



RESVERLOGIX CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FORM 51-102F1**

FOR THE YEAR ENDED APRIL 30, 2009

JULY 23, 2009

This Management's Discussion and Analysis (MD&A) of the Company's operations and financial position should be read in conjunction with Resverlogix Corp.'s (herein "Resverlogix" or the "Company") cautionary statement regarding forward-looking statements below as well as the April 30, 2009 audited consolidated financial statements and the notes thereto. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). All amounts in the following MD&A are stated in Canadian dollars unless otherwise stated. Certain prior-period balances in the consolidated financial statements have been reclassified to conform to the current period's presentation. References to "Resverlogix", "we", "us", or "our" mean Resverlogix Corp., and its subsidiary unless the context otherwise requires. An additional advisory with respect to the use of non-GAAP measures is set out in the MD&A under "NON-GAAP MEASURES".

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A offers our assessment of Resverlogix's future plans and operations and contains forward-looking statements as defined under applicable Canadian securities legislation, including our vision to be a leader in the research, development and commercialization of novel therapeutics that reduce the risk of cardiovascular disease referred to under the Overview on page 3, our core strategy to either license or sell the technology prior to late stage trials referred to under the Overview on page 4, our know-how related to its intellectual property will provide the Company with a significant competitive advantage under Intellectual Property on page 4, our belief that RVX-208 is the only known orally available novel small molecule that increase ApoA-I production and HDL functionality referred to under Scientific Developments on page 5, our plans to establish RVX-208 dose response for ApoA-I, HDL-c and regression of atherosclerosis with the evaluation of intravascular ultrasound (IVUS) referred to under Scientific Developments on page 7, the exploration of various alternatives to generate positive cash flow through the raise of additional equity, licensing or partnering of the core NexVasPR technology referred to under the Liquidity and Capital Resources on page 13, our mission to be first-in-class in the research and early clinical development of revolutionary products referred to under the Outlook on page 23, the Phase 1b/2a trial will provide an understanding of the drug properties in humans through analysis of safety, pharmacokinetics and reverse cholesterol transport markers referred to under the Outlook on page 23, the plans to commence a large Phase 2b IVUS trial referred to under the Outlook on page 23, the development of the follow-on compounds to build a pipeline of novel small molecules that raise ApoA-I referred to under the Outlook on page 23, our intention to expand its Alzheimer's disease through its collaboration with the Sun Health Research Institute referred to under the Outlook on page 23, our goal to secure a partner prior to the completion of Phase 2 IVUS trials referred to under the Outlook on page 23 and our strategy to expand the product life cycle to provide accreted value and market potential referred to under the Outlook on page 24. These forward-looking statements contained herein that are not based on historical fact, including without limitation statements containing the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "continue", "estimate", "forecasts" and other similar expressions.

Readers are cautioned that our expectations, beliefs, projections and assumptions used in preparation of such information, although considered reasonable at the time of preparation, may prove to be wrong, and as such, undue reliance should not be placed on forward-looking statements. With respect to forward-looking statements contained in this MD&A, we have made the following key assumptions:

- RVX-208 is the only known orally available novel small molecule that increases ApoA-I production and HDL functionality;

- Our patent and patent applications will protect our ideas and inventions related to composition of matter, methods and treatments in our core areas of science and business;
- The Phase 1b/2a will provide data to evaluate the drug properties of RVX-208 in humans through analysis of safety, pharmacokinetics and reverse cholesterol transport markers including ApoA-I, HDL-c, prebeta-HDL particles, alpha-1,-2,-3 HDL particles and cholesterol efflux via ABCA-1 transport.;
- We will have met the applicable end-points of the Phase 1b/2a trials to be able to commence the planned Phase 2 trials including the Phase 2b IVUS trial;
- We will be able to raise additional capital through external financing or partnering activities that provide additional funding for clinical programs including the planning Phase 2 programs.

Our actual results, events or developments could be materially different from those expressed or implied by these forward-looking statements. We can give no assurance that any of the events or expectations will occur or be realized. By their nature, forward-looking statements are subject to numerous known and unknown risks and uncertainties including but not limited to those associated with the success of research and development programs, clinical trial programs, the regulatory approval process, competition, securing and maintaining corporate alliances, market acceptance of the Company's products, the availability of government and insurance reimbursements for the Company's products, the strength of intellectual property, financing capability, the potential dilutive effects of any financing, reliance on subcontractors and key personnel and additional risk factors discussed in our AIF and other documents we file from time to time with securities authorities, which are available through SEDAR at www.sedar.com. Additionally, risks and uncertainties are discussed in detail on page 24 of this MD&A.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement are made as of the date hereof. The Company disclaims any intention and has no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

Resverlogix Corp. is a Canadian biotechnology company engaged in the discovery and development of pharmaceuticals. Resverlogix is committed to applying the qualities of innovation, integrity and sound business principles in developing novel therapies for the treatment of unmet medical needs of human diseases. The Company's primary focus is to become a leader in the research, development and commercialization of novel therapeutics that reduce the risk of cardiovascular disease (CVD). The Company's secondary research focus is on inflammatory diseases, Alzheimer's disease, fibrotic disorders and cancer.

The Company has developed three separate programs in the area of CVD research. The primary CVD program, NexVas™ Plaque Regression (NexVas™ PR) is a technology platform for the development of drugs that increase ApolipoproteinA-I (ApoA-I) to reduce the risk of cardiovascular diseases. ApoA-I is the key building block in the development of high-density lipoprotein (HDL), or the "good cholesterol". As of the date of this document, our lead drug, RVX-208, has completed dosing of a Phase 1b/2a clinical trial which is focused on safety, tolerability and early analysis of pharmacodynamic effects on reverse cholesterol transport (RCT). NexVas™ Vascular Inflammation (NexVas™ VI), the Company's second CVD program, is a preclinical technology for the development of drugs that target molecular

markers of inflammation. The development of anti-inflammatory agents is an emerging field of interest in cardiovascular disease and is poised to play a potentially significant role in the future management and prevention of cardiovascular risk. ReVas™ is the Company's third cardiovascular program, is a discovery stage technology for the development of therapeutics to be used with medical devices for the treatment of cardiovascular diseases. ReVas is partnered with Medtronic Inc.

The Company has initiated a program in the area of cognitive disorders from its current NexVas™ technology platform. NexVas™ Alzheimer's Disease (NexVas™ AD) is a clinical stage technology for the development of drugs that enhance ApoA-I for stabilization and regression of beta amyloid plaque. Epidemiological and mechanistic evidence indicate a link between low ApoA-I/HDL and neurodegenerative disease such as Alzheimer's disease.

TGF-β Shield™ (TGF-β Shield™) is a preclinical technology for the treatment for grievous proliferative diseases, such as cancer and fibrotic conditions.

The Company is focused on the primary stages of drug development, including discovery, preclinical and early to mid-stage clinical studies. This core strategy avoids the significant costs of the final phases of the drug development process by either licensing or selling its technology prior to late stage trials. The pursuit of this strategy allows the Company to mitigate a major portion of the biotech investment risk.

