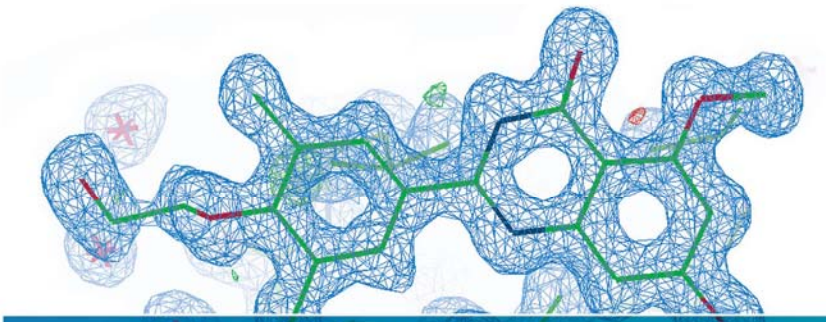

RESVERLOGIX

MANAGEMENT'S DISCUSSION & ANALYSIS – Fiscal 2015 (April 30, 2015)

This Management's Discussion and Analysis ("MD&A") of Resverlogix Corp.'s operations and financial position should be read in conjunction with the audited consolidated financial statements and the notes thereto for the years ended April 30, 2015 and 2014. Our financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and comprise Resverlogix Corp. (the "Company") and its wholly-owned subsidiaries RVX Therapeutics Inc. (up to the effective date of the Plan of Arrangement described below) and Resverlogix Inc. (together referred to as the "Group"). An advisory with respect to the use of non-IFRS measures is set out in this MD&A under "Non-IFRS Measures". All amounts in the following MD&A are stated in US dollars unless otherwise stated. References to "we", "us" or "our" mean Resverlogix Corp. and its subsidiaries unless the context otherwise requires.

Cautionary Statement Regarding Forward-Looking Information

This MD&A contains forward-looking information within the meaning of applicable Canadian securities legislation. Forward-looking information is often, but not always, identified by the use of words such as "believes", "anticipates", "plans", "intends", "will", "should", "expects", "continue", "estimate", "forecasts" and other similar expressions. In particular, this MD&A includes forward-looking information related to: our belief that RVX-208 is a first-in-class, small molecule selective Bromodomain and ExtraTerminal Domain ("BET") inhibitor for the treatment of patients with cardiovascular disease, diabetes mellitus, Alzheimer's disease ("AD"), peripheral artery disease and chronic kidney disease; our plans to establish RVX-208 for treatment of clinical conditions; our belief that our human clinical trials will provide an understanding of the drug properties in humans; our belief that 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; and our expectation that we will be able to raise additional capital through external financing or partnering to provide additional funds for our programs.

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 key assumptions including:

- BET proteins play a critical role in the epigenetic regulation of transcription of particular genes.
- BET proteins all contain highly conserved bromodomains that play a key role in their epigenetic control of gene expression.
- Our small molecules function via inhibition of BET bromodomains and, therefore, specifically modulate transcription of particular targets.
- RVX-208 is the first in a series of molecules to emerge from this epigenetic drug development platform.
- Our patents 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.
- We anticipate that we will be able to raise additional capital through external financing or partnering to provide additional funds for our programs; and
- The anticipated expenditures required to complete clinical trials.

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 our products, the availability of government and insurance reimbursements for our products, the strength of our intellectual property, our financing capability, the potential dilutive effects of any financing, reliance on subcontractors and key personnel and additional risk factors discussed in our Annual

Information Form 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 on page 17 of this MD&A.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. We disclaim any intention and have 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.

