. As part of the Phase 1a study, the Company had selected the dosages to be used in the 28-day Phase 1b/2a study.

In June 2008, the Company completed the planned exploratory efficacy analysis of the data from the Phase 1a, 7 day Multiple Ascending Dose (MAD) trial for RVX-208 treatment in healthy subjects. In Phase 1a clinical studies, RVX-208 was found to be safe and well tolerated by healthy subjects in doses of 1 mg/kg to 20 mg/kg as a single dose and from 2 mg/kg/day to 8 mg/kg/day in repeated doses for up to 7 days. A mild side effect was the elevation of hepatic transaminases. Analysis from two independent and external laboratories of blinded serum samples showed consistent improvements of key biomarkers for the reverse cholesterol transport (RCT) pathway after 7-days. The Company observed increases in pre-beta HDL of in excess of 30%, cholesterol efflux of 10%, serum ApoA-I over 10%, and HDL-C over 10% (not statistically significant) versus placebo. Although the study was not powered for pharmacodynamic markers, these preliminary findings helped position RVX-208 for further development in the Phase 1b/2a clinical trial.

In June 2008, the Company announced its collaboration with the Cleveland Clinic Coordinating Center for Clinical Research for a future IVUS trial with RVX-208. Dr. Stephen J. Nicholls, M.B.B.S., Ph.D. led a team of experts coordinating the development of a protocol for RVX-208 in a Phase 2b intravascular ultrasound (IVUS) study in Acute Coronary Syndrome (ACS) patients. The study sought to answer important scientific questions surrounding the potential regression of atherosclerosis by measuring the rate of regression of coronary disease using IVUS, a technique that directly measures the amount of plaque in the coronary arteries.

In August 2008, the Company announced the commencement of its Phase 1b/2a clinical trial for RVX-208. This trial was designed to examine safety and tolerance as well as exploratory pharmacodynamic effects for ApoA-I production and HDL functionality over 28-days. Approximately one third of the subjects were to have low levels of HDL cholesterol and the remaining subjects were to have normal lipid levels.

In October 2008, the Company announced the formation of the Steering Committee to assess the design for the RVX-208 Phase 2b IVUS trial in ACS patients. World renowned doctors of this Steering Committee include:

- Chairman: Dr. Steven Nissen, M.D., Chairman of the Department of Cardiovascular Medicine, Cleveland Clinic;
- Principal Investigator: Dr. Stephen Nicholls, MBBS, Ph.D., Medical Director of Intravascular Ultrasound and Angiography Core Laboratories at Cleveland Clinic and Clinical Director of the Cleveland Clinic Center for Cardiovascular Diagnostics and Prevention;

- Dr. Christie M. Ballantyne, M.D., Associate Chief and Professor, Section of Atherosclerosis and Lipoprotein Research, Baylor College of Medicine, Houston, Texas;
- Dr. John J.P. Kastelein, M.D., Ph.D., Professor of Medicine and Chairman of the Department of Vascular Medicine at the Academic Medical Centre (AMC) of the University of Amsterdam, Strategic Chair of Genetics of Cardiovascular Disease and Director Atherosclerosis Research Group;
- Dr. Allen Taylor, M.D., Chief, Cardiology Service, Professor of Medicine, USUHS Walter Reed Army Medical Center in Washington, D.C.

In October 2008, the Company announced that the first arm (Arm A) of the double blind placebo controlled Phase 1b/2a study in subjects with normal and low HDL was completed. The subjects in the first Arm A group received a low dose of RVX-208 for a period of 28 days. The data was reviewed by the clinical safety committee and found that RVX-208 was safe and well tolerated. As a result of these findings, the safety committee made the decision to commence the next cohort (Arm B), in which 24 subjects received treatment doses escalating each week, for a total of 4 weeks.

In November 2008, the Company announced that key scientific data was presented in an oral presentation highlighting the novel features of RVX-208 at the American Heart Association Scientific Meeting. The presentation titled "Compound RVX-208 Modulates HDL-c Levels and Function in Non-human Primates and in Early Human Trials" was presented by Dr. Jacques Genest, MD, Director of the Division of Cardiology at McGill University Health Centre/Royal Victoria Hospital.

In November 2008, the Company announced that treatment with lead drug RVX-208 in a post-hoc analysis from the Phase 1a clinical trial resulted in a positive trend on an important marker of cognitive function and Alzheimer's disease. The analysis of the plasma markers for Alzheimer's disease was performed by Dr. Larry Sparks, Senior Scientist and Head of the Roberts Laboratory for Neurodegenerative Disease Research at Sun Health Research Institute in Sun City, Arizona.

In January 2009, RVX-208 completed Arm B and the clinical safety committee allowed Arm C to proceed. RVX-208 continued to be developed as an oral drug to increase ApoA-I production and HDL-c in patients with cardiovascular disease. Key objectives of the early clinical development plan included defining the safety, tolerability, dose tolerance to single and multiple dose regimens, effect of food intake, pharmacokinetics and preliminary evaluation of lipid profiles in healthy volunteers. Following the completion of the Phase 1 studies, Phase 2 clinical testing was being planned to establish the RVX-208 dose-response for ApoA-I, HDL-c, HDL sub particles such as Alpha 1 HDL and regression of atherosclerosis in patients with a history of acute coronary syndromes evaluated by intravascular ultrasound (IVUS). The clinical program was discussed with the Clinical Advisory Board and the IVUS-Steering Committee on an on-going basis.

In April 2009, Resverlogix announced that it would add a new assessment of a biomarker for Alzheimer's disease to the third and final arm of the Phase 1b/2a clinical trial.

In May 2009, the Company announced that it had filed two new patent applications for novel compounds and their use in regulating inflammatory markers. Inflammatory markers are proteins generated by the body during periods of inflammation. These patents were filed based on the successful results demonstrated in numerous preclinical studies across several disease areas. The particular results achieved in the collagen induced arthritis ("CIA") model in rats demonstrated that Resverlogix's proprietary molecules markedly reduced inflammation while improving mobility of arthritic animals.

In August 2009, Resverlogix announced that initial results from its Phase 1b/2a trial had met the study's primary endpoint to increase plasma ApoA-I in a safe and tolerable manner.

In August 2009, the Company also announced that it had successfully completed two arms of a Phase 1 BE (bio-equivalency) study for RVX-208. The Phase 1 BE trial was designed to show that the newly formed capsule version of RVX-208 was equivalent to the earlier powder in a bottle version that had been used in all trials to date.

In August 2009, Resverlogix also announced the development of two new important papers by it and a third party. The first paper was a detailed White Paper describing Resverlogix's understanding of the Reverse Cholesterol Transport system and the Company's targeted goals of reducing the Percent Atheroma Volume ("PAV") plaque build up in the arterial wall. The second paper was an abstract of a pharmaco-economic study showing the potential economic impact of being able to reduce the PAV as it relates to the impact on the United States' overburdened health system. These articles can be found at [http://www.resverlogix.com/media/fact\\_sheets.html](http://www.resverlogix.com/media/fact_sheets.html).

In September 2009, Resverlogix announced top line results from its Phase 1b/2a study which tested RVX-208 for 28 days in three different dosing arms. The most pronounced results were demonstrated among those subjects with low HDL cholesterol levels. Highlights from the study included:

- the primary endpoint, plasma ApoA-I increase compared to placebo, achieved a range in all subjects of 5.1% - 10.4% in all doses at days 8 and 28 respectively;
- at the lowest dose of 1mg/kg b.i.d. in subjects with low levels of HDL-c, plasma ApoA-I increases reached statistical significance of 5.7% ( $p < 0.05$ ) at day 8 and 7.8% ( $p < 0.05$ ) at day 28;
- a critical RCT functionality marker, Alpha-1 HDL particles, illustrated highly statistical significance with an increase of 46.7% ( $p < 0.004$ ), in all subjects and 57.2% ( $p < 0.02$ ) in the low dose arm over placebo at day 28;
- pharmacokinetic parameters of RVX-208 were dose dependant with oral administration; RVX-208 was shown to be compatible with simvastatin (40mg); and
- seventy out of seventy two subjects completed the trial; one subject did not complete the trial due to personal reasons and one other subject did not complete the trial due to a serious adverse event, specifically cholecystitis (gall stones), which was judged not related to the study drug.

In October 2009, Resverlogix announced that it would undertake two parallel Phase 2 clinical studies. The studies included a Phase 2 Pilot IVUS trial to examine early lipid effects, and atheroma plaque characterization of the coronary vessel wall in 120 acute coronary syndrome patients. In parallel to this, a Phase 2 dose ranging trial was to be conducted in 280 stable cardiovascular patients on standard of care therapy, including statins, examining lipid changes. Both of these clinical trials were to dose patients with coronary disease who were on standard treatment for 13 weeks.

In December 2009, Resverlogix announced that it had begun dosing patients in its Phase 2 clinical trial which was led by the Cleveland Clinic. This trial examined RVX-208 in patients with stable Coronary Artery Disease. This randomized, double-blind, placebo-controlled, multi-centered US study was chaired by Dr. Steven Nissen, MD, Chairman of the Cleveland Clinic Department of Cardiovascular Medicine and the principal investigator is Dr. Stephen Nicholls, Medical Director of Intravascular Ultrasound at Cleveland Clinic. The Cleveland Clinic named this trial ASSERT, which stands for ApoA-I Synthesis Stimulation Evaluation in Patients Requiring Treatment for Coronary Artery Disease. A total of 40 investigator sites across the US were expected to participate in the study. The primary objective of this study was to determine if RVX-208 produces an increase in plasma apolipoprotein A-I (ApoA-I) levels compared to placebo group after three months of dosing. The secondary objectives are to examine the safety and tolerability of RVX-208, to compare the dose and time response relationships for ApoA-I over time as well as to examine key reverse cholesterol markers involved with HDL functionality.

In February 2010, Resverlogix announced the completion of patient enrollment in ASSERT a full 5 months ahead of the original schedule.

In February 2010, the Company also announced that it had officially activated the first site for its second Phase 2 clinical trial, ASSURE 1, and commenced enrollment of patients. ASSURE 1 is the second Resverlogix Phase 2 clinical trial led by Cleveland Clinic. This trial examines RVX-208 in patients with acute coronary syndrome (ACS). This preparatory acute coronary syndrome study will ensure that at least 50 percent of the enrolled patients receive the IVUS (intravascular ultrasound) assessment.

### *Corporate Awards and Media Coverage*

In August 2007, the Company announced it had been awarded the 2007 North American Excellence in Technology of the Year Award by Frost & Sullivan for the NexVas™ PR technology for the treatment of atherosclerosis.

In November 2007, the Company announced that the World Economic Forum had selected Resverlogix as a winner of the prestigious Technology Pioneer Award in recognition of its NexVas™ Plaque Removal program.

In July 2008, the Company announced that RVX-208, had been selected as one of the top 10 most promising cardiovascular disease drugs available for strategic partnering by an independent committee assembled by Windhover Information, a leading provider of business information products and services to senior executives in the pharmaceutical, biotechnology, and medical device industries. As a selected company, Resverlogix was invited to present data on RVX-208 at Windhover's Therapeutic Area Partnerships conference on November 3-5, 2008 in Philadelphia.

In July 2008, the Company also announced that RVX-208 had been featured in an article titled "Emerging Antidyslipidemic Drugs", by Drs.' Pollex, Joy and Hegele in the journal *Expert Opinion of Emerging Drugs*.

In March 2009, the Company's lead drug RVX-208 was mentioned in Dr. Steven Nissen's keynote address at the American College of Cardiology conference as one of the top seven HDL drugs to be watching. This information appeared in a Dow Jones article and subsequently appeared in a Wall Street Journal.com article.

In August 2009, Resverlogix announced that it had published a paper in *Tetrahedron* 2009, 65, 6932.

In October 2009, *Pharmaceuticals Approvals Monthly*, a well-respected biotech trade journal, wrote about the Company's Phase 1b/2a clinical trials results. Other media reports that reported on this data included PharmaWire, Business News Network, CBS national radio and Fierce Biotech.

In January 2010, Resverlogix researchers were lead authors on a peer-reviewed article titled "Stilbene analogs as inducers of Apolipoprotein-I transcription", which appeared in the *Journal of Medicinal Chemistry*, published online on January 14, 2010.

In March 2010, Bloomberg BusinessWeek published an article called: "Pfizer Cholesterol Flops Cleared Path for Resverlogix", by Ellen Gibson.

In March 2010, BusinessWeek online published an article on Resverlogix called "The Quest to Boost Good Cholesterol" by Ellen Gibson, this article also appeared in the March 22, 2010 print edition of BusinessWeek.

In March 2010, AOL DailyFinance published an article called: "Inside Wall Street: Resverlogix Is a Baby Biotech That Could Grow Up Fast", by Gene Marcial.

In March 2010 the Cleveland Clinic held a half day Continuing Medical Education event at the American College of Cardiology conference in Atlanta focusing on current and new development in the pursuit against cardiovascular disease and atherosclerotic disease. RVX-208 was featured as one of the new approaches for the future management of atherosclerosis disease.

In June 2010 Resverlogix announced that it has collaborated with the Division of Cardiology at the Research Institute of the McGill University Health Centre (RI of the MUHC), to publish in the *Journal of American College of Cardiology* (JACC), a peer reviewed article entitled 'RVX-208 A Small Molecule that Increases Apolipoprotein A-I and High Density Lipoprotein Cholesterol In Vitro and In Vivo'.

In addition, a number of formal presentations of preclinical and clinical data were presented recently at prominent scientific meetings, including the American College of Cardiology Annual meeting in Chicago, Atherosclerosis, Thrombosis and Vascular Biology (ATVB) Annual Meeting in San Francisco; Biotech Showcase 2010 Conference and JP Morgan Healthcare Conference in San Francisco, California; Cardiovascular Research Technologies in Washington; European Society Cardiology in Barcelona, Spain; Keystone Conference in Banff, Alberta; International Atherosclerosis Society Meeting in Boston, Massachusetts and the International Congress on Coronary Artery Disease in Prague, Czech Republic.