Intellectual Property

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

As of July 23, 2009, Resverlogix owns and/or has rights to one issued US patent application and numerous pending applications. This includes non-provisional US and Patent Cooperation Treaty (PCT) applications. The pending patent applications are interrelated and assert rights to substantially similar inventions in different jurisdictions around the world.

The Company's intellectual property strategy is to build a strong patent portfolio around the core technology that is important to the development of leading edge pharmaceuticals. The Company's strategy is to be the first to identify 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 manage the public disclosures of its intellectual property.

The Company also believes that its know-how will provide a significant competitive advantage. Further, they will continue to develop and protect their proprietary methods and trade secrets. It is Resverlogix's policy to require employees, consultants, members of Advisory Boards 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", "ReVas", "TGF-β Shield", and "Clearing the path to better health" are trademarks of Resverlogix Corp. in Canada and the United States."

Shares of Resverlogix trade on the Toronto Stock Exchange under the symbol RVX.

HIGHLIGHTS AND CURRENT DEVELOPMENTS

The Company is encouraged by the scientific developments of its NexVas™ CVD program. The Company's science has progressed very quickly from a drug discovery stage of biotechnology research, to human clinical trials. The hiring of world renowned experts and dedicated staff has made significant contributions to the rapid progression in furthering the development of the Company's technologies.

Scientific Developments

In January 2008, the Company provided preliminary data from the RVX-208 Phase 1a single ascending dose (SAD) safety and pharmacokinetics study. These early results illustrated no safety and tolerance problems at any of the given doses. Preliminary pharmacokinetic (PK) data was also drawn which illustrated better than anticipated absorption of the drug.

In April 2008, the Company announced that it has completed dosing of its Phase 1a safety, tolerability and pharmacokinetics study for its lead drug candidate, RVX-208. The initial data successfully met the study objectives.

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. RVX-208 is the only known orally available novel small molecule that increases ApoA-I production and thereby enhancing HDL functionality. 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. will lead 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 will seek 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 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 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 will have low levels of HDL cholesterol and the remaining will 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 at the 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 to 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 highly prestigious 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 exploratory 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.

As of January 2009, RVX-208 has completed Arm B and the clinical safety committee has allowed Arm C to proceed. Ongoing analyses of the data are underway. RVX-208 continues 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 include 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 is being planned to establish the RVX-208 dose-response for ApoA-I and HDL-c and regression of atherosclerosis in patients with a history of acute coronary syndromes evaluated by intravascular ultrasound (IVUS). The clinical program is discussed with the Clinical Advisory Board and the IVUS-Steering Committee on an on-going basis.

In April 2009 Resverlogix also announced that it would add a new assessment of a biomarker for Alzheimer's disease to the third and final arm of this clinical trial.

The following scientific development was announced subsequent to the Company's fiscal year ended April 30, 2009:

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.

Peer Review and Recognition

In July 2008, the Company announced that RVX-208, has 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 has been 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 has 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 addition a number of presentations of preclinical and clinical data were made at scientific meetings, including:

American College of Cardiology (ACC) Orlando, FL, USA; American Heart Association Scientific Sessions (AHA) New Orleans, LA, USA; Atherosclerosis, Thrombosis and Vascular Biology (ATVB) Annual Meeting, Washington, DC, USA; Canadian Lipoprotein Conference (CLC) Annual Meeting Whistler, BC, Canada; Cardiovascular Research Technologies (CRT) Washington, DC, USA; European Society of Cardiology (ESC), Munich, Germany; Gordon Conference, Waterville, NH, USA; National Lipid Association National Meeting, Seattle, WA, USA;

Clinical Advisory Board

The Company continues to work with their Clinical Advisory Board (CAB) of world leading scientific researchers in the area of atherosclerosis and cardiovascular diseases. The purpose of the committee is to provide guidance to the Company in the development of the NexVas™ program.

Resverlogix named Dr. Philip Barter, MBBS., Ph.D., MRACP, FRACP, Dr. Prediman K. Shah, M.D., Dr. Daniel Rader, M.D., Dr. Bo Angelin, M.D., Ph.D., Dr. Jacques Genest, M.D., FRCP(C) and Dr. Roger S. Newton, Ph.D. all internationally renowned cardiovascular researchers, to the CAB. The support and guidance received from the members of the CAB has assisted in accelerating the NexVas PR program in its clinical trial development.

IVUS Clinical Steering Committee

The Company established a Steering Committee for the RVX-208 Phase 2b clinical trial assessing atherosclerosis by intravascular ultrasound (IVUS). The role of the Steering Committee is to provide overall supervision of the trial and ensure that it is being conducted in accordance with the principles of Good Clinical Practice and FDA regulations. The Steering Committee will agree on the trial protocol, any protocol amendments and provide advice to the investigators on all aspects of the trial. The Chairman is Dr. Steven Nissen, M.D. The Principal Investigator for this trial will be Dr. Stephen Nicholls, M.B.B.S, Ph.D. Other members of the Committee include Dr. Christie M. Ballantyne, M.D., Dr. John J.P. Kastelein, M.D., Ph.D., and Dr. Allen Taylor, M.D.

Appointment of Directors and Key Personnel

In June 2008, the Company announced the addition of Dr. F. Allan Gordon, M.D., Ph.D. as 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. Prior to joining the Company, he was the CEO for Nile Therapeutics, an early stage bio-pharmaceutical in cardiovascular science, focused on acute heart failure. Moreover, Dr. Gordon led the international development program for Natrecor at Scios Inc, a Johnson & Johnson company and has worked with several large pharmaceutical companies in leading positions on clinical development programs for cardiovascular disease, including Astra-Zeneca, Bristol-Myers Squibb and Novartis. Dr. Gordon received his M.D. and Ph.D. from the Karolinska Institute in Sweden.

In July 2008, Jan Gray, CA joined the board of directors. Ms. Gray 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's prior experience includes being a former Vice President and Controller of GE Capital Canada and previous to this she worked for Ernst & Young where she was a Manager in the National Accounting Group providing quality assurance on large public practice engagements.

In April 2009, the Company announced that NGN BioMed Opportunity fund has one Board seat which was taken by Peter Johann, Ph.D. Dr. Peter Johann 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.

RESULTS OF OPERATIONS

Financial information for the last three years ended April 30

	2009	2008	2007
Revenue	\$164,950	\$1,073,851	\$321,179
Net (loss)	(\$21,611,437)	(\$28,378,168)	(\$18,330,001)
Net (loss) per share (basic and fully diluted)	(\$0.73)	(\$1.10)	(\$0.76)
Assets	\$22,570,300	\$20,894,662	\$16,611,861
Long-term debt – current portion	\$5,769,228	\$-	\$-
Long-term debt	\$-	\$12,210,272	\$14,694,289

Resverlogix incurred a net loss for the year ended April 30, 2009 of \$21,611,000, or \$0.73 per share compared to a net loss of \$28,378,000 or \$1.10 per share for the year ended April 30, 2008.

The average monthly “cash burn rate”, of net revenues and expenditures excluding non-cash items, for the year ended April 30, 2009 was \$1,267,000 as compared to \$1,617,000 for the same period in the prior year. The decrease is primarily tied to lower research and development costs in the period for the Phase 1a and the commencement of the Phase 1b/2a clinical trial as compared to costs in the prior year period related to completing the Investigational New Drug (IND) application.