Non-IFRS Measures

To supplement our consolidated financial statements presented in accordance with IFRS, we use the non-IFRS measure average monthly Cash Burn Rate. This measure is provided to enhance readers' overall understanding of our current use of cash resources and is included to provide investors and management with an alternative measure for assessing our operating results in a manner that is focused on the use of cash for operations and to provide a more consistent basis for comparison between quarters. This measure is based on the cash flow used in operations prior to changes in non-cash working capital from the Consolidated Statements of Cash Flows, as presented on page 8 herein. The average monthly amount is determined using the applicable period total divided by the number of months in the period. This measure is not in accordance with and does not have a standardized meaning under IFRS and is unlikely to be comparable to a similar measure used by other entities.

Overview

We are a clinical stage biotechnology company developing RVX-208. RVX-208 is the first BET bromodomain inhibitor in clinical trials. BET-Bromodomain inhibition is an epigenetic mechanism that can turn disease-causing genes off, returning them to a healthier state. RVX-208 is the first and only BET inhibitor selective for BRD4-BD2, producing a nexus of biological effects with important benefits for patients with disease such as cardiovascular disease, diabetes mellitus, Alzheimer's disease, peripheral artery disease, and chronic kidney disease.

Highlights

Scientific Developments

Phase 2b ASSURE Clinical Trial

ASSURE (ApoA-I Synthesis Stimulation in Acute Coronary Syndrome patients) was a 26-week randomized double-blind placebo-controlled multi-center study that examined the early effects of RVX-208 induced ApoA-I production on atherosclerotic plaque regression in the setting of patients with coronary artery disease who have a low level of high density cholesterol ("HDL-C") using intravascular ultrasound ("IVUS"). Secondary objectives for ASSURE were safety and tolerability of RVX-208 as reflected by adverse events, and effects of RVX-208 on high-density lipoprotein ("HDL"), ApoA-I, Large HDL particles and non-HDL lipid parameters such as C-reactive protein ("CRP") and other markers of interest in cardiovascular disease risk reduction.

Enrollment in ASSURE was completed in September 2012. A total of 323 patients participated in ASSURE, of which 243 were given RVX-208 and 80 received placebo. Top line ASSURE data was announced on June 27, 2013; ASSURE did not meet its primary endpoint of a -0.6% change in percent atheroma volume as determined by IVUS. The RVX-208 treated group had -0.4% plaque regression (p= 0.08) v.s. baseline. The patient group receiving active treatment met the secondary endpoints of regression of total (coronary) atheroma volume ("TAV") and increases in ApoA-I and HDL cholesterol.

On September 3, 2013, we announced the Full Analysis Set ("FAS") data from 281 treated patients in ASSURE. Findings showed that the below median HDL (<39 mg/dL) baseline population consisted of 92 patients who were taking either rosuvastatin (Crestor®) or atorvastatin (Lipitor®) together with RVX-208. Those patients taking rosuvastatin and RVX-208 had a highly statistically significant Percent Atheroma Volume ("PAV") plaque regression of -1.43% with probability value of p<0.002, v.s. baseline. This PAV regression exceeded the trial's pre-specified PAV endpoint (-0.6%) by more than two-fold. Those patients taking atorvastatin (Lipitor®) together with RVX-208 had a PAV plaque progression of +0.19% with a non-significant probability value v.s. baseline. This corroborates with earlier findings from ASSERT which illustrated the most robust improvements in the low HDL-C group in combination with the newer generation statin agents.

A subgroup analysis revealed a responder population (those with HDL <39 mg/dL taking rosuvastatin and RVX-208) exceeded the primary endpoint and also surpassed secondary endpoints reflecting regression in coronary atherosclerosis. These measures included TAV and changes in the 10 mm most diseased segment of the coronary arteries, we noted marked regression versus baseline of -12.3 mm3 (p< 0.0001) and -4.3 mm3 (p<0.0001), respectively, v.s. baseline. Other secondary endpoints assessed in this population were biomarkers of reverse cholesterol transport ("RCT"), including: HDL-C, ApoA-I and large HDL particles which increased by 18.2% (p<0.0001), 16.4% (p<0.0001) and 74.7% (p<0.0001), respectively, vs. baseline.