### **Board of Directors, Scientific Advisory Board, Clinical Advisory Board and Management**

In September 2007, the Company announced that Stella Thompson had joined the Board of Directors ("Board"). Ms. Thompson is the principal consultant and co-founder of Governance West Inc., a Calgary based consulting firm specializing in assisting boards of directors to achieve excellence in the governance of their organizations.

In June 2008, Dr. F. Allan Gordon, M.D., Ph.D. became the Company's Senior Vice President of Clinical Development. Dr. Gordon has more than 20 years of experience as a research scientist and clinician in cardiology.

In July 2008, the Company announced that Jan Gray, CA had joined the Board. Ms. Gray is a practicing chartered accountant. She is also Executive Vice-President and Treasurer of Cartwright Canada Inc., a legal publishing company and Controller of Felesky Flynn LLP, a regional Alberta law firm.

In April 2009, the Company announced that NGN BioMed Opportunity Fund had become entitled to one Board representative which would initially be Dr. Peter Johann, Ph.D. Dr. Johann is a Managing General Partner of NGN Capital.

In April 2009, the Company announced that Dr. Roger S. Newton resigned from the Board to join the Clinical Advisory Board.

In October 2009, Mr. Kelly B. McNeill was appointed to the Company's Board. Mr. McNeill is a Chartered Accountant with several years of experience and expertise across all areas of corporate finance and operations. He has held leadership positions with companies in both the biotechnology and manufacturing sectors. Most recently, Mr. McNeill served as Chief Financial Officer with Resverlogix.

In October 2009, Resverlogix also announced the appointment of A. Brad Cann as Chief Financial Officer.

In October 2009, Resverlogix also announced that Dr. William Cochrane, OC, MD, FRCPC, FACP, DABP, Chairman of Resverlogix's Board, had been recently announced as one of six medical pioneers inducted into the Canadian Medical Hall of Fame. Dr. Cochrane would join 76 Hall of Fame laureates who had been inducted for their work which pushed the boundaries of knowledge to advance human health.

In February 2010, the Company announced that the Board had elected Arthur J. Higgins, now former CEO of Bayer HealthCare and Chairman of the Bayer HealthCare Executive Committee, to the Board effective February 1, 2010.

### **Financing**

In June 2007, the Company announced that on June 7, 2007 it issued to certain institutional investors, in the aggregate, US\$25 million of senior secured convertible promissory notes due June 6, 2012 and accompanying warrants to purchase, in the aggregate, 529,350 Common Shares. The notes were convertible into approximately 1.5 million Common Shares at a conversion price of \$17.50 per share and the warrants were priced at \$20.63 per share.

In August 2007, the Company amended its existing US\$25 million of convertible debentures that previously closed in June 2007. Under the terms of the amendment, the conversion price was amended

to \$8.76 from the original conversion price of \$17.50 in exchange for the removal of the interest to maturity clause contained in the original financing and a reduction of the interest rate from 14% to a fixed rate of 12%. Debenture holders had access to a once monthly 5% of the principal amount put option for cash, shares or some combination thereof. The issuance of shares was subject to meeting certain equity conditions. The holders had a cumulative put option (if previous monthly put options are not exercised) in excess of the 5% put option, but the excess was to be paid in shares unless otherwise agreed. Mandatory conversion of the entire debt at the option of Resverlogix was set at \$18.00 after June 30, 2008, if certain trading conditions were met. The warrants issued in the June 2007 financing were repriced to \$10.25 from \$20.63 and an additional 529,000 warrants were issued as a condition of the restructuring. The warrant and conversion pricing were subject to certain anti-dilution provisions.

In October 2008, the Company announced that it further amended the convertible debentures and redeemed US\$10 million of its remaining US\$17.3 million of January and June 2007 debentures. The US\$10 million of debentures were redeemed by way of the issuance of 2.4 million Common Shares with a value of US\$5.5 million and a cash payment of US\$4.5 million. Under the terms of the amendment, the conversion price was amended to \$2.61 per share in exchange for debenture holders agreeing to restrict any put options until March 31, 2009. In addition to the removal of future certain dilution factors, the Company also gained the option to redeem any remaining debenture at a 25% premium.

The following were key terms of the restructured convertible debenture:

- In addition to the March 31, 2009 restriction on the put option, the ability to put to the Company in Common Shares was waived by the holders of the debentures.
- The remaining principal balance of \$278,000 carrying a 15% interest rate from the January 2007 convertible debenture was reduced to 12% and rolled into the remaining convertible debenture.
- Mandatory conversion of the remaining debt at the Company's option at \$5.22 per share, subject to certain trading conditions being met.
- 1,467,349 outstanding warrants were repriced to \$3.07 per share.
- All future puts obligations could only be settled with cash.

In April 2009, a further amendment was made to defer further put obligations from March 31, 2009 to October 9, 2009. In consideration for the amendment, the coupon rate of the remaining convertible debentures was changed from 12% to 18%. The Company also agreed to defer its call option to redeem the debentures until October 9, 2009.

In April 2009, Resverlogix also announced that it had closed a private placement equity financing for a total of \$24.25 million. Resverlogix issued 8,916,845 units, representing 8,916,845 Common Shares and 4,175,229 warrants, to a group of investors led by NGN BioMed Opportunity II, L.P., with each unit comprising of one Common Share and 0.40 of a purchase warrant at a price of \$2.72 per unit. Each whole warrant entitled the holder to acquire for a period of five years an additional Common Share at a price of \$2.72 per share.

In November 2009, Resverlogix announced its Board had approved a plan authorizing the Company to repurchase outstanding convertible debentures of up to US\$6.728 million.

In December 2009, Resverlogix announced that it had signed a non-binding term sheet for a standby equity distribution agreement ("SEDA") with YA Global Master SPV, Ltd ("YA Global"), a fund managed by Yorkville Advisors, LLC ("YA"), whereby Resverlogix would have the option, at its sole discretion, to issue and sell up to \$25 million of its Common Shares to YA. Under the SEDA, Resverlogix would be able to sell, and YA would be obligated to buy, up to \$500,000 of Resverlogix Common Shares in any ten-day period. The Common Shares sold under the SEDA would be purchased at a discount to the market price.

In December 2009, Resverlogix also announced that it had closed a \$5 million equity private placement. Under the terms and conditions of the agreement, Resverlogix issued units, with each unit comprising of one Common Share at a price of \$2.50 and one quarter (25%) of a warrant per unit. Each full warrant had

an exercise price of \$2.50 representing the 5 day volume weighted average price and an expiry date of December 18, 2011.

In January 2010, Resverlogix confirmed that it had completed its previously announced redemption of a total of US\$6.7 million of convertible debt.

In January 2010, Resverlogix also announced that it had completed an \$8 million second tranche of its equity private placement. Under the terms and conditions of the private placement, Resverlogix issued units at a price of \$2.50 per unit, with each unit comprising of one Common Share and one quarter of a warrant. Each full warrant had an exercise price of \$2.50 and an expiry date of December 18, 2011. This second tranche, together with the first tranche that closed on December 18, 2009, brought the total proceeds of the private placement to \$13 million.

In March 2010, Resverlogix announced that it had activated the SEDA with YA Global whereby Resverlogix has the option, at its sole discretion, to issue and sell, and YA Global is committed to purchase, up to \$25 million of Common Shares from treasury.

### **Recent Developments**

In May 2010, the Company announced that ASSERT had completed dosing. Also, as a result of receiving data from the ASSERT trial faster than originally anticipated, the Company intended to apply pertinent findings from the ASSERT trial to ASSURE-1. In order to expedite enrollment in the ASSURE-1 trial while continuing the Company's primary patient safety concerns, ASSURE-1 was being voluntarily halted on a temporary basis in order to modify enrollment procedures.

In June 2010, Resverlogix announced the closing of a public offering of 2.8 million units at a price of \$3.30 per unit for gross proceeds of \$9.2 million. Each unit was comprised of one Common Share and 0.4 of one Common Share purchase warrant. Each warrant was exercisable at a price of \$4.00 per share for a period of four years from the closing date.

In June 2010, Resverlogix also announced the issuance of 51,290 Common Shares at a price of \$3.90 per share for the settlement of \$200,010 in connection with a draw down under the SEDA.

In June 2010, Resverlogix also announced the closing of a second public offering of 3.1 million units at a price of \$3.23 per unit for gross proceeds of \$10.0 million. Each unit was comprised of one Common Share and 0.4 of one Common Share purchase warrant. Each warrant was exercisable at a price of \$4.00 per share for a period of four years from the closing date.

## **DESCRIPTION OF BUSINESS**

### **General**

Resverlogix is a leading biotechnology company developing novel technology platforms and intellectual property for important global medical markets with significant unmet medical needs. The Company's primary focus is to become a leader in the research, development and commercialization of novel therapeutics that address the risk of cardiovascular disease (CVD). The unique insight that Resverlogix has in its ApoA-I technology has led the Company to investigate the therapeutic potential for cognitive disorders such as Alzheimer's disease. The Company's secondary research focus is on inflammatory diseases.

### **Company's Business Model**

The Company's business model is to position itself as a leading biomedical research company focused on the development of novel therapeutics for medical markets with unmet needs. The Company seeks strategic opportunities through alliance partnerships that are best suited to bring technology platforms to successful commercialization. Alongside this approach the Company will seek those opportunities which

present the largest opportunity to maximize shareholder return. During this process the Company commits to good corporate governance and ultimately protection of shareholder value.

### **The Regulatory Process for Drug Development**

In the United States, it takes approximately 12 to 15 years for a typical experimental drug to go from concept to approval. The production, manufacture, research and development activities are subject to regulation for safety and efficacy by various governmental authorities around the world. In the United States, drugs and biological products are subject to regulation by the Food and Drug Administration (FDA). There are other comparable agencies in Canada, Europe and other parts of the world. Applicable legislation requires licensing of manufacturing and contract research facilities, carefully controlled research and testing of products, governmental review and approval of results prior to marketing therapeutic products. Additionally, adherence to good laboratory practices, good clinical practices during clinical testing and good manufacturing practices during production is required. The system of new drug approval in the United States is generally considered to be the most rigorous in the world. In Canada, these activities are regulated by the *Food and Drug Act and Regulations* and the rules and regulations promulgated there under, which are enforced by the Therapeutics Product Directorate of Health Canada.

Briefly, the steps required for drug approval in the United States and Canada are as follows:

**Discovery:** Prior to preclinical studies, a discovery phase involves validation of target and function, design, screening, synthesis and formulation of therapeutic agents.

**Preclinical Studies:** This involves the evaluation of toxic effects and pharmacokinetics and metabolism of a drug in animals to provide evidence of the safety, efficacy and bioavailability of the drug prior to its administration to humans in clinical studies. The results of the preclinical studies as well as the comprehensive descriptions of proposed human clinical studies are then submitted as part of the Investigational New Drug (IND) application to the FDA and TPD.

**Phase 1 Clinical Trials:** Phase 1 clinical trials are usually *first-in-man* trials, take approximately one to two years to complete and are generally conducted on a small number of healthy human subjects to evaluate the drug's safety, schedule and dose, pharmacokinetics and pharmacodynamics. However, in the case of a life threatening disease, such as cancer, the initial Phase 1 testing may be done in patients with the disease. This latter trial typically takes longer to complete.

**Phase 2 Clinical Trials:** Phase 2 clinical trials take approximately one to three years to complete and are carried out on a relatively small to moderate number of patients (compared to Phase 3) suffering from the targeted condition or disease to determine the drug's efficacy, optimal doses, treatment regimens, pharmacokinetics, pharmacodynamics and dose response relationships. This phase also provides additional safety data and serves to identify possible common short-term side effects and risks in a larger group of patients. These trials often include randomization of patients as well as a placebo arm.

**Phase 3 Clinical Trials:** Phase 3 clinical trials take approximately two to five years to complete and involve tests on a much larger population of patients (several hundred to several thousand patients) suffering from the targeted condition or disease. This type of study is usually double-blind, conducted with a randomly selected sample at geographically dispersed test sites (multi-centre trials).

**New Drug Application:** Upon completion of Phase 3 Clinical Trials, the company sponsoring the new drug then assembles all the preclinical and clinical data and submits it to the TPD and/or the FDA as part of a New Drug Application (NDA) (in the United States), or a New Drug Submission (NDS) (in Canada). The NDA or NDS is then reviewed by the regulatory body for approval to market the product. This process usually takes between six months and two years to complete.

## Resverlogix's Drug Development Strategy

In the United States, a drug company typically spends US\$800 million (Tufts University's Center for the Study of Drug Development) to US\$1.7 billion (Bain & Company) over the 12-15 years it takes to develop a new drug from the research stage to FDA approval to market. The Pharmaceutical Research and Manufacturers of America (PhRMA) estimates that of every 5,000 drugs tested in Preclinical studies only five on average are tested in clinical trials. Based on research by the Tufts Center for the Study of Drug Development, only one of these five is eventually approved for patient use. Facing high costs, long development time, and high attrition rates, many biotechnology companies are challenged to fund clinical trials. Thus given these tremendous costs the Company will seek to partner, when appropriate, at the earliest stage possible that will provide shareholders with a good value for their investment. Should licensing be successful, the third party company will be on-track to complete the latter stages of development. As such, the Company's business strategy remains to generate technologies that will lend themselves to technology sales as opposed to product sales.

## CVD Research Programs

**NexVas™ Plaque Reduction (NexVas PR)** is the Company's primary program for the development of drugs that increase the production of ApoA-I to reduce the risk of cardiovascular diseases. ApoA-I is the key building block of HDL, the "good cholesterol". The Company is currently in two Phase 2 Clinical Trails led by the Cleveland Clinic.