Revenue

The revenue of the Company consisted primarily of interest earned on funds invested. Interest revenue was \$165,000 for the year ended April 30, 2009 as compared to \$1,074,000 the same period in the prior year. Interest revenues decreased over the prior year comparatives due to a reduction of cash reserves and lower interest rates yields on short-term bonds and commercial paper during the year ended April 30, 2009.

Research and Development

For the year ended April 30, 2009, research and development (R&D) expenditures totaled \$13,616,000 as compared to \$14,730,000 for the year ended April 30, 2008. R&D expenditures in the year ended April 30, 2009 were primarily related to completion of the Phase 1a clinical trial and the commencement of the Phase 1b/2a clinical trial. Other key areas of expense were chemical synthesis, pharmacokinetics studies and toxicology studies in preparation for the Phase 1b/2a clinical trial.

These expenses decreased from the prior year period as certain research and development activities were postponed to conserve capital during the last six months of the fiscal year. In addition, the certain studies as well as parts of the Phase 1b/2a clinical trials were delayed until additional funding was closed just prior to the end of the fiscal year. Expenditures in the prior year periods were primarily focused on IND related activities including various animal studies related to toxicology and pharmacology. The Company closely monitors opportunities for optimization while processes are in place to generate efficiencies in output per contracted employee. Internal expenses include salaries and benefits for Research & Development (R&D) staff, consulting fees, supplies and general laboratory operating expenses. The Company has reduced the number of full-time equivalent R&D staff and consultants from approximately 45 as of April 30, 2008, to approximately 30 as of April 30, 2009. The reduction is primarily through the elimination of consultants and normal attrition of staff members in order to manage costs more effectively. The Company is completing the final arm of the Phase 1a/2b clinical trial and the planned future R&D costs are expected to escalate over the next four to five months as the clinical program continues.

General and Administrative

For the year ended April 30, 2009, general and administrative expenditures totaled \$2,970,000, compared to \$2,912,000 for the year ended April 30, 2008.

General and administrative expenses include salaries and other operating costs not directly involved in research and development, as well as professional fees for services, such as legal, audit, tax, investor relations and business development. The major component of the expenses for the year ended April 30, 2009 was salaries, benefits and consulting and directors' fees for \$1,534,000, as compared to \$1,402,000 for the year ended April 30, 2008. The Company also incurred \$423,000 for professional fees, \$589,000 for general operating costs and \$302,000 for shareholder, investor relations and regulatory expenses. This compares to \$429,000, \$463,000 and \$354,000 respectively for the same period last year. Travel costs were reduced to \$122,000 for April 30, 2009 as compared to \$264,000 for the year ended April 30, 2008.

Stock Based Compensation

For the year ended April 30, 2009, \$3,134,000 was recorded as the cost of stock based compensation as per the CICA guidelines. For same period in the prior year \$6,935,000 was recorded as the cost of stock based compensation. The reduction was the result of limited amortization of stock options issued late in the fiscal year as well as a decline of the Company's trading value from the prior year period which negatively impacts the valuation of the consultant's stock based compensation as compared to the prior year periods. The recognition of stock based compensation is a non-cash expense.

Interest and Accretion on Convertible Debt

For the year ended April 30, 2009, the Company has recorded interest and accretion of \$2,494,000 compared to \$4,583,000 for the year ended April 30, 2008. The accretion portion of interest resulting from using the effective interest rate method on the carrying

value of the convertible debt was \$824,000 for the year ended April 30, 2009, compared to \$1,541,000 for the year ended April 30, 2008. The reduction of interest and accretion expense is the result of the redemption of the debentures in October 2008 and ongoing conversions of debentures to common stock from the prior year. The accretion is reflected as non-cash interest expense in the statement of operations and deficit.

Gain on Settlement of Convertible Debentures

For the year ended April 30, 2009, the Company recorded a \$1,882,000 gain on settlement of convertible debentures as a result of the October 15, 2008 amendment to the existing debt which is further described in "Financing Activities". Settlement accounting was applied to the redemption of U.S. \$10 million face value of the existing U.S. \$17 million resulting in the gain. Included in this total, was a gain of \$80,000 for an amendment in the terms related to a reduction of interest when the remaining January 2007 debenture of U.S. \$278,000 was transferred to the outstanding June 2007 convertible debentures.

RESULTS OF OPERATIONS – 4th QUARTER 2009

Resverlogix incurred a net loss for the three months ended April 30, 2009 of \$4,414,000, or \$0.13 per share compared to a net loss of \$7,229,000 or \$0.28 per share for the three months ended April 30, 2008.

For the quarter ended April 30, 2009, interest revenue was \$370, compared to \$146,000 in the same quarter last year. The decrease in interest revenue in the quarter was primarily the result of limited cash flows in the period for investment compared to the prior year.

Research and development expenditures were \$1,964,000 for the quarter ended April 30, 2009, compared to \$4,493,000 in the same quarter last year. Decreased costs in the 4th quarter of 2009 resulted from the postponement of research and clinical studies to conserve cash flow prior to the closing of the U.S. \$20 million equity financing on April 15, 2009.

For the quarter ended April 30, 2009, general and administrative expenditures totaled \$893,000, compared to \$1,003,000 for the quarter ended April 30, 2008. Directors' compensation of \$45,000 was incurred in the quarter and salaries and benefits increased to \$483,000 for the quarter, from \$456,000 in the same quarter last year. Travel and related costs decreased to \$21,000 for the quarter, from \$97,000 in the same quarter last year.

Stock based compensation expense was \$1,099,000 for the quarter ended April 30, 2009, compared to \$844,000 for the same period in the prior year. The increase in compensation was largely due to an issuance of options just prior to the year ended April 30, 2009.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected financial information derived from the Company's unaudited interim period financial statements for each of the eight most recently completed quarters. This financial data has been prepared in accordance with GAAP.

	For the three month period ended			
	April 30 2009	Jan. 31 2009	Oct. 31 2008	July 31 2008
Revenue	\$366	\$9,338	\$69,510	\$85,736
Net loss	(\$4,414,141)	(\$6,490,102)	(\$5,547,865)	(5,159,329)
Net loss per share (basic and fully diluted)	(\$0.13)	(\$0.26)	(\$0.20)	(\$0.19)

	For the three month period ended			
	April 30 2008	Jan. 31 2008	Oct. 31 2007	July 31 2007
Revenue	\$145,770	\$274,140	\$357,726	\$296,215
Net loss	(\$7,229,046)	(\$6,257,012)	(\$7,906,299)	(\$6,985,811)
Net loss per share (basic and fully diluted)	(\$0.28)	(\$0.24)	(\$0.31)	(\$0.28)

Items that impact the comparability of operating income include:

- Revenue is the interest recorded on the Company's short term investments. These balances will fluctuate with the amount of available cash to the Company and any financing activities that are undertaken. The decrease in revenues for the last four quarters is the result of reduced cash reserves and the falling interest rate yields on short-term investments.
- The progression of the research and development activity of the Company directed towards the CVD programs, the completion of the IND for RVX-208 in the fall of 2007, the commencement and completion of Phase 1a clinical programs in 4th quarter period ended April 30, 2008 and the commencement of the Phase 1b/2a over the second and third quarter ended October 31, 2008 and January 31, 2009 resulted in additional costs in those periods. The delay of the final arm of the Phase 1b/2a and other planned studies reduced costs during the quarter ended April 30, 2009.
- For the last five quarters, the Company has recorded interest and accretion expense as a result of convertible debenture financing that was closed in January and June of 2007. For the year ended April 30, 2009, the Company has recorded \$2,494,000 compared to \$4,583,000 for the same period in the prior year. The value has decreased in the last few periods due to a reduction of the debt from conversions to common stock and the U.S. \$10 million redemption of debt on October 15, 2008.
- Stock based compensation costs have fluctuated from quarter to quarter primarily tied to when options are issued and how they are accounted for and valued in those periods, as well as the revaluation of stock based compensation for key consultants in accordance with accounting standards. For the year ended April 30, 2009, stock based compensation ranged from \$365,000 to \$1,099,000. The same prior year periods ranged from \$844,000 to \$2,852,000. The amortization of stock-based compensation is a non-cash expense.
- The results for the year ended April 30, 2009 contain a net foreign exchange currency loss of \$1,182,000 compared to a gain of \$276,000 for the year ended April 30, 2008, as a result of fluctuations of the Canadian dollar against the U.S. dollar. As a large portion of the company's expenses and financial instruments are denominated in U.S. dollars, it had a significant impact on the financial results.

LIQUIDITY AND CAPITAL RESOURCES

Resverlogix is a development stage company whose operations have been financed since inception through the sale of equity securities, convertible debt financing and the conversion of common share purchase warrants and stock options. The Company's primary capital needs are funds to support research and development activities including pre-clinical and clinical trials, and for working capital.

The Company's objectives when managing capital is to ensure there are sufficient funds available to carry out its research, development and commercialization programs. Once funds have been raised, the Company manages its liquidity risk by investing in highly liquid corporate bonds and bankers acceptances with staggered maturities to provide regular cash flow for current operations. At April 30, 2009, the Company held no asset-backed commercial paper. The Company has not experienced any credit or liquidity issues with any of its previously held asset-backed commercial investments. The Company also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions not in the ordinary course of business. The majority of the Company's accounts payable and accrued liabilities have maturities of less than three months.

As at April 30, 2009, cash and near cash investments totaled \$12,564,000 and held restricted cash that totaled \$7,164,000 as compared to cash and near cash investments of \$18,014,000 at April 30, 2008. At April 30, 2009, the Company had working capital of \$12,446,000 compared to working capital of \$16,268,000 at April 30, 2008. The reduction of the working capital from the prior year period is the result of a reclassification of the convertible debentures as a current liability for financial statement presentation in the current period to provide for the Company's potential obligation to settle the holder's remaining Excess Put option which is described below. This contingent obligation is at the holder's option as the debentures carry a June 6, 2012 maturity

The restricted cash noted above is held in escrow for the convertible debt holders to settle any put notice as amended on April 9, 2009. The Company can elect to withdraw funds from the escrow account, that are in excess of the aggregate principal and accrued interest amounts for general business purposes. In the event the debt holders are entitled to any interest payment or interest on the principal amount that is converted, and the interest obligation can not be settled in common shares, such interest payment will be settled from the escrow account. No portion of the escrow amount can be used by the company to redeem the principal and accrued interest of the notes under the Company's call option provisions of the convertible debt.

The Company closed a U.S. \$20 million equity financing plan as described below. The closing of this financing combined with other capital generation activities would provide the Company with sufficient resources to manage its commitments beyond April 30, 2010. The Company will continue to explore various alternatives to generate positive cash flow including raising additional equity, product out-licensing in Asia, as well as continuing its partnering discussions for the Company's core NexVasPR technology; however given the large uncertainty in the capital markets and the general business climate in the health care sector for potential business partners, there is no assurance that these initiatives will be successful.

Financing Activities

Equity Financing

In April 2009, the Company announced that it closed the first tranche of a private placement equity financing for a total of U.S. \$20 million (CDN \$24.25 million). Under the terms and conditions of the Agreement for this first tranche Resverlogix issued units (the "Units") to the investors, which were led by NGN BioMed Opportunity II, L.P. (NGN), with each Unit comprising of one common share (a "Common Share") and 0.40 of a purchase warrant (a "Warrant") at a price of CDN \$2.72 per Unit. Each whole Warrant entitles the holder to acquire for a period of five years an additional Common Share at a price of \$2.72 per share. The Company issued a total 8,916,845 common shares and 4,175,229 warrants as part of this equity financing. The warrants contain anti-dilution provisions which would reduce the exercise price then in effect on a weighted average basis if any common shares or securities exchangeable to common shares were issued or sold at a price below the exercise price.

In the event that Resverlogix elects to complete a further financing within 6 months of the date of closing of this First Tranche, it would do so under the terms for the second tranche (the "Second Tranche") provided for in the Agreement. The Agreement calls for a Second Tranche of US \$15 million of units (the "Second Tranche Units"), with each Second Tranche Unit consisting of one Common Share and 0.40 of a warrant (a "Second Tranche Warrant"). The price for each Second Tranche Unit would be equal to a twenty percent discount to the volume weighted average price (VWAP) on the TSX of the common shares immediately prior to the closing date of the Second Tranche. The exercise price of each full Second Tranche Warrant would be equal to the same 5 day VWAP, but without a discount.

Convertible Debenture Financing and Amendments

The Company issued U.S. \$42 million of senior secured convertible debentures in two separate issuances of U.S. \$ 17 million and U.S. \$25 million on January 4, 2007 and June 6, 2007 respectively. The Company amended the U.S. \$25 million issuance of convertible debentures on August 31, 2007 to eliminate certain Interest to Maturity provisions contained in the financing and reduce the then in effect adjusted interest rate of 14% to a 12% fixed rate (see additional details of the amendment under "U.S. \$ 25 million Convertible Debenture Amendment - August 31, 2007").

On October 15, 2008, the Company redeemed U.S. \$10 million of the outstanding remaining combined unconverted debentures of U.S. \$17.3 million from the January and June 2007 issuances and amended the terms of the remaining debt (see details under "U.S. \$10 million Debt Redemption and Amendment – October 15, 2008").

On April 9, 2009, the Company amended the terms of the remaining outstanding debt of U.S. \$7.2 million (see details under "Deferral of Put Obligation – Amended April 9, 2009").

The following headings describe the convertible debenture financings and the amendments described above.

Deferral of Put Obligation – Amended April 9, 2009

The Company entered into an agreement to amend the October 15, 2008 amendment noted below to defer the convertible debt holders cumulative put rights as which became exercisable on March 31, 2009 to October 9, 2009. These cumulative put rights permitted the debt holders to request repayment of the debt plus accrued interest in cash (see "U.S. \$10 million Debt Redemption and Amendment – October 15, 2008" for additional details). In consideration, for the foregoing, the Company agreed to amend the interest rate on the outstanding convertible debentures of U.S. \$7,192,889 from 12% to 18% on a prospective basis. In addition, the Company agreed to defer its call option to redeem the convertible notes as described below for the same six month period. Additionally, as part of the April 15, 2009 share purchase agreement for U.S. \$20 million issuance of common shares, the Company permitted the debt holders to become a party to the escrow agreement under this amending agreement.