On November 4, 2013, we announced two additional results from ASSURE. First, the data showed statistically significant improvements in coronary IVUS atheroma measurements and Major Adverse Cardiac Events ("MACE") in patients with a high (>2.0 mg/dL) serum high sensitivity C-Reactive Protein ("hsCRP"). Serum levels of this biomarker when >2.0 mg/dL reflect a heightened state of inflammation that is a well-known and major component of high risk cardiovascular disease ("CVD") risk. Patients with hsCRP>2.0 mg/dL at time of entry into ASSURE totaled n=184 of which n=54 were given placebo while n=130 received RVX-208 In the RVX-208 treated patients, there was a 60% reduction (p<0.0001) in hsCRP vs. baseline and (p=0.054) vs. placebo. Furthermore, atheroma regression was observed in patients treated with RVX-208 as measured by PAV, TAV regressed, and the worst 10mm TAV segment by -0.75% (p<0.03), -6.3mm3 (p<0.001) and -2.63mm3 (p<0.001), respectively vs. baseline. Equally intriguing and perhaps more important is that in RVX-208 treated patients with hsCRP>2.0 mg/dL the incidence of MACE was lower by 63% (p=0.023) vs. placebo. These findings were detailed at the American College of Cardiology conference on March 31, 2014 in a poster titled, "Effects of an Apolipoprotein A-1 Inducer on Progression of Coronary Atherosclerosis and Cardiovascular Events in Patients with Elevated Inflammatory Markers" and presented by Rishi Puri, Medical Director of Cleveland Clinic Atherosclerosis Imaging Core Laboratory. The preceding observation is of value in that hsCRP of >2.0 mg/dL is well known to be clinically important in predicting CVD risk.

The second observation arose from a pre-specified exploratory endpoint in ASSURE gathered using a new catheter (Volcano Revolution 45mghz) designed for radiofrequency analysis of the IVUS signal. Data from this catheter reveals so called virtual histology IVUS ("VH-IVUS"), an emerging technology that is useful for assessing tissue characteristics of an atherosclerotic plaque. VH-IVUS data was analyzed to provide insight into vulnerability of an atherosclerotic plaque to rupture and its relationship to future cardiovascular risk. In ASSURE, while all (n=323) patients were studied using IVUS, 87 of these were examined using the Volcano Revolution catheter to gather VH-IVUS information. This information was used to reflect plaque vulnerability by calculating the ratio of necrotic core to dense calcium ("NC/DC") as established by Missel et al. (Am J Cardiol 2008; NC/DC ratio). The NC/DC ratio in RVX-208 treated patients (n=61) was significantly lower by -7.5% (p<0.03) vs. baseline while those (n=24) given placebo had a non-significant reduction of -3.8% (p=0.47) vs. baseline. The initial VH-IVUS findings show that the actions of RVX-208 improved the NC/CS ratio pointing to less vulnerability of the atherosclerotic plaque for rupture.

The addition of these findings to the previously announced impact of RVX-208 to regress PAV (-1.43%, p=0.001) in ASSURE patients with low HDL-C given rosuvastatin further define a large high risk population where RVX-208 illustrates profound effects to reduce atheroma volume and plaque vulnerability. Together these findings help explain the observed reduction in MACE.

Phase 2b SUSTAIN Clinical Trial

176 patients with established atherosclerotic CVD and low HDL-C were enrolled in SUSTAIN. The primary purpose of the SUSTAIN trial was to measure changes in HDL, Apo-AI and other lipid parameters compared with placebo, while also assessing safety over an extended treatment period. The increase in HDL and Apo-AI observed in the 24-week SUSTAIN trial represents a notable increase over the respective HDL and ApoA-I values reported in the 12-week ASSERT trial.