**NexVas™ Vascular Inflammation (NexVas VI)**, the Company's second CVD program, is a discovery stage technology for the development of drugs that target molecular markers of inflammation.

**ReVas™**, the Company's third CVD program, is a research stage technology for the development of therapeutics to be used with medical devices for the treatment of cardiovascular diseases.

**NexVas™ Alzheimer's Disease (NexVas AD)** is a discovery stage technology for the development of drugs that enhance ApoA-I for stabilization and regression of Beta Amyloid Plaque.

## NexVas PR: ApoA-I Production Therapies

Atherosclerosis and cardiovascular disease (CVD) are the leading cause of death in the western world. According to the American Heart Association more than 80.7 million Americans have one or more forms of CVD and the estimated direct and indirect cost associated with CVD estimated to be US \$448.5 billion annually (2008). These manifestations include dyslipidemia, heart attack, stroke, restenosis, severe limb ischemia, diabetes, obesity, Alzheimer's, and a number of other debilitating illnesses.

Atherosclerosis, the narrowing and hardening of the arteries characterized by the deposition of cholesterol and lipids in the inner walls of the arteries, typically the result of high fat diets. When ingested, cholesterol and lipids are transported to and from tissues by special carriers called lipoproteins. There are several types of lipoproteins, but the focus is on low-density lipoprotein (LDL) cholesterol and high-density lipoprotein (HDL) cholesterol.

LDL is a major cholesterol carrier in the blood. This carrier is mainly responsible for taking newly produced or absorbed cholesterol from the gut to the other organs of the body. LDL's major lipoprotein is called ApoB. High amounts of LDL cholesterol circulating in the blood can result in the slow build-up of cholesterol within the walls of the arteries forming atherosclerotic plaque. HDL carries cholesterol away from the arteries and back to the liver for excretion from the body, through a process called Reverse Cholesterol Transport (RCT). HDL's major lipoprotein is called ApoA-I which accounts for 70% of the total protein content of the HDL particle. By itself or as part of HDL, ApoA-I has anti-atherogenic properties. There is a growing body of evidence that ApoA-I/HDL removes excess cholesterol from atherosclerotic plaques and thus not only preventing plaque growth but promoting plaque regression.

Atherosclerosis develops when there is too much cholesterol being deposited in the arteries and organs by LDL and too little is being cleared by HDL. One of the most successful strategies for preventing cardiovascular diseases is the proper management of cholesterol levels by either reducing LDL levels or increasing HDL levels.

Current therapies aimed at managing cholesterol and reducing LDL levels comprise the single largest class of prescription pharmaceuticals, with global sales in 2004 exceeding US\$30 billion (IMS Health, 2005). It is now established that a reduction in the levels of LDL, by these agents known as statins, results in a 25% reduction in the risk of developing heart disease. However, statins are currently undergoing market pressure as their patents expire; Pfizer's Lipitor®, with sales of US\$13.3 billion in 2006, will have its patent expire in 2011. A strategic imperative for these leading pharmaceutical firms is to introduce a new category of drugs that will supersede statins, while addressing this growing market segment.

### **ApoA-I and HDL**

Numerous epidemiological and interventional studies have demonstrated that high or increased levels of ApoA-I and HDL are cardio-protective against the development of atherosclerosis. Recent landmark trials such as INTERHEART (2004) and AMORIS (2005) clinically validate ApoA-I as an important target for the reduction of CVD risk. The INTERHEART trial, a landmark study of 30,000 patients, demonstrated that the ratio of ApoB to ApoA-I was the strongest risk predictor of acute myocardial infarction (heart attack).

In the AMORIS trial, which had more than 175,000 patients with cardiovascular risk factors were studied for the incidence of cardiac and stroke events. AMORIS clearly illustrated that the ratio of ApoB to ApoA-I was associated with a dramatic reduction of stroke in this population. The key findings of this study indicate that improvement of 'cholesterol balance', or the ApoB to ApoA-I ratio, is a robust and specific maker of virtually all ischemic events.

In a six week Phase 2 clinical trial involving 47 patients, Esperion Therapeutics Inc. demonstrated that its proprietary ApoA-I<sub>Milano</sub> formulation could reduce absolute atheroma (plaque) volume by 4.2%; a level of atherosclerotic regression unattainable with current drug therapies.

Older trials, such as the Framingham Heart Study, illustrated the importance of HDL enhancement for CVD risk reduction. For every mg/dL increase in HDL, the 10-year risk of a heart attack fell by 2-3%. The Veterans' Affairs Cooperative Studies Program showed that men who took a lipid regulating drug for five years had a 6% increase in HDL levels, resulting in a 22% risk reduction in death due to coronary artery disease, heart attack, or stroke.

As such, there has been considerable interest and effort within the pharmaceutical industry to identify, develop and acquire therapies that effectively raise the level of ApoA-I and/or HDL. With a number of pending patent applications, Resverlogix expects to create a broad and strong patent portfolio. Resverlogix has a leadership position in developing novel small molecules for ApoA-I enhancement and is ideally positioned to participate in the US\$50 billion global cholesterol management market

### **Percent Atheroma Volume (PAV)**

The hypothesis that by raising ApoA-I production the effect will be to reduce cardiovascular disease risk is a premise that is supported by intervention trials such as the Veterans Affairs High Density Lipoprotein Cholesterol Intervention Trial (VA-HIT) *N Engl J Med.* 1999, One critical step in gathering such data is assessing the effects of a therapeutic on atheroma, otherwise known as a atheromatous plaque. The use of imaging technology to visualize atheromatous plaques for assessing medical therapies is entrenched in the fact that such lesions cause CVD events. Data from early imaging studies using coronary angiography and carotid ultrasound build a strong link between atheroma burden, its progression and CVD outcome. Therapies that slow the progression of atheroma burden are known to reduce clinical events. This finding has been shown repeatedly in randomized clinical trials. Thus many institutions have accepted the idea of stabilizing or slowing atheroma burden progression as a goal of medical therapy.

The connection between atherosclerosis and CVD events was established long before the use of Intravascular Ultrasound or IVUS. Given the precision by which IVUS technology is able to quantify the extent of coronary atherosclerosis, it is expected that data gathered using IVUS will further strengthen this relationship. There are two key observations from clinical trials that have used IVUS to gather data which supports this expectation. The first is that percent atheroma volume (PAV) at baseline and subsequent serial increases are both greater in patients who experience a cardiovascular event. For example, analysis of combined data from the treatment groups in the ILLUSTRATE trial showed that patients who had an event during the trial had a higher PAV at baseline followed by greater progression. The difference in change in PAV between those who had an event and those who were event-free ranged from 0.5-0.6%. This difference in the PAV was subsequently confirmed in pooled analysis of seven clinical trials performed at the Cleveland Clinic involving more than 4,500 patients. Therefore, the use of IVUS to detect a 0.5 to 0.6% difference between baseline and subsequent PAV is expected to translate into a clinically meaningful outcome. This expectation is supported by results of many previous studies, (i.e. Esperion, ASTEROID, PERISCOPE).

### **NexVas PR - Therapeutic Action**

Resverlogix is developing small molecules that increase the endogenous production of ApoA-I. These compounds have been generated from a proprietary combination of technologies, know-how and expertise. To date, the Company has identified several classes of small molecules and has generated an in vivo proof-of-concept by demonstrating a significant increase in ApoA-I, HDL and functional HDL after multiple weeks of treatment in a number of animal models. The Company has also seen promising results in its clinical trials discussed in further detail below.

Resverlogix believes their current approach is more therapeutically and commercially attractive for the following reasons:

- ApoA-I is a well validated clinical target, as per studies such as INTERHEART and AMORIS. Clinical evidence of safety and efficacy is one of the key factors for the timely reimbursement and regulatory approval for novel therapeutics. Other failed approaches to raising HDL, such as CETP, do not have a large pool of epidemiology data which clearly establishes clinical risk reduction for CVD.
- The NexVas program is fundamentally different from other therapies focused on increasing HDL in plasma only. The Company's small molecules have been shown to enhance the functionality of ApoA-I particles resulting in cholesterol efflux from macrophage foam cells. This is a critical step in what is now known as reverse cholesterol transport. The enhanced emergence of knowledge in atherosclerosis research has elucidated what is important for atherosclerosis regression; HDL that has an effect in the vessel wall and not only increasing plasma HDL is what is of critical importance. As such, based upon our initial findings, we believe that activating ApoA-I production and effecting key RCT markers such as pre-beta HDL and cholesterol efflux is the correct approach to enhancing RCT and ultimately reducing CVD risk.
- The Company has taken the unique and physiological approach to pharmaceutical discovery by activating the body's own health promoting genes (such as ApoA-I) to fight diseases. Utilizing this approach we have developed small molecules that increase the production of ApoA-I offering the breakthrough potential of harnessing this natural process to combat diseases.
- This therapeutic approach of increasing the body's endogenous ApoA-I production may avoid any immunologic complications associated with peptide or recombinant ApoA-I therapies currently in development, and more importantly facilitates continual enhancement of ApoA-I levels of physiological levels.
- Based on infusion studies the Company hypothesizes that a permanent increase in ApoA-I production of 4% or more, with a similar increase in plasma ApoA-I would have an effect on atherosclerosis far beyond current best standard of care, i.e. high dose Rosuvastatin. To date, none of the existing drugs, possibly with exception of Niacin, have shown convincing effects on ApoA-I production.

For these reasons, the NexVas PR program has the capacity to become a leading force in the emerging market of ApoA-I production therapy in the largest life science market in the world and provides the Company with key points of differentiation from its competitors.

To find out more about NexVas please refer to the Company's detailed animation on this new technology: <http://www.resverlogix.com/nexvas-apoa1.htm>.

## **RVX-208**

RVX-208, is a drug candidate for the treatment of atherosclerosis and cardiovascular disease (CVD). Its primary mode of action appears to be through the transcriptional up-regulation of ApolipoproteinA-I (ApoA-I) producing an increase in plasma ApoA-I protein and high-density lipoprotein cholesterol (HDL-c). ApoA-I is the major protein component of the HDL particle, the "good cholesterol", and has a well established role in atherosclerosis and CVD protection.

In vivo, RVX-208 has been shown to produce significant increases in plasma ApoA-I and HDL-c in: (1) wild type mice, (2) a transgenic mouse model which expresses the human ApoA-I gene, (3) Syrian golden hamsters, and (4) African green monkeys. RVX-208 displays good oral bioavailability, high metabolic stability and low plasma clearance. RVX-208 was well tolerated in rats and monkeys when orally administered daily for four weeks at doses several fold above those which are pharmacologically effective. RVX-208 has been tested in over 130 preclinical studies.

### **Clinical Trials**

#### *Phase 1a Clinical Trial- Completed*

The primary objectives of the Phase 1a trial were to examine the safety, tolerability and pharmacokinetics of RVX-208. This study successfully met those objectives. Analysis from 24 healthy volunteers in the 7 day RVX-208 trial showed statistically significant improvements over placebo in key variables assessed.

Highlights of the study include increases in pre-beta HDL of in excess of 30%, cholesterol efflux above 10%, serum ApoA-I production above 10%, and HDL-C above 10% (not statistically significant) versus placebo.

This follows a very similar improvement pattern as previously demonstrated by Resverlogix in the African Green Monkey studies. Crucial to these findings is the rapid onset of action in this 7 day trial, with the serum ApoA-I increases surpassing the previous 8% five week (35 day) average benchmark totals displayed by Pfizer's previous ApoA-I Milano recombinant protein studies.

#### *Phase 1b/2a Clinical Trial- Completed*

The Phase 1b/2a study tested RVX-208 for 28 days in three different dosing arms: a low dose arm with 24 subjects, a dose-escalation arm with 24 subjects, and a third high dose arm with 24 subjects. The trial was a double blind safety and tolerance study that investigated the pharmacokinetics and also early pharmacodynamics effects of RVX-208. This trial also examined early markers for reverse cholesterol transport such as ApoA-I, HDL-c, pre-beta HDL and alpha HDL subparticles. Approximately half of the subjects had low levels of baseline HDL cholesterol.

Results of the Phase 1b/2a study showed that RVX-208 is safe and tolerable. Most importantly, RVX-208 met its primary endpoint to increase the production of plasma ApoA-I, the key cardioprotective protein in high-density lipoprotein (HDL), often referred to as "good" cholesterol. ApoA-I is generally endorsed as a key protective factor against atherosclerosis and cardiovascular disease with 40% of all first heart attack patients having low ApoA-I.

Highlights from the study are as follows:

- the primary endpoint, plasma ApoA-I increase compared to placebo, achieved a range in all subjects of 5.1% - 10.4% in all doses at days 8 and 28 respectively.
- at the lowest dose of 1mg/kg b.i.d. in subjects with low levels of HDL-c, plasma ApoA-I increases reached statistical significance of 5.7% ( $p < 0.05$ ) at day 8 and 7.8% ( $p < 0.05$ ) at day 28.
- a critical RCT functionality marker, Alpha-1 HDL particles, illustrated highly statistical significance with an increase of 46.7% ( $p < 0.004$ ), in all subjects and 57.2% ( $p < 0.02$ ) in the low dose arm over placebo at day 28.
- pharmacokinetic parameters of RVX-208 were dose dependant with oral administration.
- RVX-208 was shown to be compatible with simvastatin (40mg).
- seventy out of seventy two subjects completed the trial. One subject did not complete the trial due to personal reasons and one other subject did not complete the trial due to a serious adverse event, cholecystitis (gall stones), which was judged not related to the study drug.