The conversion price of the outstanding debentures convertible into common shares remains at \$2.61 per share as amended on October 15, 2008 noted below. Additional terms of the outstanding convertible debentures are further described under the respective amendments.

U.S. \$10 million Debt Redemption and Amendment - October 15, 2008

Prior to the April 9, 2009 amendment, the Company redeemed U.S. \$10 million of debt and amended the terms of the combined remaining U.S. \$7.3 million debt from the initial U.S. \$42 million of convertible debentures issued in January and June 2007 respectively. The Company redeemed the debentures with U.S. \$4.5 million in cash and U.S. \$5.5 million with 2,444,445 common shares at a price of \$2.61 per common share. The early redemption and amendment to the terms of the remaining debt included an agreement with the debenture holders to withhold all future put notices until March 31, 2009 (subsequently amended to October 9, 2009 as noted above) to a cash only option from a common share or cash option (see description of the put obligation under "U.S. \$ 25 million Convertible Debenture Amendment – August 31, 2007").

The conversion price for the remaining debt which is convertible into common shares was amended to \$2.61 from \$8.76 and \$12.07 respectively for the remaining August 2007 and January 2007 debentures. In addition, the warrant prices were adjusted to \$3.07 from \$10.25 per common share. The conversion and warrant price is subject to certain anti-dilution adjustments which would reduce the price if the Company issues additional common shares or financial instruments that can be converted to common shares below the conversion price.

The amended principal balance at October 15, 2008 of U.S. \$7,890,280 included the January and June 2007 outstanding convertible debentures of U.S. \$278,334 and U.S. \$7,021,854 respectively and also included accrued interest of U.S. \$590,092 up to the date of the amendment with a maturity date of June 6, 2012.

As part of the amendment, the Company at its option can initiate a mandatory conversion option which requires the holders to convert all of their debentures to common shares when the Company's share price trades over \$5.22 and meets other certain conditions.

The Company incurred legal costs of \$40,600 as part of the October 15, 2008 amendment. These costs were recorded net of the remaining convertible debentures and are taken into earnings using the effective interest method.

U.S. \$25 million Convertible Debenture Amendment – August 31, 2007

On August 31, 2007, the Company amended the terms of the \$25 million U.S. issued convertible debentures issued June 2007 to eliminate the Interest to Maturity provisions contained in the financing (as contained and described under the original January 2007 debenture below) and reduce the then in effect adjusted interest rate of 14% to a 12% fixed rate. In exchange for these amendments, the conversion price was amended to \$8.76 (subsequently amended to \$2.61 as noted above) from the original conversion price of \$17.50. In addition, the warrants issued under the June 2007 financing were re-priced to \$10.25 (subsequently amended to \$3.07 as noted above) from \$20.63 and an additional 529,351 warrants were issued at that time for a total issuance of 1,058,702.

The August 31, 2007 amendment provided the holders with a once monthly 5% put option of principal amount at the time of issuance. Prior to the October 15, 2008 amendment noted above, the put option provided the holder with the ability to request a portion of the principal to be repaid for cash, shares or some combination thereof (subsequently changed to a cash only option as described above).

The put option noted above provided the holders with a once monthly 5% put option of principal amount at issuance. The put option allowed the holder to request a portion of the principal to be repaid for cash, shares or some combination thereof. The monthly put options are cumulative (if previous monthly put options are not exercised) but at no time prior to the October 15, 2008 amendment, which changed the cumulative put to a cash option only, could the holder request any amount in cash greater than the once monthly put option of 5% of the original principal amount plus any accrued interest.

U.S. \$17,000,000 Convertible Debenture Financing – Issued January 2007

The Company issued \$17.0 million (U.S.) of senior secured convertible debentures on January 4, 2007 with a maturity on January 4, 2010. As of October 14, 2008, the remaining debenture carried an interest rate of 15% per annum, an increase of seven percent from its initial coupon rate due to provisions in the debt instrument that altered the rate if certain trading conditions occurred where the Company's share price closes below the conversion price of the debenture.

The Company completed an amendment to the financing on October 15, 2008 which transferred the remaining face value of U.S. \$278,000 of unconverted debentures under the original note to an amended convertible debenture. The amendment resulted in a 3% percent decrease in the interest rate to a 12% fixed rate, eliminated the interest to maturity interest obligations of the original note described below and extends the maturity of the outstanding balance to June 6, 2012.

As part of the October 15, 2008 amendment, the conversion price of the remaining debentures which are convertible into common shares was amended from \$12.07 per share to \$2.61 per share.

In addition, prior to the October 15, 2008 amendment, the terms of the January 2007 debenture contained a provision where the Company was obligated to make additional payments using the interest methodology at defined in the debenture agreement at the then applicable rate on the converted amount commencing on the conversion date through to the

end of the maturity date of the debenture (“Interest to Maturity”). This would occur in circumstances where the Company’s share price trades at or below the conversion price then in effect for a pre-determined period of time and the holders convert their debentures at such time. The Company, at its election, could pay the interest in cash, common shares or some combination thereof.

Settlement of Interest and Debt Conversion Obligations

For the year ended April 30, 2009, U.S. \$2,686,251 of debt at its face value, exclusive of the October 15, 2008 redemption, was converted to 660,990 of common shares at conversion prices ranging from \$8.76 to \$2.61 per common share.

During the year ended April 30, 2009, the Company settled accrued interest obligations of U.S. \$70,722 due on conversion of convertible debentures exclusive of the October 15, 2008 redemption with the issuance of 11,573 common shares and U.S. \$3,990 in cash.

The Company paid its January 1, 2009 semi-annual interest obligation of U.S. \$202,971 with cash. The Company elected to pay its July 1, 2008 semi-annual interest obligation on the August 2007 convertible debentures of U.S. \$1,088,355 with 111,660 common shares. The Company elected to pay its July 1, 2008 semi-annual interest obligations on the January 2007 convertible debentures of \$16,686 U.S. with 1,733 common shares.

For the year ended April 30, 2009, no Interest to Maturity obligations was incurred and such provisions were eliminated under the October 15, 2008 amendment.

As of July 23, 2009, the holders of the U.S. 42 million of convertible debenture financing have converted 5,443,761 of the underlying common shares leaving approximately 2,824,360 underlying common shares or a face value of U.S. \$6.8 million of the debentures unconverted. Included in the conversion totals above were put notices totaling U.S. \$918,070 settled with 141,247 shares.

As of July 23, 2009, total historical interest obligations paid to date from the inception of the debentures was U.S. \$3,097,000. This obligation was paid in the form of 265,440 common shares and U.S. \$292,000 in cash. The total historical Interest to Maturity obligations were settled with 374,920 common shares which had a carrying a value of U.S. \$3,092,000. The shares issued to settle this conversion right obligation (“Interest to Maturity”) are treated as an equity instrument for financial statement presentation purposes and are therefore classified as a discount to the corresponding debt conversion price with no corresponding carrying value. Further detail of the provisions of the January and June 2007 financings and there respective amendments are disclosed in the April 30, 2009 Financial Statements.