In August 2012, we announced that SUSTAIN met its primary endpoint. RVX-208 significantly increased HDL-C (statistical significance of p=0.001), the primary endpoint of SUSTAIN. SUSTAIN also successfully met secondary endpoints, showing increases in levels of ApoA-I (statistical significance of p=0.002) and large HDL particles (statistical significance of p=0.002). ApoA-I and HDL are both believed to be important factors in enhancing RCT, the process whereby cholesterol is packaged and transported by special particles in the plasma called lipoproteins for movement from peripheral tissues through the blood and back to the liver for excretion from the body. The SUSTAIN trial also showed that increases in alanine aminotransferase ("ALT") liver signals similar to those which were reported in previous trials were infrequent and, when allowed according to the trial's protocol, returned to normal either as a result of continued dosing or short-term interruption, with no new increases observed beyond week 12 of the 24-week trial. Management and the Clinical Steering Committee have chosen to submit the remaining data for a peer reviewed publication.

The SUSTAIN trial provided us with important data regarding improvement in the functionality of the HDL produced by RVX-208. Safety data from SUSTAIN reconfirmed our belief that early liver signals witnessed in this and previous trials were of a transient nature.

Pooled ASSURE and SUSTAIN Analysis

On January 16, 2014, we announced new information arising from ongoing analysis of data from both the SUSTAIN and ASSURE trials in atherosclerotic patients with high risk for recurrent events. This analysis, performed by an independent firm focuses on the potential benefit of RVX-208 to impact MACE over a short time period of six months.

When data from both SUSTAIN and ASSURE trials (n=499) were combined, it demonstrated that treatment with RVX-208 led to a significant reduction in MACE. RVX-208 treated patients (n=331) had less cumulative events of 6.74% vs. 15.09% (p=0.02) in the placebo treated group (n=168). Furthermore, patients who had elevated CRP > 2.0mg/dL (n=283) the benefit of RVX-208 treatment

of patients (n=179) appeared more striking with a cumulative event rate of 6.42% vs. 20.53% (p=0.007) in the placebo group (n=104).

On September 2, 2014, we announced new information from the analysis of data pooled from the ASSURE and SUSTAIN clinical trials. The findings were presented in an oral presentation at the European Society of Cardiology ("ESC") Congress entitled, "Effects of RVX-208 on MACE, ApoA-I and HDLs; a post-hoc analysis from the pooled SUSTAIN and ASSURE clinical trials". Patients with CVD arising from atherosclerosis that were given RVX-208 had a 55% (p=0.02) relative risk reduction ("RRR") in MACE. More importantly, this beneficial effect of RVX-208 on patients with diabetes mellitus was accentuated with a RRR in MACE of 77% (p=0.01). These observed reductions in MACE may stem from the ability of RVX-208 to significantly improve specific markers of CVD risk measured in the SUSTAIN and ASSURE trials, including: higher levels of ApoA-I protein (p<0.01), an increase in HDL-C (p<0.001), more large HDL-particles (p<0.05), growth in HDL particle size (p<0.05), and lower levels of alkaline phosphatase ("ALP") (p<0.0001). Recent studies have shown that higher levels of serum alkaline phosphatase are associated with increased mortality in the general population, in survivors of myocardial infarction, and in patients with chronic kidney disease. Importantly, high levels of serum alkaline phosphatase were associated with higher prevalence of myocardial infarction, stroke, congestive heart failure, diabetes, and metabolic syndrome. This biomarker has a critical role in calcification and has been used as a marker and therapeutic target of vascular calcification. Bone derived ALP has been proposed to link insulin resistance with vascular calcification, cardiovascular diseases, and mortality. The significant improvement in these markers in treated patients vs. placebo may point to the RVX-208 BET inhibition effects on reverse cholesterol transport and other emerging risk pathways such as vascular inflammation and calcification.