*Phase 2 ASSERT Clinical Trial- dosing completed; awaiting top line results*

The ASSERT Clinical Trail is a randomized, double-blind, placebo-controlled, multi-centered US study for 13 weeks of administration of RVX-208, which has enrolled 299 patients with stable coronary artery disease for a period of 13 weeks. The primary endpoint of the study is to determine if RVX-208 will produce an increase in plasma Apolipoprotein A-I (ApoA-I) levels compared to placebo group after three months of dosing. Other objectives are to examine the safety and tolerability of RVX-208 and to compare the dose and time response relationship for ApoA-I as well as to examine key reverse cholesterol markers involved with HDL functionality. Resverlogix anticipates releasing top line results in Q3 2010.

*Phase 2 ASSURE 1 Clinical Trial- clinical sites are being activated while enrollment criteria is reviewed*

The parallel Phase 2 ASSURE trial for RVX-208, for which the Company announced its first site activation on February 25, 2010, is reassessing its enrollment procedure. In order to expedite enrollment, while continuing the Company's primary patient safety concerns, the ASSURE trial was voluntarily halted on a temporary basis in order to modify enrollment procedures.

**ReVas, NexVas AD, NexVas VI and NexVas AI Programs**

The Company continues to build a portfolio of new medicines to treat vascular diseases. To capitalize on expertise and intellectual property, to build shareholder value, two research programs were introduced to enhance and broaden commercial opportunity.

*ReVas Program: Small molecules for acute local therapy via drug eluting devices – pre clinical research stage*

The Company's third CVD program is dedicated to the research and development of therapeutic compounds which have anti-inflammatory effects to be used with medical devices and biomaterials for the local non-systemic treatment of CVD, in particular restenosis. Worldwide, there are over 1.2 million angioplasty procedures performed annually with a substantial percentage of patients developing restenosis. The restenosis market has undergone recent cost pressure challenges seeing its market size decrease to US\$2 billion globally. New product entrants in the restenosis market will have to provide significant value over current reimbursed products.

One way to prevent or treat restenosis is to use a drug-eluting stent (DES), which is a scaffold (metal or polymer) that has been coated with a pharmacologic agent known to interfere with the process of restenosis. The Company is currently developing anti-inflammatory compounds in ReVas™ that would aid in the current unmet medical need for treating late stage restenosis. This opportunity presents a

significant market commercial prospect for the Company. We believe that ReVas compounds will target multiple markers of inflammation and cellular proliferation that may hold promise to address the current limitations of bare metal stents and the current pharmacologic agents coating DES today.

*NexVas AD: Small molecules for cognitive disorders – clinical development stage*

Epidemiological and mechanistic evidence indicate a link between low ApoA-I/HDL and neurodegenerative disease such as Alzheimer's disease. The Company's lead molecule RVX-208 has illustrated potent and selective effects in raising plasma ApoA-I/HDL by ApoA-I production. Improving ApoA-I and HDL also has the potential to beneficially impact mild cognitive impairment (MCI) and Alzheimer's disease (AD). The Company announced from an early analysis of its Phase 1a trial that RVX-208 also illustrated positive effects on Amyloid Beta 40, another marker thought to play a role in cognitive function. The Company is currently examining these markers in its Phase 2 ASSERT trial for the potential of RVX-208 in MCI and AD as well.

According to statistics, every 72 seconds someone will develop Alzheimer's disease (AD). Neurodegenerative diseases such as Alzheimer's are one of the most debilitating in the developed world. There are now more than 5 million people in the United States who are living with AD. It is estimated that in the United States the prevalence of the disease may grow to 15 million people by 2050. In a report commissioned by the Alzheimer's Association, caregiver costs in the United States are estimated at US\$36.5 billion which includes loss of productivity, absenteeism and worker replacement. The indirect costs of AD would also be greatly reduced; it is estimated that one-half to two-thirds of the cost of AD care stems from unpaid caregivers (often family members), who spend 16-35 hours per week looking after a person with AD. These figures underscore the importance of developing new therapies to aid in the socioeconomic burden of AD.

During the past decade scientists have made enormous strides in understanding how AD affects the brain. Many of these recent insights point toward promising new strategies for treatment. Resverlogix's discovery research program is dedicated to ApoA-I production and its therapeutic potential for disorders that effect cognitive function such as AD. The Company has molecules that are able to increase ApoA-I production that may beneficially impact AD.

*NexVas VI: Small molecules for Vascular Inflammation – discovery stage*

Advances in the understanding of CVD risk are in a constant stage of evolution. As such, these advances have driven the identification of new potential targets that may play a role in the underlying mechanism of vascular risk. In 1998, a special advisory panel set up by the American Heart Association looked specifically at emerging novel targets for CVD risk. One of the key findings from this panel was that markers of inflammation may play a role in cardiovascular disease risk. Traditional therapies focus on cholesterol management or in severe cases surgical intervention, for example angioplasty. Recent studies have emphasized the involvement of chronic inflammation in the formation of atherosclerotic plaques. It is at this site, that the arteries generate inflammatory signals that attract monocytes from the circulation into the vascular wall to form lipid-laded foam cells, and promote smooth muscle cell proliferation resulting in a fibrous layer of connective tissue and lipids. This realization has lead to emerging strategies focused on inhibiting cellular proliferation and pro-inflammatory mediators of monocyte migration.

The Company has continued discovery stage research to assess the ability of its novel small molecules to regulate pro-inflammatory mediators of atherosclerosis.

**Competitive Conditions**

*ApoA-I/HDL Target(s)*

Competition in the life sciences industry generally revolves around overall product performance, including efficacy and safety, patient adaptability and compliance, cost, physician's willingness to give to patients,

manufacturing, marketing, and distribution. Barriers to entry into the market include patent protection and governmental approval at all stages of drug development. Due to the size of the cardiovascular market and the large unmet medical need, a number of pharmaceutical companies and biotechnology companies are developing products that creates a competitive environment. However, the number of competitive programs in ApoA-I enhancement is very limited. There are several acute or induction based therapies, such as recombinant protein or peptide programs, that focus on exogenous ApoA-I sources. Exogenous enhancement of ApoA-I, via recombinant proteins, may prove to be useful for patients with acute coronary vascular disease, however these types of therapies are costly to manufacture and may cause immunological responses for patients with longer duration therapeutic requirements. These potential issues may impair long term commercial viability for these types of technologies. There are numerous emerging programs that enhance HDL levels, however, the Company believes that its approach to developing novel small molecules that enhance the body's own ability to elevate ApoA-I and HDL levels has several unique advantages for both acute and chronic management of CVD.

## Employees

As at April 30, 2010, the Company employed 31 full time management, scientific and administration employees, many of whom participate in the research and development activities, five of whom hold MD and/or PhD degrees and several more who hold advanced degrees. A number of our management professionals have had prior experience with biotechnology or pharmaceutical companies.

Primary Management Employees	Position at Resverlogix	Principal Occupation
Donald McCaffrey	Co-Founder, President, Chief Executive Officer and Secretary since inception of Company	President, Chief Executive Officer and Secretary of Resverlogix since inception. Don has almost 30 years experience in drug discovery and development, and international conference and tradeshow management across multiple industries, including biotechnology.
A. Brad Cann, CA, CBV	Chief Financial Officer since 2009	Chief Financial Officer of Resverlogix since 2009. Prior to joining Resverlogix, Brad was Executive Vice President and Chief Financial Officer of Royal Host Real Estate Investment Trust, a diversified hospitality trust engaged in hotel ownership, investment, management and franchising, and Canada's second largest hotel REIT. Brad joined Royal Host in 2004 and held a number of senior positions and was appointed Chief Financial Officer in 2007 and Executive Vice President in 2008. Brad is a Chartered Accountant and a Chartered Business Valuator, and holds a Bachelor of Commerce from the University of Saskatchewan.
Kenneth Lebioda, BA	Senior Vice President Business and Corporate Development since 2005	Senior Vice President Business and Corporate Development of Resverlogix since 2005; Senior Manager Market Access and Health Policy, Bristol-Myers Squibb from 1999 to 2004
Theresa Kennedy, BSc	Vice President Corporate Communications since 2006	Vice President Corporate Communications of Resverlogix since 2006; Director, North American Life Sciences, Hill & Knowlton Inc. from 2000 to 2006 Theresa received her B.Sc. from the University of Calgary.

<b>Primary Scientific Employees</b>	<b>Position at Resverlogix</b>	<b>Principal Occupation</b>
Dr. Norman Wong, BSc, MSc, MD, FRCP(C)	Co-Founder, Chief Scientific Officer and Chairman of the Scientific Advisory Board since inception of Company	Chief Scientific Officer of Resverlogix since inception; Professor, Departments of Medicine and Biochemistry and Molecular Biology within the Faculty of Medicine the University of Calgary since 1987; Associate Dean, Research. Dr. Wong received his Bachelor of Science degree, Master of Science degree and Doctor of Medicine degree from the University of Calgary. Dr. Wong has presented at national and international medical conferences and has been the author and co-author of more than 220 articles and abstracts and has been invited to sit on more than 35 panels and committees. Dr. Wong has also acted as a consultant to several multinational pharmaceutical companies.
Dr. Jan Johansson, MD, PhD	Senior Vice President Medical Affairs since 2004	Senior Vice President Medical Affairs of Resverlogix since 2004; Chief Medical Officer at Nuvelo, Inc. from 2003 to 2004; Vice President, Clinical Research and Development, Lipid Sciences Inc. from 2001 to 2003; Co-Founder, Vice President, Clinical Affairs and Senior Clinical Research Fellow of Esperion Therapeutics, Inc. from 1998 to 2001. Dr. Johansson earned his MD and Ph.D. at the Karolinska Institute in Sweden and has published more than 50 peer-review medical articles.
Dr. Gregory Wagner, PhD, DABT	Senior Vice President Research and Development since 2006	Senior Vice President Research and Development of Resverlogix since 2006; Vice President, Preclinical Development of Galileo Pharmaceuticals, Inc. from 2005 to 2006. Dr. Wagner earned a Bachelor of Science, Biochemistry with Distinction from the University of Illinois, and a MS, Pharmacology and Toxicology and a PhD in Pharmacology and Toxicology from the University of Iowa.
Dr. Allan Gordon, MD, PhD	Senior Vice President Clinical Development since 2008	Senior Vice President Clinical Development of Resverlogix since 2008; Chief Executive Officer of Nile Therapeutics Inc., as early-stage bio-pharmaceutical in cardiovascular in 2007; Senior Director Clinical Research of Scios Inc. (a Johnson & Johnson company) from 2004 to 2007. Dr. Gordon has worked with several multinational pharmaceutical companies in leading positions on the clinical development programs for cardiovascular disease. Dr. Gordon received his MD and PhD from the Karolinska Institute in Sweden. He has published approximately 50 articles and abstracts.

### Intellectual Property

The Company devotes significant resources to ensure protection of ideas and inventions related to core areas of its business. The Company's intellectual property portfolio covers compositions, methods and treatments for cardiovascular and inflammatory disease, cancers and fibrotic indications.

As of July 27, 2010, Resverlogix owns a license to one issued US patent and owns numerous pending patent applications including non-provisional US and Patent Cooperation Treaty applications. The pending patent applications are interrelated and assert rights to substantially similar inventions in different jurisdictions.

The Company's intellectual property strategy is to build a strong patent portfolio around core technology that is important to development of leading edge medicines. The Company's offensive and defensive strategies are to be the first to identify, isolate, and patent therapeutic agents with commercial importance, to seek out and license intellectual property believed to be useful in connection with potential products, and to control public disclosures.

The Company also believes that its know-how will provide a significant competitive advantage, and intends to continue to develop and protect its proprietary tools, methods and trade secrets. It is the Company's policy to require employees, consultants, members of our Scientific and Clinical Advisory Board and other third parties in collaborative agreements to execute confidentiality agreements. Employee, consultant and contract research organization agreements specify that all inventions resulting from work performed utilizing the Company's property, business strategies, and work completed during employment/services performed are the Company's exclusive property to the extent permitted by law.

### **Trademarks**

"NexVas" and "TGF- $\beta$  Shield" are registered trademarks of Resverlogix Corp. in Canada and the United States.

### **Risk Factors**

The biotechnology industry generally may be regarded as uncertain given the nature of the industry. Accordingly, investments in biotechnology companies should be regarded as speculative. Biotechnology research and development involves a significant degree of risk. An investment in the Company's Common Shares involves a significant degree of risk. The following risk factors should be considered in evaluating Resverlogix. Prospective investors should carefully consider those risk factors, together with the information contained in this annual information form.

The risks and uncertainties described below is not an exhaustive list. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. If any one or more of the following risks occur, the Company's business, financial condition and results of operations could be seriously harmed. Further, if the Company fails to meet the expectations of the public market in any given period, the market price of the Company's Common Shares could decline.

#### *Early Stage Development and Scientific Uncertainty*

The Company is in an early stage of development, which may require significant additional investment for research and development, scale-up manufacturing, clinical testing, and regulatory submissions of product candidates prior to commercialization. There can be no assurance that any such products will actually be developed. A commitment of substantial time and resources is required to conduct research and clinical trials if the Company is to complete the development of any product. It is not known whether any of these product or process candidates will meet applicable health regulatory standards and obtain required regulatory approvals, or whether such products can be produced in commercial quantities at reasonable costs and be successfully marketed, or whether our products will achieve market acceptance, or if our investment in any such products will be recovered through sales or royalties.

In addition, products may cause undesirable side effects. Results of early preclinical research may not be indicative of the results that will be obtained in later stages of preclinical or clinical research. If regulatory authorities do not approve the products or if regulatory compliance is not maintained, the Company would have limited ability to commercialize our products, and our business and results of operations would be harmed. The Company may fail to develop any products, to obtain regulatory approvals, to enter clinical trials, or to commercialize any products.