Investing Activities

For the year ended April 30, 2009, \$30,000 in additions was made to property and equipment. For the year ended April 30, 2008, property and equipment additions totaled \$371,000.

Patent additions totaled \$213,000 for the year ended April 30, 2009, compared to \$171,000 for the year ended April 30, 2008. These expenditures reflect the legal costs associated with our expanding patent-pending applications.

CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations as at April 30, 2009:

Contractual Obligations	2010	2011	2012	2013
Research contracts	\$2,458,309	\$49,583	\$0	\$0
Convertible Debentures (U.S.\$)	\$0	\$0	\$7,664,890	\$0
Operating leases	\$176,883	\$150,332	\$160,932	\$13,491

The Company has entered into various research contracts. The Company is committed to pay \$2,507,892 for completion of the research, and all payments are anticipated to May 2010.

CRITICAL ACCOUNTING ESTIMATES

In preparing the Company's financial statements, management is required to make certain estimates, judgments and assumptions that the Company believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets at the date of the financial statements and the reported amounts of expenses during the periods presented. Critical accounting estimates include the fair value of options and common share purchase warrants, the testing for recoverability of intellectual property and patents and income tax valuation allowance.

Equity Based Instruments

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock based payments for its common share purchase warrants and stock options for employee and key consultants issued by the Company. The pricing model requires the use of several assumptions, including the average expected life and volatility of the Company's stock, which are made at the time of the option grant. Management has selected these variables and uses the Black-Scholes model on a consistent basis.

Convertible Debentures

The initial value of the convertible debentures are calculated incorporating estimated discount rates, terms and interest rate assumptions which, if changed could impact future earnings.

Intellectual Property and Patent

Management periodically reviews the useful lives and the carrying values of the intellectual property and patents. They are reviewed for impairment whenever events or changes in circumstances indicate the carrying amounts of the assets may not be recoverable.

Income Tax Valuation Allowance

The Company has a net tax benefit resulting from non-capital losses carried forward and pools of scientific research & development expenditures and investment tax credits. In view of the history of net losses by the Company, management has recorded a full valuation allowance against these potential income tax assets.

SIGNIFICANT ACCOUNTING POLICIES CHANGES

Effective May 1, 2008, the Company adopted the new recommendations of Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, *Financial Instruments – Disclosure*, Section 3863 *Financial Instruments – Presentation*, Section 1535, *Capital Disclosures*, Section, Section 3064, *Goodwill and Intangible Assets* and changes to Section 1400, *General Standards of Financial Statement Presentation*. Other than Section 3064, *Goodwill and Intangible Assets*, these sections primarily relate to presentation and disclosure only. The adoption of these accounting recommendations did not have an impact on the Company's financial results.

Recent Accounting Pronouncements

International Financial Reporting Standards

In February 2008, the Accounting Standards Board (AcSB) confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards (IFRS) effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required, for the Company, in the first quarter of the 2012 fiscal year with comparative data for the prior year. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement, presentation and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the mandatory transition date.

The Company's IFRS conversion project consists of three phases: Diagnostic, Solution Development, and Implementation and Execution. The Corporation has commenced the Diagnostic phase, which involved a high-level preliminary assessment of the differences between Canadian GAAP and IFRS and the potential effects of IFRS to accounting and reporting processes, information systems, business processes and external disclosures. This assessment has provided insight as to the most significant areas of difference applicable to the Company which includes more extensive presentation and disclosure requirements under IFRS.

The Company is continuing to evaluate the impact of the adoption of IFRS on its consolidated financial statements and is monitoring any changes issued by the AcSB that may impact the Company's current evaluation.

Business Combinations

In January 2009, the CICA issued Section 1582, *Business Combinations*. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the Company's first annual reporting period beginning on or

after January 1, 2011. Early adoption is permitted. This section replaces Section 1581, Business Combinations and harmonizes the Canadian standards with IFRS. The Company has not assessed the impact of this standard.

OFF-BALANCE SHEET ARRANGEMENTS

As of April 30, 2009, the Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

In 2008, the Company paid consulting fees of \$20,000 to an entity controlled by a director of the Company and were recorded at the amounts agreed to by the related parties. No fees have been paid to related parties for the year ended April 30, 2009.

DISCLOSURE OF OUTSTANDING SHARE DATA (as at July 23, 2009)

Authorized and Issued Share Capital

There were 39,524,684 common shares issued and outstanding for a total of \$72,115,909 in share capital, net of share issue costs. There are no preferred shares issued.

Description of Options, Warrants and Convertible securities outstanding

Security Type	Number	Exercise Price	Expiry Date
Options	200,000	\$2.25	9/28/10
Options	30,000	\$7.96	5/6/10
Options	25,000	\$6.18	6/27/10
Options	60,000	\$6.97	9/13/10
Options	325,000	\$7.23	10/6/10
Options	25,000	\$6.97	12/15/10
Options	400,000	\$7.60	2/28/13
Options	175,000	\$7.35	3/7/11
Options	105,000	\$6.80	6/8/10
Options	130,000	\$6.44	6/28/10
Options	200,000	\$14.16	1/4/11
Options	250,000	\$15.90	5/14/12
Options	170,000	\$12.07	9/18/11
Options	50,000	\$12.95	11/1/11
Options	110,000	\$12.88	2/11/12
Options	105,000	\$3.07	12/17/12
Options	1,220,000	\$2.92	4/24/13
Options	50,000	\$4.00	11/29/09
Options	160,000	\$2.92	5/5/13
Warrants	271,753	\$2.72	1/4/11
Warrants	478,750	\$2.72	6/6/12
Warrants	1,051,540	\$2.72	10/14/13
Warrants	379,836	\$2.72	10/14/13
Warrants	431,500	\$2.72	03/23/14
Warrants	559,170	\$2.72	04/06/14
Warrants	3,184,559	\$2.72	04/15/14
Convertible debentures	2,824,360	\$2.61	6/6/12
Total	13,971,468	\$2.25 to \$15.90	

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reporting to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As of April 30, 2009, the President and Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) together with the Company’s management have evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as defined in National Instrument 52-109, “Certification of Disclosure in Issuers Annual and Interim Filings” which became effective for reporting periods ending after December 15, 2008. They concluded that the Company’s disclosure controls and procedures are not effective due to weaknesses in internal controls identified below.

INTERNAL CONTROLS

The CEO and CFO are responsible for designing and maintaining internal control procedures over financial reporting, or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

The Company, due to its limited number of staff, has weaknesses in its control over financial reporting which are:

1. Due to the limited number of staff, it is not possible to achieve segregation of all duties. Management has attempted to mitigate the risk of material misstatement in financial reporting through a combination of extensive and detailed review by senior management and the board of directors. Where practicable, the Company will make necessary changes to improve the segregation of duties.
2. Due to the limited number of staff, the Company has a risk of material misstatement related to complex accounting and reporting issues. Management and Board reviews are utilized to mitigate these risks but there is no guarantee that a material misstatement would be prevented. The Company will attempt to remediate this weakness by employing outside consultants with the appropriate expertise when the need arises to assist with complex issues as noted above.

The Company has therefore concluded that its internal controls over financial reporting are not effective.