On March 16, 2015, we announced additional findings from the analysis of both the SUSTAIN and ASSURE clinical trials. In a poster entitled, "RVX-208 the first selective bromodomain extra-terminal (BET) protein inhibitor being developed for patients with high residual risks of cardiovascular disease", clinical biomarker analysis was presented and revealed significant changes between RVX-208 vs. placebo (change, p value) in: serum alkaline phosphatase (-6 U/L, <0.0001), HDL-C (+3 mg/dL, <0.001), ApoA-I (+7.5 mg/dL, <0.01), large HDL (+0.7 umol/L, <0.05), HDL size (+0.1, <0.05), and total HDL particles (+1.8 umol/L, <0.1). While these findings were evident in all patients, two groups appeared to benefit more from RVX-208 – those with diabetes mellitus ("DM") or CKD. In those patients with DM (n=192) given RVX-208, glucose was unchanged compared to a non-significant (p<0.1) rise of +0.7 mmol/L in placebo patients. In those patients with DM (n=119) and low HDL <40 mg/dL, RVX-208 reduced glucose significantly (p<0.01) by -0.3 mmol/L while in placebo glucose increased +0.9 mmol/L. In CKD patients (n=48) with mild to moderate renal failure (estimated glomerular filtration rate ("eGFR") <60 mL/min/1.73m^2) given RVX-208 vs placebo there was a +3.4% compared to -5.9% in eGFR, respectively. In addition, microarray studies were performed using primary human liver cells exposed to RVX-208. This treatment demonstrated significant changes in cellular pathways or networks characterized by: an attenuation in inflammation, coagulation, complement and cholesterol synthesis. These clinical findings illustrate the effects of RVX-208 on ALP, HDL profile, glucose and eGFR and provide a better understanding of how BET inhibition may lower MACE. The microarray data provides, at a cellular level, novel insights that detail the multiple activities of RVX-208 beyond its ApoA-I effects in lowering MACE.

On June 1, 2015, we announced new information from the analysis of data pooled from the ASSURE and SUSTAIN clinical trials relating to specific biomarkers relevant to CKD. In a poster entitled, "Effects of RVX-208, a First-in-Class Epigenetic BET-Inhibitor, on Key Renal Parameters in Subjects with a History of CVD, and Chronic Kidney Disease (CKD); a Post-hoc Analysis of Patients from the ASSERT, SUSTAIN and ASSURE Clinical Trials," presented at the European Renal Association-European Dialysis and Transplant Association (ERA-EDTA) Congress, an assessment of the metabolic biomarker, ALP, revealed a significant reduction of -10.98% in patients treated with RVX-208 (n=331) compared to a reduction of -3.23% in placebo treated patients (n=168) (p<0.0001) at the combined time points of 24 and 26 weeks. In addition, several subgroup analyses were performed. In patients with a history of diabetes, a significant reduction in ALP of -13.9% was observed in the RVX-208 treated group (n=127) compared to -4.49% in the placebo treated group (n=65) (p<0.0001). Further analysis was performed on patients with CKD defined by an eGFR of below 60 mL/min/1.73 m^2. In this group, patients treated with RVX-208 (n=35) had reduced alkaline phosphatase levels of -13.9% compared to -6.28% in placebo (n=13) (p=0.008). In addition, following 6 months of RVX-208 treatment, an increase in eGFR of +3.4% (p=0.04 vs. baseline) in the RVX-208 treated group was observed compared to a decrease of -5.9% in the placebo group. Dr. Kam Kalantar-Zadeh, Professor and Chief, Division of Nephrology and Hypertension at University of California in Irvine and Los Angeles examined these findings and has also contributed to additional abstracts that have been submitted for peer review presentation. Together these new findings appear to warrant additional clinical trials for target responder CKD and/or dialysis populations that have a high burden of cardiovascular disease and risk.

Continued analysis of our Phase 2b program pooled data will not only broaden our understanding but also provide a more targeted pathway for our future clinical trials of RVX-208. We plan to perform further detailed analysis on potential new biomarkers and biological pathways that RVX-208 may affect through its select BET inhibition mechanism. New findings in these analyses will seek out potential additional indications that can be applied to broadening the scope of diseases that BET inhibition can benefit. Appropriate intellectual property will be developed in concert with any novel findings.