### *Lack of Product Revenues and History of Losses*

To date, the Company has not recorded any revenues from the sale of biopharmaceutical products, and has accumulated net losses of \$129.4 million to April 30, 2010. Losses are expected to increase in the near term as the Company continues its product development efforts, enter clinical trials and seek regulatory approval for the sale of our product for the treatment of atherosclerosis and cardiovascular disease. The Company expects to incur losses unless and until such time as payments from corporate collaborations, product sales and/or royalty payments generate sufficient revenues to fund its continuing operations. Quarter to quarter fluctuations in revenues, expenses and losses are also expected. The Company is unable to predict the extent of any future losses or when the Company will become profitable, if ever. Even if the Company does achieve profitability, it may not be able to sustain or increase profitability on an ongoing basis.

### *Financing Requirements and Access to Capital*

The Company may attempt to raise additional funds through public or private equity or debt financing and/or from other sources. The Company's future capital requirements will depend on many factors, such as the following:

- Establishing and maintaining collaborative partnering relationships;
- Continued scientific progress in our research, drug discovery and developmental programs;
- The size of our programs and progress with preclinical and clinical programs;
- Time and costs involved in obtaining regulatory approvals;
- Impact of the potential exercise of put and conversions from the convertible debt financing; and
- Competing technological and market developments, including the introduction by others of new therapies in our market; and
- General conditions relating to the availability of capital in the current unstable equity markets, particularly for biotechnology companies.

### *Scientific and Clinical Timelines on Price of Securities*

For planning purposes, we estimate and may disclose timing of a variety of clinical, regulatory and other milestones, such as when we anticipate commencing or completing clinical trials. We base our estimates on present facts and a variety of assumptions. Many underlying assumptions are outside our control such as the ability to recruit patients, get access to clinical sites as expected or receive approval from regulatory bodies like the Food and Drug Administration to enter into trials. If the Company does not achieve milestones consistent with investors' expectations, the market price of the Company's shares would likely decrease.

### *Patents and Proprietary Technology*

The Company's success will depend in part on its ability to obtain, maintain, and enforce patent rights, maintain trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that pending patent applications will be allowed and that the Company will develop additional proprietary products that are patentable, that issued patents will provide any competitive advantage or will not be challenged by any third parties, or that patents of others will not have an adverse effect on the ability to do business. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Company's products, or design around the products patented by the Company. In addition, the Company may be required to obtain licenses under patents or other proprietary rights of third parties. No assurance can be given that any licenses required under such patents or proprietary rights will be available on terms acceptable to the Company. If such licenses are not obtained it could encounter delays in introducing one or more of its products to the market, while it attempts to design around such patents, or could find that the development, manufacturing or sale of products requiring such licenses could be foreclosed. In addition, the Company could incur substantial costs in defending itself in suits brought against it on such patents or in suits to

enforce its own patents against other parties. Such disputes could involve arbitration, litigation or proceedings declared by the United Patent and Trademark Office or International Trade Commission or other foreign patent authorities. Intellectual property litigation can be extremely expensive, and this expense, as well as other consequences should the Company not prevail, could seriously harm our business.

Until such time, if ever, that patent applications are filed and or approved, the ability of the Company to maintain the confidentiality of its technology may be crucial to its ultimate possible commercial success. While procedures have been adopted to protect the confidentiality of its technology through signed invention and service agreements, no assurance can be given that such arrangements will be effective, that third parties will not gain access to trade secrets or disclose the technology, or that the Company can meaningfully protect its rights to its trade secrets.

#### *Dependence on Collaborative Partners, Licensors and Others*

The Company's activities will require it to enter into various arrangements with corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing and commercialization of its products. The Company entered into an exclusive licensing arrangement with Medtronic Inc. ("Medtronic"), a major medical technology devices company, and the Company intends to attract other corporate partners and enter into additional research collaborations. There can be no assurance, however, that such collaborations will be established on favourable terms, if at all, or that its current Medtronic agreement or future collaborations will be successful. In particular, recent failures in HDL cholesterol therapies may negatively impact our potential partners' willingness to enter into partnering agreements due to the potential risks in the cholesterol market and the high clinical costs to bring such drugs to market. Failure to attract commercial partners for its products may result in the Company incurring substantial clinical testing, manufacturing and commercialization costs prior to realizing any revenue from product sales or result in delays or program discontinuance if funds are not available in sufficient quantities.

The licensing agreement with Medtronic grants Medtronic exclusive, worldwide rights to develop and commercialize its ReVas™ technology. Should Medtronic or any other collaborative partner fail to develop, manufacture, or commercialize successfully any product to which it has rights, or any partner's product to which the Company has rights, the business may be adversely affected. Failure of a collaborative partner to continue to participate in any particular program could delay or halt the development or commercialization of products generated from such program. In addition, there can be no assurance that the collaborative partners will not pursue other technologies or develop alternative products either alone or in collaboration with others, including the Company's competitors, as a means for developing treatments for the diseases targeted by the Company's programs.

Furthermore, the Company will hold licenses for certain technologies and there can be no assurance that these licenses will not be terminated, or that they will be renewed on conditions acceptable to the Company. The Company may negotiate additional licenses in respect of technologies developed by other companies and academic institutions. Terms of license agreements to be negotiated may include, *inter alia*, a requirement to make milestone payments, which may be substantial. The Company will also be obligated to make royalty payments on the sales, if any, of products resulting from licensed technology and, in some instances, is responsible for the costs of filing and prosecuting patent applications.

#### *Damages Resulting from Claims from Former Employers*

Many of the Company's employees were previously employed at universities or other biotechnology or pharmaceutical companies, including competitors or potential competitors. The Company could be subject to claims that these employees or the Company have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. In many cases, litigation may be necessary to defend against these claims.

Even if the Company is successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. If the Company fails in defending such claims, in addition to paying monetary damages, the Company may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper or prevent the ability to commercialize certain product candidates, which could severely harm the Company's business.

### *Rapid Technological Change*

The biotechnology and pharmaceutical industries are characterized by rapid and substantial technological change. There can be no assurance that developments by others will not render the Company's products or technologies noncompetitive, or that the Company will keep pace with technological developments. Competitors have developed or are developing technologies that could be the basis for competitive products. Some of these products have an entirely different approach or means of accomplishing the desired therapeutic effect and could be more effective and less costly than the products to be developed by the Company. In addition, alternative forms of medical treatment may be competitive with the Company's products.

### *Competition*

Technological competition from pharmaceutical companies, biopharmaceutical companies and universities is intense and is expected to increase, in particular in the market for therapeutic products to treat, mitigate or prevent cardiovascular disease. Many potential competitors may have substantially greater product development capabilities or financial, scientific, marketing and human resources exceeding those of the Company. Moreover, competitors may develop products more quickly and obtain regulatory approval for such products more rapidly, or develop products which are more effective than those which the Company intends to develop. Research and development by others may render the Company's technology or products obsolete or noncompetitive or produce treatments or cures superior to any therapy developed or to be developed by the Company.

### *Government Regulations and Regulation of Drug and Product Approval*

Biotechnology, medical device and pharmaceutical companies operate in a high-risk regulatory environment. The manufacture and sale of products is governed by numerous statutes and regulations in the United States, Canada and other countries. The subject matter of such legislation includes approval of manufacturing facilities, controlled research and testing procedures, review and approval of manufacturing, preclinical and clinical data prior to marketing approval, as well as regulation of marketing activities, notably advertising and labeling. The process of obtaining necessary regulatory approvals is lengthy, expensive and uncertain. The Company or its collaborators may fail to obtain the necessary approvals to commence or continue preclinical or clinical testing including our drug RVX-208 or to manufacture or market our potential products in reasonable time frames, if at all. In addition, governmental authorities in Canada, the United States, or other countries may enact regulatory reforms or restrictions on the development of new therapies that could adversely affect the regulatory environment in which the Company operates or the development of any products that may be developed. Many of the products and processes that are being currently developed require significant development, testing and the investment of significant funds prior to their commercialization. There can be no assurance that RVX-208 or any other drugs will actually be developed to a commercial level. Completing clinical testing through late stage trials and obtaining required approvals is expected to take several years and to require the expenditure of substantial resources. There can be no assurance that clinical trials will be completed successfully within any specified period of time, if at all. Furthermore, clinical trials may be delayed or suspended at any time by the Company or by the FDA/TPD if it is determined at any time that the subjects or patients are being exposed to unacceptable risks. No assurance can be given that RVX-208 or any of the other product candidates will prove to be safe and effective in clinical trials or that the Company will receive the requisite regulatory approval. Moreover, any regulatory approval of a drug which is eventually obtained may be granted with specific limitations on the indicated uses for which that drug may be marketed or may be withdrawn if problems occur following initial marketing or if compliance with regulatory standards is not maintained.

### *Delay or Abandonment of the Commercialization of Drugs under Development*

Drug discovery and development has inherent risk and the historical failure rate is high. Failures in the HDL cholesterol market by some pharmaceutical companies has highlighted the risk of these types of therapies. If the Company cannot demonstrate that our drugs, including RVX-208, are safe and effective for human use, it may need to abandon one or more of its drug development programs.

In addition, results in preclinical clinical trials may not predict the results of later-stage clinical trials. There are a number of factors that could cause a clinical trial to fail or be delayed including:

- the clinical trials may produce negative or inconclusive results;
- the regulators may require that Company hold, suspend or terminate clinical research for noncompliance with regulatory requirements;
- the Company, its potential partners, the FDA or foreign regulatory authorities could suspend or terminate a clinical trial due to adverse side affect of a drug on subjects or patients in the trial;
- the Company may decide, or regulators may require it, to conduct additional preclinical testing or clinical trials;
- enrollment in the Company's clinical trials may be slower than anticipated;
- the cost of the Company's clinical trials may be greater than we anticipate; and
- the supply or quality of the Company's drugs or other materials necessary to conduct its clinical trials may be insufficient, inadequate or delayed.

If any of the Company's drugs in clinical studies, including RVX-208, do not show sufficient efficacy in patients with the targeted indication, it could negatively impact the Company's development and commercialization or partnership plans for this and other drugs and the Company's stock price could decline.

### *Dependence on Key Personnel*

The Company depends on certain members of its management and scientific staff and the loss of services of one or more of whom could adversely affect the operations, research and development. The Company does not have employment agreements with any of its senior executive officers that would prevent them from leaving the Company. In addition, the Company's ability to manage growth effectively will require it to continue to implement and improve its management systems and to recruit and train new employees. There can be no assurance that the Company will be able to successfully attract and retain skilled and experienced personnel. In addition, failure to succeed in clinical trials may make it more challenging to recruit and retain qualified scientific personnel.

### *Dependence on Third Party Clinical Research Organizations*

The Company depends on independent clinical investigators, contract research organizations and other third party service providers in the conduct of its clinical trials for its drugs and expects to continue to do so in the future. The Company relies heavily on these parties for successful execution of its clinical trials, but does not control many aspects of their activities. For example, the investigators are not our employees. However, the Company is responsible for ensuring that each of its clinical trial is conducted in accordance with the general investigational plan and protocols of the trial. Third parties may not complete activities on schedule, or may not conduct the Company's clinical trials in accordance with regulatory requirements. The failure of these third parties could delay or prevent the development, approval and commercialization of the Company's drugs, including RVX-208.

### *Status of Healthcare Reimbursement*

The Company's ability to successfully market therapeutic products depends in part on the extent to which reimbursement for the cost of such products and related treatments will be available from government

health administration authorities, private health insurers and other healthcare organizations. Significant uncertainty exists as to whether newly-approved pharmaceutical products will qualify for reimbursement from these organizations. Furthermore, challenges to the price of medical products continue to grow in frequency due to increased focus on cost containment and pharmacoeconomic issues. These recent changes will become more pronounced as leading therapeutics in the atherosclerosis market such as statins are set to come off patent over the next few years. Health authorities will continue to increase their scrutiny and pharmacoeconomic diligence on new products in all disease areas including those for the cardiovascular market. These rapid changes in the healthcare reimbursement marketplace will potentially have a significant impact on the future marketability of new drugs in development. It is expected that new drug entrants will not only have to be effective and safe but also have to provide a clear value proposal to health systems, such as risk reduction in major adverse cardiovascular events, over the current standard of care therapy, statin therapy.

In light of these market changes in drug development, pricing of drug therapies has come under significant pressure with government authorities and private health insurers around the world. The top current leading reimbursed markets; USA, Japan, Germany, UK, France, Spain, Italy, and Canada, have implemented healthcare reforms that focus specifically on value and reimbursement. Reforms such as reference based pricing, pharmacoeconomics, and numbers needed to treat are a few of the many instruments that healthcare organizations utilize to ensure maximum value for reimbursed therapeutics. Healthcare reform is underway in these top global markets and there is additional uncertainty about the viability of current pricing methodologies for reimbursement. There can be no assurance that adequate third-party coverage will be available to establish price levels which would allow the Company to realize an acceptable return on its investment in product development.

#### *Potential Clinical and Product Liability*

The Company has entered into human clinical trials that involve inherent risks in the testing of unproven products. A large portion of the risk is mitigated through the highly regulated approval process within the clinical laboratory, as well as clinical insurance coverage, but a certain level of risk remains. Product liability insurance is costly, availability is limited and may not be on terms which would be acceptable to the Company, if at all. An inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the continuation of clinical trials and the commercialization of potential products in the future. A product liability claim brought against the Company or withdrawal of a product from the market at a future date could have a material adverse effect upon the Company and its financial condition.

#### *Volatility of Share Price, Absence of Dividends and Fluctuation of Operating Results*

The Company's shares have historically been highly volatile. During the 12 months preceding April 30, 2010, the market price of the Company's common stock ranged from \$2.10 to \$8.20 per share. If the Company's share price continues to be highly volatile, it may make it difficult for investors to liquidate their investment and could increase investors' risk of suffering a loss. Factors such as fluctuation of the Company's Phase 2 and/or Phase 3 clinical or nonclinical results, operating results, financing activities, partnering activities, regulatory actions, status of patents filed by the Company and others, or public concern over the safety of the Company's drugs or others' biopharmaceutical products and other factors could have a significant effect on the share price or trading volumes for the shares. The stock price may continue to be subject to significant price and volume fluctuations in the future, particularly with very volatile stock markets worldwide. The Company has not paid dividends to date and does not expect to pay dividends in the foreseeable future; this could also have an effect on the share price or trading volumes for the Company's Common Shares.