During the year ended April 30, 2009 we have not made any changes in the Company's internal controls over financial reporting that would materially affect, or is reasonable likely to materially affect, the Company's internal controls over financial reporting.

All internal control systems, no matter how well designed, have inherent limitations. Therefore these systems provide reasonable, but not absolute assurance, that disclosures and financial information is accurate and complete.

NON-GAAP MEASURES

To supplement our consolidated financial statements presented in accordance with Canadian GAAP, we use non-GAAP measures such as average monthly cash burn rate. This measure is provided to enhance the user's overall understanding of our current use of cash resources and is included to provide investors and management with an alternative method for assessing our operating results in a manner that is focused on the use of funds in operations and to provide a more consistent basis for comparison between quarters. This measure is based on the cash flow used in operations total prior to changes in non-cash working capital from the Consolidated Statements of Cash Flows. The average monthly value is determined using the applicable period total and dividing by the number of monthly periods. These measures are not in accordance with or an alternative to GAAP and may be different from measures used by other entities.

OUTLOOK

We continued to pursue our mission to be first-in-class in the research and early clinical development of revolutionary products. This pursuit is driven by the significant unmet need in atherosclerosis progression, the major underlying cause of premature death and morbidity in patients with low HDL. Our competitors in the field of HDL therapy witnessed the disappointing clinical trial results in the HDL field reinforcing new key findings that the industry has learned; the need to develop products that target RCT via the production of ApoA-I and functional HDL particles. For Resverlogix, this reinforces the importance of our ability to demonstrate that we are influencing functional HDL via the ApoA-I pathway.

This past fiscal year has been pivotal for our science. We have moved closer to achieving our mission with the rapid advancement of our lead drug candidate, RVX-208, into human trials, and continue expanding our research programs. RVX-208 milestones include successful completion of the Phase 1a clinical trial and initiation of the Phase 1b/2a clinical study. We continue to move forward with our Phase 1b/2a trial with an expected completion in Q2-Q3 of 2009. This trial will further our understanding of the drug properties in human over 28-days by performing extensive analysis of safety, pharmacokinetics and markers of reverse cholesterol transport including ApoA-I, HDL-c, prebeta-HDL particles, alpha-1, -2 and -3 HDL particles and cholesterol efflux via ABCA-1 transport. The current trial aims to provide more information on how to best move RVX-208 forward into larger trials such as the planned Phase 2b IVUS trial, although this is subject to review by management, the Clinical Advisory Board and the IVUS Clinical Steering Committee. The Company continues to work closely with its external expert committees to ensure that future clinical development of RVX-208 has the greatest chance of success. Our NexVas™ Plaque Regression program continues to move forward with great strides. These findings will enable the Resverlogix to further their lead in the field and to develop more robust knowledge of the complex biology of lipoprotein metabolism and accurate screens for further potential follow-on compounds behind RVX-208. Further development in drug discovery is enabling the Company to better position itself in building a pipeline for novel small molecules that raise ApoA-I production.

We also have made great progress in our NexVas Vascular Inflammation program with many interesting potential therapeutic targets being validated through animal models. As a leader in ApoA-I/HDL field, we continue to focus on our primary objective which is to improve the quality and longevity of patients' who suffer the grievous burden of cardiovascular disease. This year also saw the expansion into key research areas with high unmet medical need such as Alzheimer's disease. The Company intends to expand on its collaboration with Dr. Larry Sparks and Sun Health Research Institute and other potential partners to develop this program further in the near future.

We continue our partnering discussions with leading global pharmaceutical organizations showing an interest in our NexVas PR technology platform. In addition, our non-binding term sheet to out-license for cardiovascular indications to a single Asian country may provide non dilutive equity. Management is facilitating the due diligence process with interested parties with goal of securing a partner prior to the completion of Phase 2 IVUS trials. Despite these discussions, the general business climate in the health care sector for potential business partners makes it difficult to predict whether our partnering discussions will result in reaching an agreement.

Our product life cycle strategy for our NexVas franchise continues to expand and offer broad commercial pipeline opportunities for a pharmaceutical partner. Moving forward through clinical development and expanding market life cycle opportunities, provides our technologies with accreted value and greater market potential for both our shareholders and a potential pharmaceutical partner.

RISKS AND UNCERTAINTIES

Prospects for companies in 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 investor should carefully consider the risks and uncertainties described below, as well as other information contained in this Management's Discussion and Analysis. 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, but has accumulated net losses of \$115,845,382 to April 30, 2009. 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.

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 entering our Phase 2 IVUS clinical trial, or when we anticipate completing the Phase 1b/2a clinical trial. 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 approval receive approval from regulatory bodies like the Food and Drug Administration to enter into trials. If we do not achieve milestones in accordance with our investors' expectations, the price of our securities would likely decrease.

Review of Strategic Alternatives

The Company is reviewing the potential partnering of its technology to a leading life-sciences company. The evaluation is focused on reviewing what steps should be taken by the Company to secure the best possible strategic agreement regarding the Company's technologies. The Company has not set a definitive timetable for completion of its evaluation. There can be no assurances that the evaluation process with any potential life-sciences partner will result in any specific transaction that will be acceptable to the Company.

Financing Impact on Operations

As of April 30, 2009, the Company had outstanding face value CAD \$8,352,000 of convertible debentures. The amount and the terms of the convertible debentures and other financial obligations could have important consequences for our operations. For example:

- We could increase our vulnerability to general adverse economic condition and industry conditions that could limit our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;
- We may be required to dedicate a substantial portion of our cash flow to the payment of principal and interest on the debentures, thereby reducing funds available to the Company for operations and any future business opportunities;
- We may limit our planning flexibility for, or ability to react to, changes in business plans or industry conditions;
- We may be placed at a competitive disadvantage with competitors who may have less indebtedness and other obligations or greater access to financing.

The October 15, 2008 amendment of the August 31, 2007 convertible debenture terms resulted in a redemption of U.S. \$10 million of debt paid with U.S. \$4.5 million in cash and the balance of U.S. \$5.5 million paid with 2,444,445 common shares. As part of the amendment the debenture holders agreed to withhold all monthly and or cumulative put options provided for under debt agreement, until March 31, 2009 and was subsequently amended on April 9, 2009 to extend the deferral of the put an additional 6 months to October 6, 2009. The put options will continue to accrue monthly at 5% of the principal amount at issuance but can only be paid in cash.

As of July 23, 2009, put conversion options have been exercised in the amount of \$865,000 U.S. and were all settled with 121,968 shares. The maximum cumulative put immediately after October 9, 2009 is approximately U.S. \$7.0 million plus any accrued unpaid interest. If

the debt holders exercise the cumulative put options, the financial obligations could impact the ability of the Company to fund its operations. For example:

- A cumulative put option exercise would draw a substantial portion of available cash and thereby reduce our ability to fund operations
- A cumulative put option would require the Company to raise capital prior to February 2009 to maintain the current operating plans.
- If the Company defaults on the terms of the convertible debentures due to an inability to pay the put, the holders could force the Company into bankruptcy and enforce their security interest for the assets that were pledged as security under the agreement.

Although it is anticipated that the Company could settle its potential October 9, 2009 put obligations with the current cash reserves and cash held in escrow the potential of such an action by debt holders could affect the perception in the public market, which could adversely affect trading prices of our securities.