Research Collaboration

On March 4, 2015, we announced that we completed a research collaboration with Emerald Logic, a leader in quantitative analytics. Using Fast Collective Evolution Technology ("FACET"), Emerald Logic analyzed our clinical dataset including all measurements obtained from each of 798 patients who participated in our Phase 2 clinical trials (ASSERT, SUSTAIN and ASSURE). The objective of this collaboration was to develop quantitative models and identify variables that contribute to drug response and the incidence of MACE. The complete dataset contained approximately 650,000 data points. This unique approach combined medical history, epidemiology, demographics, patient vital signs and clinical lab measures in order to identify explanatory factors for efficacy and adverse events and to produce discriminatory models without bias or guidance. The collaboration generated multiple proprietary models and deduced both binary and continuous variables, previously unidentified, that contribute to drug efficacy, adverse events and most importantly to the observed reduction in MACE incidence in response to treatment with RVX-208. We plan to file new intellectual property surrounding these variables and algorithms and intend to integrate and assess them in upcoming clinical trials for the purpose of patient enrichment and safety monitoring.

China Patents

On April 7, 2015, we announced that we had received two China patent approvals covering RVX-208. A composition of matter patent, China No. 2007 8 0052349.8 titled, "Compounds for the Prevention and Treatment of Cardiovascular Disease" was granted until February 2027. A manufacturing patent, China No. ZL 2009 8 0106586.7 titled, "Methods of Preparing Quinazolinone Derivatives" was granted until June 2029. These two patents will build upon our expanding intellectual property estate for our core asset, RVX-208. Having Chinese patent protection extending out to June 2029 provided important protection for a regional licensing deal in China and the expanding Chinese pharmaceutical marketplace.

Private Placement and Licensing Agreement

On July 8, 2015, the Company closed a license of RVX-208 for China, Hong Kong, Taiwan and Macau (the "Territories"), for all indications with Hepalink and on July 20, 2015, the Company closed an equity investment. Under the terms of the transaction, Hepalink subscribed for 13,270,000 Resverlogix common shares and 1,000,000 common share purchase warrants, for aggregate proceeds of CAD$35 million (US$27 million), or CAD$2.67 per unit. Each warrant is exercisable for a period of five years. The common shares and warrants issued to Hepalink are subject to a three year lock-up period.

The license between Resverlogix and Hepalink provides for certain milestone payments based on net sales of RVX-208 in the licensed territories. The annual sales milestones range from 500 million renminbi ("RMB") to RMB 10 billion (US$81 million to US$1.6 billion), with Resverlogix being eligible to receive sales-based milestone payments from Hepalink ranging from US$5 million to US$90 million. In addition, Hepalink shall pay a royalty of 6% of annual net sales of RVX-208 in the licensed territories. Hepalink will be responsible for all clinical and development costs in the licensed territories, including a patient population that is expected to be included in Resverlogix's planned Phase 3 BETonMACE trial.

On July 20, 2015, Eastern purchased 5,600,000 common shares and 422,005 common share purchase warrants for aggregate consideration of approximately CAD$15 million (US$12 million), or CAD$2.67 per unit.