#### *U.S. Investors Civil Liabilities*

The Company was formed under the laws of the Province of Alberta. Some of the members of the Board and officers are residents of countries other than the United States. As a result, it may be impossible for U.S. investors to affect service of process within the U.S. upon the Company or these persons or to

enforce against the Company or these persons any judgments in civil and commercial matters, including judgments under U.S. federal or state securities laws. In addition, a Canadian court may not permit U.S. investors to bring an original action in Canada or to enforce in Canada a judgment of a state or federal court in the United States.

## **DIVIDENDS**

The Company has not declared or paid any dividends on its Common Shares in its past fiscal years or current financial year.

The ABCA does not permit a corporation to pay dividends if the corporation is, or would after the payment, be unable to pay its liabilities as they become due or the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes. The directors of the Company may issue preferred shares that have preference over the Common Shares with respect to the payment of dividends, in which case such preference may prevent the Company from paying dividends on the Common Shares. There are no preferred shares outstanding as at the date hereof. There are no other restrictions on the Company's ability to pay dividends.

The Company intends to retain its earnings to finance growth and does not expect to pay dividends on its Common Shares in the near future. The Board will review this policy from time to time having regard for the Company's financial condition, financing requirements and other factors considered relevant.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares issueable in series. As at April 30, 2010 the Company had 45,874,074 Common Shares issued and outstanding, and no preferred shares are outstanding.

The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares and the preferred shares.

### **Common Shares**

The holders of Common Shares are entitled, subject to the rights of holders of preferred shares, to dividends declared by the Board, to one vote per share at meetings of the shareholders of the Company and, upon liquidation, dissolution or winding up, to receive pro rata the remaining assets of the Company, subject to the rights of the preferred shares.

### **Preferred Shares**

The preferred shares may be issued from time to time in one or more series. The terms of each series of preferred shares, including the number of shares, the designation, rights, preferences, privileges, priorities, restrictions and conditions, will be determined at the time of creation of each such series by the Board. The preferred shares shall rank senior to the Common Shares and the shares of any other class ranking junior to the preferred shares with respect to the payment of dividends or distribution of capital of the Corporation in the event of a dissolution, liquidation or winding up of the Company.

## **MARKET FOR SECURITIES**

The Common Shares of the Company are listed and posted for trading on the TSX under the symbol "RVX". The Company's securities are not listed on any stock exchange in the United States and there is no established trading market for the securities of the Company in the United States.

### Trading Prices and Volume by Month for Fiscal Year Ended April 30, 2010

Date	High (\$)	Low (\$)	Close (\$)	Volume
4/30/2010	7.94	5.01	5.86	4,146,200
3/31/2010	8.20	3.16	6.89	11,885,100
2/27/2010	3.20	2.72	3.16	2,341,400
1/30/2010	3.13	2.40	2.69	1,377,800
12/31/2009	2.86	2.30	2.42	1,110,000
11/28/2009	2.87	2.30	2.80	839,900
10/31/2009	3.26	2.40	2.42	1,597,500
9/30/2009	3.68	2.10	3.30	2,580,700
8/29/2009	2.85	2.14	2.24	1,176,200
7/31/2009	3.01	2.70	2.83	505,000
6/30/2009	3.05	2.52	2.81	542,000
5/30/2009	3.50	2.65	2.65	671,800

### PRIOR SALES

The Company issued the following securities at the prices set out below during the twelve months preceding the date of this Annual Information Form:

	Type of Security	Issue Price of Securities	Number of Securities	Type of Issuance
June 2010	Units <sup>(1)</sup>	\$3.23	3,095,975	Prospectus offering
June 2010	Units <sup>(2)</sup>	\$3.30	2,800,000	Prospectus offering
June 2010	Warrants	\$4.00	2,358,390	Prospectus offering
June 2010	Stock Options	\$3.26	62,400	Pursuant to stock option plan
March 2010	Stock Options	\$5.59	472,000	Pursuant to stock option plan
February 2010	Stock Options	\$2.92	450,000	Pursuant to stock option plan
January 2010	Units <sup>(3)</sup>	\$2.50	3,141,270	Private placement
January 2010	Warrants	\$2.50	785,318	Private placement
December 2009	Units <sup>(4)</sup>	\$2.50	2,000,000	Private placement
December 2009	Warrants	\$2.50	500,000	Private placement
December 2009	Warrants	\$2.88	500,000	Private placement

### Notes:

1. Each unit was comprised of one common share and 0.4 common share purchase warrant, with each whole warrant exercisable at \$4.00 for a period of four years.
2. Each unit was comprised of one common share and 0.4 common share purchase warrant, with each whole warrant exercisable at \$4.00 for a period of four years.

3. Each unit was comprised of one common share and 0.25 common share purchase warrant, with each whole warrant exercisable at \$2.50 for a period of two years.
4. Each unit was comprised of one common share and: i) 0.25 common share purchase warrant, with each whole warrant exercisable at \$2.50; and ii) 0.25 common share purchase warrant, with each whole warrant exercisable at \$2.88, for a period of two years.

## DIRECTORS AND EXECUTIVE OFFICERS

### Name, Occupation and Security Holdings

The following table sets forth the name, municipality of residence, year of appointment as a director or executive officer of the Company, and position held with the Company and principal occupation of each of the directors or executive officers of the Company.

The Board is composed of eight directors. The directors are elected annually by the shareholders and serve until the next annual meeting of shareholders unless their successors are duly elected or appointed prior thereto.

Name and Municipality of Residence	Position	Principal Occupation	Director Since
Dr. William A. Cochrane <sup>(2)</sup> Calgary, Alberta, Canada	Director and Chairman	<p>President of W.A. Cochrane &amp; Associates, Inc. (a consulting company) since 1989. Dr. Cochrane is an Officer of the Order of Canada and a 2002 recipient of the Queens Golden Jubilee Medal. Dr. Cochrane also served as the Deputy Minister of Health Services for the Province of Alberta from 1973 to 1974 and President of the University of Calgary from 1974 to 1978. In 2005, the Alberta Medical Association named Dr. Cochrane one of Alberta's "Physicians of the Century", and 2010, Dr. Cochrane was inducted into the Canadian Medical Hall of Fame.</p> <p>In addition to Resverlogix, Dr. Cochrane currently serves on the boards of Oncolytics Biotech Inc. and Immunovaccine Inc. Dr. Cochrane was formerly Chairman of QSV Biologics Ltd. (biologics contract manufacturer) from 2003 to 2009 and was a director of Sernova Corp. from 2005 to 2008, and a former chairman of University Technologies International Inc. (UTI) at the University of Calgary.</p>	2003
Donald J. McCaffrey Calgary, Alberta	Director, President, CEO and Secretary	<i>(Please see "Employee" section for biography)</i>	2003

Name and Municipality of Residence	Position	Principal Occupation	Director Since
Wayne Chiu <sup>(1)</sup> Calgary, Alberta, Canada	Director	Mr. Chiu is the Founder of Trico Developments Corporation and Trico Homes Inc., established in Calgary in 1989 and 1993 respectively. Trico Homes has built over 5,000 quality single and multi-family homes in the Calgary area. Mr. Chiu is a Mechanical Engineering graduate from the University of Manitoba and a qualified master builder. He is a past Director of the Professional Home Builders' Institute, and is a member of the Institute of Corporate Directors. Mr. Chiu serves as a Director of Trico Developments Corporation, Bow Valley College, West Island College and sits on Chefs for Unicef (Calgary) Patrons Council. He supports several community organizations and events, including the Kids Cancer Care Foundation. In relation to his philanthropic work, Mr. Chiu has been recognized with "The City of Calgary Community Achievement Award", the "Volunteer Calgary Leaders in Business Award", the "Alberta Centennial Medal", the "Immigrant of Distinction Business Award and "Generosity of Spirit Award". Trico Homes has been selected as one of "Canada's 50 Best Managed Companies" and "Best Workplaces in Canada".	2003
Stella Thompson <sup>(2)</sup> Calgary, Alberta, Canada	Director and Chair of the Governance and HR Committee	Stella Thompson is a co-founder and Principal of Governance West Inc. (corporate governance consulting company). In addition to Resverlogix, she currently serves on the boards of Atomic Energy of Canada Ltd., Alberta's Electricity Balancing Pool, Calgary Airport Authority and Genome Alberta (Vice Chair), Provincial Audit Committee.  Stella has a Bachelor of Arts degree in Economics from the University of Calgary and an Master of Arts degree. in Economics from the University of Alberta, and has been awarded the ICD.D designation by the Institute of Corporate Directors. In 2005, she was recognized by the Women's Executive Network and the University Of Western Ontario's Richard Ivey School of Business as one of Canada's Top 100 Most Powerful Women.	2007
Jan Gray <sup>(1)</sup> Calgary, Alberta, Canada	Director and Chair of the Audit and Finance Committee	Jan Gray, CA is a practicing chartered accountant who specializes in advising high net worth individuals with complex financial, investment and taxation issues. She is also Executive Vice-President and Treasurer of Cartwright Canada Inc., a legal publishing company and Controller of Felesky Flynn LLP, a regional Alberta law firm.  Ms. Gray currently serves on the board of directors of the Auxilium Foundation where she administers the multi-million dollar charitable fund.	2008

Name and Municipality of Residence	Position	Principal Occupation	Director Since
Dr. Peter Johann <sup>(2)</sup> Heidelberg, Germany	Director	Dr. Peter Johann, Ph.D. is a Managing General Partner of NGN Capital. He joined from Boehringer Ingelheim where he was the Division Head of Corporate Development. His responsibilities at Boehringer Ingelheim included strategic planning, strategic projects, M&A, business development and licensing. Prior to this Dr. Johann served at F. Hoffmann-La Roche as Global Business Leader where he led global business teams and was responsible for global marketing of oncology products as well as evaluation of pipeline products from internal and external sources.  In addition to Resverlogix, Dr. Johann serves on the board of Micromet.	2009
Kelly McNeill, CA <sup>(2)</sup> Winnipeg, Manitoba, Canada	Director	Kelly McNeill is the Executive Vice President, Finance and Administration, Chief Financial Officer and Secretary of IMRIS Inc., a provider of fully integrated image guided therapy solutions. From 2006 to 2009, Mr. McNeill was Resverlogix's Chief Financial Officer. Prior thereto, Mr. McNeill was General Manager at Haworth Ltd., a global office interiors manufacturer located in Calgary, Alberta. Mr. McNeill was previously Vice President, Finance at SMED International, a global office interiors manufacturer. Mr. McNeill is a Chartered Accountant and earned a B.Comm (Hons), and M.Acc from the University of Manitoba.	2010
Arthur J. Higgins <sup>(1)</sup> Libertyville, Illinois, U.S.A.	Director	Arthur J. Higgins, is the former Chief Executive Officer of Bayer HealthCare and Chairman of the Bayer HealthCare Executive Committee. Mr. Higgins joined Bayer in 2004 as Chairman of the Bayer HealthCare Executive Committee and in 2006 was named Chairman of the Board of Management of Bayer HealthCare. Mr. Higgins has played a key role in driving the success of Bayer HealthCare through a combination of strong organic growth and key acquisitions, including the (euro)17 billion acquisition of the German pharmaceutical company, Schering AG, in 2006. Mr. Higgins is currently a director of Zimmer, Inc. (since February 2007), a manufacturer of orthopedic products and instruments, listed on the New York Stock Exchange and Ecolab (since May 2010), a company that develops and markets cleaning, sanitizing, food safety and infection prevention products and services, listed on the New York Stock Exchange.	2010
A. Brad Cann, CA, CBV	Chief Financial Officer	<i>(Please see "Employee" section for biography)</i>	N/A
Kenneth Lebioda, BA	Senior VP Business & Corporate Development	<i>(Please see "Employee" section for biography)</i>	N/A

<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Principal Occupation</b>	<b>Director Since</b>
Theresa Kennedy, BSc	Vice President Corporate Communications	<i>(Please see "Employee" section for biography)</i>	N/A
Dr. Norman Wong, BSc, MSc, MD, FRCP(C)	Co-Founder, Chief Scientific Officer and Chairman of the Scientific Advisory Board	<i>(Please see "Employee" section for biography)</i>	N/A
Dr. Jan Johansson, MD, PhD	Senior Vice President Medical Affairs	<i>(Please see "Employee" section for biography)</i>	N/A
Dr. Gregory Wagner, PhD, DABT	Senior Vice President Research and Development	<i>(Please see "Employee" section for biography)</i>	N/A
Dr. Allan Gordon, MD, PhD	Senior Vice President Clinical Development	<i>(Please see "Employee" section for biography)</i>	N/A

**Notes:**

- (1) Member of the Audit and Finance Committee
- (2) Member of the Governance and Human Resource Committee

The directors and executive officers, in the aggregate, beneficially own, directly or indirectly, or exercise control or direction over 13,176,758, or 25.4%, of issued and outstanding Common Shares as of July 27, 2010.

The Company is required to have an Audit and Finance Committee. The Audit and Finance Committee consists of Ms. Gray (Chair of the Committee), Mr. Higgins and Mr. Chiu. The Company also has a Governance and Human Resources Committee whose members consist of Ms. Thompson (Chair of the Committee), Dr. Cochrane, Dr. Johann and Mr. McNeill.

**Clinical Advisory Board**

In November 2006, Resverlogix created a Clinical Advisory Board (CAB), consisting of internationally renowned cardiovascular researchers. This committee purpose is to provide guidance during the clinical development of Resverlogix's lead cardiovascular drug. NexVas™ Plaque Regression is being developed as a first in class ApoA-I/HDL therapeutic for atherosclerosis and cardiovascular disease treatment.