Financing Covenants Governing Debentures

Our financing contains certain covenants that could impair the Company's ability to take advantage of certain business opportunities that would be advantageous to the Company. The amended debenture contains certain covenants that among other things, limit our ability and the ability of our subsidiary to:

- Issue or incur new debt, excluding certain permitted debt, without offering to repurchase some portion of the debenture at the debt holder discretion.
- Issue additional equity instruments such as common shares, options, convertible debt at a purchase price per share less than the conversion price then in effect. Any such issuance less than the conversion price in effect would result in the re-pricing of the conversion price under a pre-determined formula. In addition, any such securities issued under the warrant exercise price, the number of warrant shares will be adjusted proportionately so the number of warrant shares will have the same aggregate exercise value in effect prior to such adjustment
- Issue additional new securities without offering 50% of the offered securities to the existing debenture holders.
- Purchase or redeem our capital stock.
- Sell or otherwise dispose of assets unless the funds received were used to redeem the remaining debentures at a 125% premium.

These restrictions could limit our ability to obtain future financing, make acquisitions or needed capital expenditures, withstand economic downturns that is currently being experienced in our industry and the general economy as a whole, conduct operations or otherwise take advantage of business opportunities that may arise.

Financing Requirements and Access to Capital

The Company completed a U.S. \$20 million equity financing. A second tranche may provide between U.S. \$10 - \$15 million. The Company has also continued its partnering discussions with other leading bio-pharmaceutical companies which upon finalizing an agreement would result in additional financial resources. The Company may attempt to raise additional funds

through other public or private equity or debt financing and/or from other sources. Our 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 condition and availability of capital in the current unstable equity markets, particularly for biotechnology companies.

As part of the U.S. \$20 million equity financing closed on April 15, 2009 the Company used the “financial hardship” exemption from shareholder approval under subsection 604(e) exemption within the TSX company manual. This permitted the Company to raise the funds through a private placement in excess of 25% dilution of issued share capital without shareholder approval. In using the exemption, the Company becomes subject to a mandatory listing review by the TSX to come back into compliance within 210 days or by October 9, 2009. The review by the TSX includes an assessment as to the financial condition of the Company and whether the Company will remain as a going concern. If the TSX determines that the Company is not in compliance and is delisted, the Company may not be able to raise adequate capital resources to continue operations.

As part of the amending agreement with the debenture holders, the current debenture holders have rights to 50% of any new capital which could be a deterrent for other potential investors to provide additional financing. In addition, if debt financing is provided, the current convertible debt holders have a right, at their option, to require the Company to repurchase all or a portion of their notes, which may discourage future debt financing. No such provision exists for any equity financing.

Provisions also exist within the current debenture holders’ agreement to provide special anti-dilution adjustments which would reduce the price of the existing securities if the Company issues additional common shares or financial instruments that can be converted to common shares below the then applicable conversion price. This could also serve as a deterrent to potential future investors.

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

Market prices for the securities of biotechnology companies, including the Company, have historically been highly volatile. If the Company’s stock price continues to be highly volatile, it may make it difficult for investors to liquidate their investment and could increase your risk of suffering a loss. Factors such as fluctuation of the Company’s operating results, announcements of technological innovations, patents or new commercial products by the Company or competitors, results of clinical testing, partnering activities, regulatory actions, or public concern over the safety of biopharmaceutical products and other factors could have a significant effect on the share price or trading volumes for the common shares. The Company’s common shares have been subject to significant price and volume fluctuations. During the 12 months preceding April 30, 2009, the market price of our common stock ranged from \$1.50 to \$14.90 per share. The stock price may continue to be subject to

significant price and volume fluctuations in the future particularly with very volatile world stock markets and indications that the world may be subject to a protracted recessionary period. Resulting fluctuations below the conversion prices on the convertible debt financing could have an adverse affect on the Company's cash flow or a dilution of ownership from the issuance of common stock, if the holders convert large amounts of debt and are sold on the market. The Company has not paid dividends to date and does not expect to pay dividends in the foreseeable future.

U.S. Investors Civil Liabilities

The Company was formed under the laws of Alberta, Canada. Some of the members of the board of directors and officers are residents of countries other than the U.S. 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 U.S.

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 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 which it attempts 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. The Company is eligible to receive certain payments upon successful completion of predefined milestones and would then be eligible to receive royalties on sales of any ReVas™ therapeutic component of novel drug-device combinations that result from this license agreement. 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 would give them 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 have 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 such as the dispute that involved the University of Calgary, Dr Norman Wong, one of the Company's co-founders, and Resverlogix Corp. Although this dispute was settled with

no compensatory damages or ongoing claims against the Company's intellectual property, no guarantees exist that such claims from other companies or institutions could be brought against the Company.

Even if the Company is successful in defending against these claims as was the case noted above, litigation could result in substantial costs and be a distraction to management. If the Company fails in defending such claims, in addition to paying money claims, 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 our 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 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 our 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. Although cardiovascular drugs have experienced higher approval rates than other treatments, recent failures in the HDL cholesterol market by some of our competitors 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, we may need to abandon one or more of our drug development programs.

In addition, successful results in preclinical or early human clinical trials, including the Phase 1a results for RVX-208, 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 we hold, suspend or terminate clinical research for noncompliance with regulatory requirements;
- we, our potential partners, the FDA or foreign regulatory authorities could suspend or terminate a clinical trial due to adverse side effect of a drug on subjects or patients in the trial;
- we may decide, or regulators may require us, to conduct additional preclinical testing or clinical trials;
- enrollment in our clinical trials may be slower than we currently anticipate;
- the cost of our clinical trials may be greater than we anticipate; and
- the supply or quality of our drugs or other materials necessary to conduct our clinical trials may be insufficient, inadequate or delayed.

If any of our drugs in clinical studies, including RVX-208, do not show sufficient efficacy in patients with the targeted indication, it could negatively impact our development and commercialization or partnership plans goals for this and other drugs and our 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

We depend on independent clinical investigators, contract research organizations and other third party service providers in the conduct of our clinical trials for our drugs and expect to continue to do so in the future. We rely heavily on these parties for successful execution of our clinical trials, but do not control many aspects of their activities. For example, the investigators are not our employees. However, we are responsible for ensuring that each of our 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 our clinical trials in accordance with regulatory requirements. The failure of these third parties could delay or prevent the development, approval and commercialization of our drugs, including RVX-208.

Status of Healthcare Reimbursement

The ability to successfully market certain therapeutic products may depend 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 organizations. Significant uncertainty exists as to whether newly approved healthcare products will qualify for reimbursement. Furthermore, challenges to the price of medical products and services are becoming more frequent. Recent issues with other therapies in the cardiovascular market have increased the scrutiny under what will be reimbursed in the future and will be strongly linked to effective and safe drugs over the current standard of care with statin therapy.

In addition, the pricing of drug therapies has come under significant pressure with government authorities and private health insurers especially in the United States where healthcare costs are some of the highest in the world. Health care reform is underway with the current United States administration so 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.

ADDITIONAL INFORMATION

Additional information relating to the Company can also be found on SEDAR at www.sedar.com.