**Clinical Steering Committee**

The role of the Steering Committee is to provide overall supervision of the clinical trials and ensure that they are being conducted in accordance with the principles of Good Clinical Practice and FDA regulations. The Steering Committee will agree on the trial protocols, any protocol amendments and provide advice to the investigators on all aspects of the trials.

## **Audit Committee Matters**

### *Audit and Finance Committee Charter*

The Audit and Finance Committee Charter is attached hereto as Schedule "A".

### *Composition of the Audit and Finance Committee*

The Audit and Finance Committee is composed of three independent, unrelated directors – Ms. Jan Gray as Chair, Mr. Arthur Higgins, and Mr. Wayne Chiu. All three members of the Committee are considered financially literate. Each of the members have held board and executive positions on behalf of several companies, and have a wealth of experience in leading and managing companies. The members have an in-depth understanding of accounting principles and have the proficient ability to audit, analyze and evaluate financial statements and internal controls and procedures for financial reporting.

### *Relevant Education & Experience*

#### **Jan Gray**

Jan Gray, CA is a practicing chartered accountant who specializes in advising individuals with complex financial, investment and taxation issues. She is also Executive Vice-President and Treasurer of Cartwright Canada Inc., a legal publishing company and Controller of Felesky Flynn LLP, a regional Alberta law firm. Ms. Gray's prior experience includes being a former Vice President and Controller of GE Capital Canada.

#### **Wayne Chiu**

Wayne Chiu is the Founder, President and Chief Executive Officer of Trico Developments Corporation and Trico Homes Inc., established in 1989 and 1993 respectively. Wayne has chaired and held directorships in numerous business and community organizations, and currently serves on the Boards of Bow Valley College and West Island College while maintaining an active role in many other community and entrepreneurial ventures.

#### **Arthur Higgins**

Arthur J. Higgins, was recently appointed to Blackstone Group's healthcare unit, Blackstone Healthcare Partners, an entity responsible for sourcing, analyzing and overseeing investments in pharmaceuticals and medical products. Prior thereto, he was the CEO of Bayer HealthCare and Chairman of the Bayer HealthCare Executive Committee. Mr. Higgins joined Bayer in 2004 as Chairman of the Bayer HealthCare Executive Committee and in 2006 was named Chairman of the Board of Management of Bayer HealthCare. Mr. Higgins has played a key role in driving the success of Bayer HealthCare through a combination of strong organic growth and key acquisitions, including the (euro)17 billion acquisition of the German pharmaceutical company, Schering AG, in 2006. Mr. Higgins is currently a director of Zimmer, Inc. (since February 2007), a manufacturer of orthopedic products and instruments, listed on the New York Stock Exchange and Ecolab (since May 2010), a company that develops and markets cleaning, sanitizing, food safety and infection prevention products and services, listed on the New York Stock Exchange.

### *Pre-approval of Audit Fees*

The Company and its subsidiaries will not engage external auditors to carry out any Prohibited Service as defined in the CICA revised Rules of Professional Conduct.

The Board, upon recommendation from the Audit and Finance Committee, will consider the pre-approval of permitted services to be performed by the external auditors in each of the following broad categories:

- Audit Services

- Audit Related Services
- Tax Services

Engagements of external auditors will only commence subsequent to Board pre-approval of audit services, and only a member of the Audit and Finance Committee, or the President and CEO or Chief Financial Officer shall be authorized to request services of external auditors.

#### *External Auditor Service Fees*

The following table sets out the aggregate fees billed by the Company's external auditor in each of the last two financial years for services provided to the Company:

Year	Audit Fees (1)	Audit-Related Fees	Tax Fees (2)	Other Fees
2010	\$149,600	\$Nil	\$5,750	\$Nil
2009	\$100,250	\$Nil	\$28,600	\$Nil

#### **Notes:**

- (1) Audit fees were for professional services for the audit of the Company's annual financial statements, for reviews of the Company's unaudited interim financial statements, the Company's short form base shelf prospectus and prospectus supplements, as well as services provided in connection with statutory and regulatory filings or engagements paid to KPMG LLP.
- (2) Tax Fees were for professional services for corporate reorganization advise, tax planning and compliance services paid to KPMG LLP.

#### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Other than as set out below, no director or executive officer is as at the date hereof, or has been within ten years before the date hereof, a director or chief executive officer or chief financial officer of any company (including the Company) that, while he was acting in such capacity: (i) was the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days.

In addition, other than set out below, no director or executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company is as at the date hereof, or has been within ten years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold its assets. In addition, no director or executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

In 2003, Ms. Thompson, was a director of Laidlaw Inc., a public holding company, when it obtained an order in the United States Bankruptcy Court for the Western District of New York confirming its plan of reorganization and an order from the Ontario Superior Court of Justice under the *Companies' Creditors Arrangement Act* (Canada) recognizing and implementing the plan in Canada.

Dr. Cochrane served as chairman of the board of Q.S.V. Biologics ("QSV"), a private contract manufacturing company for biotech pharma products for clinical trials by the inventing biotech company. As a result of the recent economic downturn, QSV's biotech customers experienced a shortage of capital and could not fund the contracts and as a result QSV became insolvent in August 2009 and Dr. Cochrane resigned from the board of QSV in August 2009.

Mr. Cann was a director of Banff Rocky Mountain Resort Ltd., General Partner for the Banff Rocky Mountain Resort Limited Partnership, which was subject to cease trade orders between May and November 2008 from the Alberta and Ontario Securities Commissions for a delay in filing audited annual financial statements of the Partnership.

No director, executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the past ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

No director, executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has since December 31, 2000, been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Certain directors and officers of the Company and its subsidiary are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with the ABCA directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as described below, there are no material interests, direct or indirect of directors, executive officers, any shareholders that beneficially own, directly or indirectly, more than 10% of our outstanding Common Shares, or any known associates or affiliates of such persons, in any transaction within the last three years or in any proposed transaction which has materially affected or would materially affect the Company.

In March 2004 Dr. Jan Johansson, currently the Senior Vice President, Medical Affairs of the Company, commenced working for Resverlogix Corp. under a consulting agreement for his services through a private Delaware corporation he controls. As part of that agreement Dr. Johansson had permission to continue his existing work relating to peptide development for acute CVD treatment as Resverlogix did not and has never had any peptide program involvement. Due to some development progress in Dr. Johansson's peptide program Resverlogix obtained a right of first refusal on a peptide technology for the treatment of acute coronary syndrome late in 2006. The technology was owned by the private Delaware corporation. During the year ended April 30, 2010, the Company has made payments to maintain the right of first refusal for this technology from the Delaware corporation in the amount of US\$77,740. Two outside directors of Resverlogix, Mr. Whitney Ward (now a former director) and Mr. Wayne Chiu had separately and independently chosen to obtain minority interests in the Delaware corporation. During the year ended April 30, 2010, Dr. Johansson sold the technology; Resverlogix did not exercise its right of first refusal.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares of the Company is Valiant Trust Company at its transfer offices in Calgary, Alberta.

## MATERIAL CONTRACTS

In July 2006, Resverlogix and RVX Therapeutics Inc. entered into a License Agreement with Medtronic. In the terms of the agreement, RVX Therapeutics grants to Medtronic the exclusive, worldwide rights to develop and commercialize its ReVas™ technology with drug eluting medical devices. After successful completion of a proof-of-concept study and a phase 1 human clinical trial by Medtronic, Medtronic would make an initial cash payment to RVX Therapeutics and could make additional payments upon successful completion of certain pre-defined milestones. RVX Therapeutics would then be eligible to receive royalties on sales of any ReVas therapeutic component of drug-device combinations that result from this license. While there is no assurance of any milestone or royalty payments, assuming the development of a successful commercial product with regulatory approval and broad market acceptance, RVX Therapeutics would be eligible under the terms of the agreement to receive up to US\$291 million in combined payments.

In April 2009, the Company entered into a Share Purchase Agreement (“SPA”) with NGN Biomed Opportunity II L.P. (“NGN”) as well as a syndicate of other investors. The terms of the SPA provided for a first tranche equity financing of \$24.3 million which closed on April 15, 2009 and an optional US\$15 million second tranche within six months of the first tranche closing date. The detail of the terms is described in “GENERAL DEVELOPMENT OF THE BUSINESS” under the “Financing” section and the SPA has been filed on SEDAR. In addition to the financial terms noted above, the SPA provided NGN the right to appoint an NGN nominee to the Board or Directors and provided that NGN be entitled to nominate a second director to the Board upon resignation or replacement of any other current Board member.

The SPA also required an Investor Rights Agreement (“IRA”) to be entered into among the Company, the investors and each of Donald McCaffrey, Wayne Chiu and Norman Wong (the “Management Shareholders”). The IRA provided for certain restrictions on transfers of securities by a party who is subject to the IRA (an “IRA Shareholder”) and grants the investors preferential rights on the issuance of new securities by the Company. The IRA restricts any IRA Shareholder, to transfer Common Shares without first offering such securities to other IRA Shareholders. If an IRA Shareholder is permitted to sell securities to a third party, the IRA Shareholder must allow other IRA Shareholders the right to participate in such an offering for its proportionate share of securities (referenced as “Tag-Along Rights”). If a third-party purchaser proposes to acquire not less than 66 2/3% of the Corporation’s issued and outstanding voting securities or substantially all of its assets, then any IRA Shareholder shall have the right to require every other shareholder to sell their proportionate percentage of securities, or in the case of an asset sale, vote in favour of a recommended transaction (referenced as “Drag-Along Rights”). In addition, the Corporation shall not issue any new securities, exclusive of the second tranche noted above, without offering a proportionate share to NGN and the other investors. The IRA also provides NGN with certain approval rights including, any offering of securities that rank senior to the Common Shares, any increase or decreases from the intended composition of seven Board members, any amendment to the Company’s constating documents, any related party transactions, the exercise of the Corporation’s redemption rights of the convertible debentures and any sale, lease or disposal of all or substantially all of the Corporation’s assets or any change of control transaction that does not provide cumulative proceeds that equal or exceed five (5) times NGN’s aggregate invested capital. The approval rights related to the sale of assets or change of control expire the latter of (i) three (3) years from the closing of the second tranche noted above and (ii) the date the Phase 2b proof of concept data on RVX222 is made available. The complete IRA document has been filed on SEDAR.

In April 2009, the Company entered into an Escrow Agreement as part of the SPA and an Amending Agreement with the debt holders as described in “GENERAL DEVELOPMENT OF THE BUSINESS” under the “Financing” section. Under the SPA, US\$6 million was to be placed in escrow to settle put

obligations of the Company when such rights are exercised by the convertible debt holders with any accrued interest. Any monies held in escrow in excess of the remaining convertible debentures plus accrued interest could be drawn from escrow for general corporate purposes upon a joint election from the Company and the debt holders. In addition, any interest obligations could be paid from the escrow account, if the Company was unable to pay its obligation in Common Shares under the terms of the convertible debentures and the holders elect to have the interest obligation settled in cash. The complete Amending Agreement has been filed on SEDAR. During the year ended April 30, 2010, the escrow funds were released in connection with the redemption of the debentures.

On March 26, 2010, Resverlogix entered into a Standby Equity Distribution Agreement with YA Global SPV Ltd. (the "Purchaser"), a fund managed by Yorkville Advisors, LLC, pursuant to which the Purchaser has irrevocably agreed to purchase and Resverlogix has irrevocably committed to issue and sell, from time to time, for a period of 24 months from the date of the SEDA (the "Commitment Period") and in connection with a Draw Date Notice (as defined herein), up to \$25,000,000 (the "Commitment Amount") of its Common Shares. Each right to sell Common Shares is called a "draw down". In order to request a draw down, Resverlogix submits a written notice (a "Draw Down Notice") to the Purchaser. The Draw Down Notice will specify, among other things, the amount of the draw down and the minimum price per Common Share for such draw down. The date the Draw Down Notice is delivered to the Purchaser is called a "Draw Down Notice Date". Each draw down will be in an amount determined by us, but will not exceed the lesser of (a) \$500,000; or (b) the remaining portion of the aggregate Commitment Amount. In addition, the number of Common Shares distributed by Resverlogix under one or more equity line of credits, including under the SEDA, will not exceed (i) in any 12-month period, 10% of the aggregate number of Common Shares outstanding as at the start of such period, and (ii) during the term of the SEDA 19.9% of the aggregate number of the Company's Common Shares outstanding at the date of the SEDA. The Common Shares will be issued at a purchase price equal to 95% of the daily volume-weighted average price per Common Share on the TSX for each of the ten consecutive trading days following a Draw Down Notice ("Draw Down Pricing Period"). Each draw down will be reduced by up to 10% of the draw down amount for each trading day during the Draw Down Pricing Period for which the daily volume-weighted average price is below a minimum price equal to either (i) 90% of the daily volume-weighted average price of the Common Shares on the trading day immediately preceding the Draw Down Notice Date; or (ii) the price determined by Resverlogix in the Draw Down Notice, provided that such price is equal to or lower than 90% of the daily volume weighted trading price for the trading day immediately preceding the Draw Down Notice. In addition, the draw down will be reduced by such amount necessary to ensure that the draw down amount does not equal or exceed 5% or more of our market capitalization as of the settlement date. Each draw down will also be reduced such that in no event shall the number of Common Shares issuable to the Purchaser pursuant to a draw down cause the Purchaser, its affiliates, associates, partners and insiders, at any time, directly or indirectly, together with any member of its group, to own in excess of 9.9% of Resverlogix's then issued and outstanding Common Shares. Under the terms of the SEDA, Resverlogix paid the Purchaser a commitment fee of \$250,000 by issuing Common Shares at a price of \$5.70 per share. Resverlogix may terminate the SEDA at any time upon prior notice to the Purchaser, without the payment of any fee or penalty, except for the settlement of any outstanding draw down. Resverlogix obtained from the appropriate Canadian securities regulatory authorities exemptive relief from certain securities regulatory requirements. A copy of such exemptive relief decision may be obtained by accessing the disclosure documents available through the Alberta Securities Commission website at [www.albertasecurities.com](http://www.albertasecurities.com). The Purchaser's obligation to accept a Draw Down Notice and purchase such Common Shares specified therein shall be subject to certain customary terms and conditions, including, but not limited to, obtaining all applicable regulatory, corporate and shareholder approvals required by the TSX.

## **INTERESTS OF EXPERTS**

The auditors of the Company are KPMG LLP, Chartered Accountants of Calgary, Alberta, Canada. KPMG LLP has confirmed that it is independent with respect to the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Alberta.

## **ADDITIONAL INFORMATION**

Additional information, including directors' and executive officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Management Information Circular of the Company with respect to the most recent annual meeting of shareholders. Additional financial information is provided in the Company's audited financial statements and MD&A for the year ended April 30, 2010.

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). In addition, the Company maintains updated information on its website at [www.resverlogix.com](http://www.resverlogix.com).

**SCHEDULE "A"****RESVERLOGIX CORP.  
AUDIT & FINANCE COMMITTEE CHARTER****PART I  
ESTABLISHMENT OF COMMITTEE****1. Committee Purpose**

The Audit and Finance Committee (the "**Committee**") is established by the board of directors (the "**Board of Directors**") of Resverlogix Corp. ("**Resverlogix**") primarily for the purpose of overseeing the accounting and financial reporting processes of Resverlogix and the reviews and audits of the financial statements of Resverlogix.

The Committee shall assist the Board of Directors in fulfilling its oversight responsibilities by monitoring, among other things:

- (a) the quality and integrity of the financial statements and related disclosure of Resverlogix;
- (b) compliance by Resverlogix with legal and regulatory requirements that could have a material effect upon the financial position of Resverlogix which are not subject to the oversight of another committee of the Board of Directors or the Board of Directors as a whole;
- (c) the independent auditor's qualifications and independence; and
- (d) performance of Resverlogix's independent auditor.

**2. Composition of Committee**

The Committee shall consist of as many members as the Board of Directors shall determine, but in any event not fewer than three directors of Resverlogix, provided that each member of the Committee shall be determined by the Board of Directors to be:

- (a) an "unrelated" and "independent" director as defined in, and for the purposes of, any applicable governance guidelines or listing standards of any stock or securities exchange upon which the securities of Resverlogix are, from time to time, listed; and
- (b) an "independent" and "financially literate" director for the purposes of any applicable corporate, securities or other legislation or any rule, regulation, instrument, policy, guideline or interpretation under such legislation.

**3. Appointment of Committee Members**

The members of the Committee shall be appointed by the Board of Directors on the recommendation of the Corporate Governance and Nominating Committee. The members of the Committee shall be appointed at the time of each annual meeting of shareholders and shall hold office until the next annual meeting, until they are removed by the Board of Directors or until their successors are earlier appointed, or until they cease to be directors of Resverlogix.

## PART II COMMITTEE PROCEDURE

### 4. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board of Directors on the recommendation of the Corporate Governance and Nominating Committee and shall be filled by the Board of Directors if the membership of the Committee is fewer than three directors. The Board of Directors may remove and replace any member of the Committee.

### 5. Committee Chair

The Board of Directors shall appoint a chair (the "**Chair**") for the Committee. The Chair may be removed and replaced by the Board of Directors.

### 6. Absence of Chair

If the Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

### 7. Secretary of Committee

The Committee shall appoint a Secretary who need not be a director of Resverlogix.

### 8. Regular Meetings

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least quarterly. The Committee at any time may, and at each regularly scheduled Committee meeting shall, meet without management present and shall meet periodically with management and the independent auditor. The Committee shall also meet separately with the independent auditor at every regularly scheduled meeting of the Committee at which the independent auditor is present. The Committee shall record and maintain minutes of meetings.

### 9. Special Meetings

The Chair, any two members of the Committee, the independent auditor or the Chief Executive Officer of Resverlogix may call a special meeting of the Committee.

### 10. Quorum

Two members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

### 11. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing or by e-mail or facsimile communication to each member of the Committee at least 48 hours prior to the time fixed for such meeting; provided, however, that a member may, in any manner, waive notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

**12. Agenda**

The Chair shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board of Directors and management of Resverlogix. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practicable, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

**13. Delegation**

Subject to subsection PART III19(e), the Committee shall have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate.

**14. Access**

In discharging its oversight role, the Committee shall have full access to all books, records, facilities and personnel of Resverlogix.

**15. Attendance of Others at a Meeting**

At the invitation of the Chair, one or more officers, directors or employees of Resverlogix may, and if required by the Committee shall, attend a meeting of the Committee.

**16. Procedure, Records and Reporting**

The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board of Directors when the Committee may deem appropriate (but not later than the next meeting of the Board of Directors).

**17. Outside Consultants or Advisors**

The Committee, when it considers it necessary or advisable, may retain, at Resverlogix's expense, outside consultants or advisors (including independent counsel) to assist or advise the Committee independently on any matter within its mandate. The Committee shall have the sole authority to retain or terminate such consultants or advisors, including the sole authority to approve the fees and other retention terms for such persons.

**PART III  
MANDATE OF COMMITTEE**

**18. Appointment of Resverlogix's Independent Auditor**

Subject to confirmation by the independent auditor of its compliance with Canadian regulatory registration requirements, the Committee shall recommend to the Board of Directors the appointment of the independent auditor for the purpose of preparing or issuing any audit report or performing other audit, review or attest services for Resverlogix, such appointment to be confirmed by Resverlogix's shareholders at each annual meeting. The Committee shall also recommend to the Board of Directors the engagement letter with the independent auditor, the approval of fees to be paid to the independent auditor for audit services and shall pre-approve the retention of the independent auditor for any permitted non-audit service. The Committee shall also be directly responsible for overseeing the work of the independent auditor (including resolution of disagreements between management of Resverlogix and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for Resverlogix. The Committee shall communicate directly with the independent auditor. The independent auditor shall report directly to the Committee.

The Committee shall review the independence of the independent auditor including a written report from the independent auditor delineating all relationships between the auditor and Resverlogix, considering whether the advisory services performed by the independent auditor during the course of the year have affected its independence, and ensuring that no relationship or service between the independent auditor and Resverlogix is in existence that may affect the objectivity and independence of the auditor, or recommending appropriate action to ensure the independence of the independent auditor.

## 19. Specific Mandates

The Committee, to the extent required by applicable laws or rules, or otherwise considered by the Committee to be necessary or appropriate, shall:

- (a) **Oversight in Respect of Financial Disclosure**
  - (i) review, discuss with management of Resverlogix and the independent auditor, and recommend to the Board of Directors for approval:
    - A. the audited annual financial statements;
    - B. the annual information form;
    - C. the annual management's discussion and analysis;
    - D. the portions of the management proxy circular, for any annual or special meeting of shareholders, containing significant financial information respecting Resverlogix;
    - E. all financial statements included in prospectuses or other offering documents;
    - F. any significant financial information contained in all prospectuses and all documents which may be incorporated by reference in a prospectus;
    - G. any significant financial information respecting Resverlogix contained in a material change report or a business acquisition report;
  - (ii) review and discuss with management of Resverlogix:
    - A. each press release which contains significant financial information respecting Resverlogix (including, without limitation, annual and interim earnings press releases) or contains earnings guidance, prior to public dissemination thereof;
    - B. the use of "pro forma" or "adjusted" non-GAAP information;
    - C. financial information and earnings guidance provided to analysts and rating agencies; provided, however, that such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made), and the Committee need not discuss in advance each instance in which Resverlogix may provide earnings guidance or presentations to rating agencies;
  - (iii) review with management and the independent auditor the scope of the audit, in particular the independent auditor's view of Resverlogix's accounting principles

as applied in the financial statements in terms of disclosure quality and evaluation methods, inclusive of the clarity of Resverlogix's financial disclosure and reporting, degree of conservatism or aggressiveness of Resverlogix's accounting principles and underlying estimates, and other significant decisions made by management in preparing the financial disclosure and reviewed by the independent auditor;

- (iv) review with management of Resverlogix and the independent auditor major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls and procedures for financial reporting and management information systems and inquire of management and the independent auditor about significant risks and exposures to Resverlogix that could significantly affect Resverlogix's financial statements;
- (v) review with management of Resverlogix and the independent auditor, and satisfy itself as to the adequacy of the procedures that are in place for the review of Resverlogix's disclosure of financial information extracted or derived from Resverlogix's financial statements, and periodically assess the adequacy of those procedures;
- (vi) review with management of Resverlogix and the independent auditor (including those of the following that are contained in any report of the independent auditor): (a) all critical accounting policies and practices to be used by Resverlogix in preparing its financial statements; (b) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of these alternative treatments, and the independent auditor's assessment of the alternatives; and (c) other material communications between the independent auditor and management of Resverlogix, such as any management letter or schedule of unadjusted differences;
- (vii) review with management of Resverlogix and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet transactions on Resverlogix's financial statements;
- (viii) review the plans of management of Resverlogix and the independent auditor regarding any significant changes in accounting practices or policies and the financial and accounting impact thereof;
- (ix) review with management of Resverlogix, the independent auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of Resverlogix, and the manner in which these matters have been disclosed in the financial statements;
- (x) review disclosures by Resverlogix's Chief Executive Officer and Chief Financial Officer with respect to any required certification for Resverlogix's financial statements by such individuals; and
- (xi) discuss with management Resverlogix's material financial risk exposures and the steps management of Resverlogix has taken to monitor and control such exposures, including Resverlogix's financial risk assessment and financial risk management policies.

**(b) Oversight in Respect of Legal and Regulatory Matters**

- (i) review, if necessary, with legal counsel, Resverlogix's compliance policies, legal matters and any material reports or inquiries received from regulators or governmental agencies that could have a material effect upon the financial position of Resverlogix and which are not subject to the oversight of another committee of the Board of Directors or the Board of Directors as a whole.

**(c) Oversight in Respect of the Chief Financial Officer**

- (i) consult with management on management's appointment, replacement, reassignment or dismissal of the Chief Financial Officer of Resverlogix; and
- (ii) ensure the Chief Financial Officer of Resverlogix has access to the Chair, the Chairman of the Board of Directors and the Chief Executive Officer of Resverlogix, and shall meet separately with the Chief Financial Officer of Resverlogix to review any problems or difficulties he or she may have encountered in the performance of his or her responsibilities and report to the Board of Directors on such meetings.

**(d) Oversight in Respect of the Independent Auditor**

- (i) meet with the independent auditor prior to the annual audit to review the planning and staffing of the audit;
- (ii) review annually the independent auditor's formal written statement of independence delineating all relationships between itself and Resverlogix and review all such relationships;
- (iii) receive confirmation from the independent auditor as to its standing as a "participating audit firm" and its compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board as those concepts are set forth in National Instrument 52-108 of the Canadian Securities Administrators;
- (iv) review and evaluate the independent auditor, including the lead partner of the independent auditor team;
- (v) meet separately with the independent auditor to review with them any problems or difficulties they may have encountered and specifically:
  - A. any difficulties which were encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management of Resverlogix; and
  - B. any changes required in the planned scope of the audit;
 and report to the Board of Directors on such meetings;
- (vi) review the engagement reports of the independent auditor on unaudited financial statements of Resverlogix; and
- (vii) review and approve Resverlogix's hiring policies regarding partners, employees, former partners and former employees of Resverlogix's present and former independent auditor.

**(e) Oversight in Respect of Audit and Non-Audit Services**

- (i) have the sole authority to pre-approve all audit services (which may entail providing comfort letters in connection with securities underwritings) and all permitted non-audit services, other than non-audit services where:
  - A. the aggregate amount of all such non-audit services provided to Resverlogix or its subsidiaries constitutes not more than 5% of the total amount of fees paid by Resverlogix (and its subsidiaries) to the independent auditor during the fiscal year in which the non-audit services are provided;
  - B. such services were not recognized by Resverlogix (or any subsidiary) at the time of the engagement to be non-audit services; and
  - C. such services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee; and
- (ii) delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this section; provided that the decision of any member to whom authority is delegated to pre-approve an activity shall be presented to the Committee at the first scheduled meeting following such decision, and provided further that, if the Committee approves an audit service within the scope of the engagement of the independent auditor, such audit service shall be deemed to have been pre-approved for purposes of this section

**(f) Oversight in Respect of Certain Policies**

- (i) establish procedures for: (a) the receipt, retention and treatment of complaints received by Resverlogix regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of Resverlogix of concerns regarding questionable accounting or auditing matters; and
- (ii) periodically review Resverlogix's public disclosure policy.

**20. Self-Evaluation**

The Committee shall conduct an annual performance self-evaluation and shall report to the Board the results of the self-evaluation.

**21. Non-Exhaustive List**

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its oversight responsibilities.

**22. Review of Committee's Charter**

The Committee shall assess the adequacy of this Charter on an annual basis and recommend any changes to the Board of Directors. The Committee will also, annually, make a critical review of its past performance to ensure that it has assumed its responsibilities and executed all required tasks and will suggest changes if it failed to do so. This review will also cover individual members' performance. This

review forms part of the review process undertaken by the Governance and HR Committee, which reports its findings to the Board.

### **23. Oversight Function**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that Resverlogix's financial statements are complete and accurate or are in accordance with GAAP. These are the responsibilities of management of Resverlogix and the independent auditor. The Committee and its Chair are members of the Board of Directors, appointed to the Committee to provide broad oversight of the financial risk and control related activities of Resverlogix, and are specifically not accountable nor responsible for the day to day operation or performance of such activities. The role of all Committee members is to oversee the process, not to certify or guarantee the accuracy or completeness of the external audit of Resverlogix's financial information or public disclosure.