Phase 3 European Regulatory Approval

On June 22, 2015, we announced that following recent meetings with various European regulatory bodies, the first confirmation for our Phase 3 clinical plan was received and that we expect to launch the upcoming BETonMACE Phase 3 clinical trial in the fall of 2015. BETonMACE will be a double-blind, placebo-controlled, 2 arm parallel-group (allocation ratio 1:1), study of RVX-208 at a dose of 100 mg b.i.d. (total daily dose of 200 mg) or matching placebo in combination with standard of care high potency statin therapy administered to type 2 diabetes mellitus ("T2DM") subjects with history of recent CVD event and HDL-C level <40 mg/dL males or <45 mg/dL females. Standard of care high potency statin therapy shall consist of daily dose of either atorvastatin 20-40 mg or rosuvastatin 10-20 mg. After an initial screening period of 1 to 2 weeks during which subjects will be treated with standard of care high potency statin therapy, subjects will be randomized to either RVX-208 100 mg b.i.d. or matching placebo with continued statin treatment. This combination treatment period will continue for up to 104 weeks. The primary endpoint of the BETonMACE trial is designed to show a RRR of MACE, narrowly defined as a single composite endpoint of CV Death or Non-fatal MI or Stroke, in high-risk cardiovascular and DM patients, as we have seen in previous Phase 2 clinical trials with RVX-208. The study is an event-based trial and will continue until 250 MACE events, defined as CV death, non-fatal MI and stroke, have occurred. MACE will be adjudicated by an independent Endpoint Adjudication Committee and the study will be monitored by a Data Safety Monitoring Board.

Exploratory Phase 2 Clinical Trial of RVX-208 in Patients with Pre-Diabetes Mellitus

In October 2012, we initiated an exploratory Phase 2 clinical trial in patients with pre-diabetes mellitus to examine the effects of

RVX-208 and ApoA-I production on glucose metabolism. The foundation of this trial builds upon the actions of RVX-208 and the knowledge that RVX-208 triggers a key epigenetic pathway which results in enhanced ApoA-I protein production to raise the body's level of functional HDL particles. This trial is also built upon the belief that the effect of newly created ApoA-I/HDL may help to preserve pancreatic cells that make and secrete insulin, and that increased abundance of insulin in subjects with pre-diabetes mellitus may prevent or substantially delay the progression towards diabetes mellitus. The trial was conducted in collaboration with Baker IDI Heart & Diabetes Institute in Melbourne, Australia. Enrollment of this trial was completed in December 2013.

On July 23, 2014, we announced the preliminary results of this exploratory trial. The investigators postulated that the RVX-208 induced rise in ApoA-I/HDL-C may impact pancreatic insulin secretion and thereby lower blood glucose (detected using an oral glucose tolerance test). Patients (n=23) with pre-diabetes mellitus (also called metabolic syndrome) were given 200 mg/day RVX-208 for a short duration of only 4 weeks. The preliminary results were not consistent with their hypothesis. However, this finding was useful in understanding the ASSURE data because for RVX-208 to reduce blood glucose in patients with diabetes mellitus required at least 12 weeks of treatment. Analysis of data from the trial beyond preliminary results reported here will include: HDL abundance, lipidomics, platelet aggregation, monocyte activation and neutrophil adhesion. We are planning to submit the above important findings and other new data to scientific journals for peer review prior to publication.

On June 8, 2015, we announced findings from a study performed by the Baker IDI Heart and Diabetes Institute, Melbourne, Australia and our scientists which were reported at the American Diabetes Association Scientific Sessions. The presentation was entitled "Effects of the ApoA-I Inducer, RVX-208 on Glucose Metabolism in Individuals with pre-diabetes Mellitus." The data in the presentation was based on patients with pre-diabetes mellitus who already had abnormal blood glucose levels. Treatment with RVX-208 (200 mg/day) for 29-33 days led to a statistically significant reduction in glucose absorption and a statistically significant suppression of endogenous glucose production. The significance of these findings are as follows: (1) short duration of RVX-208 treatment had effects on glucose metabolism, and (2) both the reduction in glucose absorption and production are expected to be of benefit in patients with pre-diabetes mellitus. The above findings provoke intellectual interest when viewed in the light of additional new data arising from the same study reported at the recent International Society of Atherosclerosis ("ISA") meeting, May 23-26, 2015 in Amsterdam. At the ISA meeting, in a presentation entitled, "The effects of a novel apoA-I transcriptional regulator (RVX-208) on whole plasma and HDL lipidomes," the same team of investigators detailed the ability of RVX-208 to change the lipid profile within the HDL favouring normalization of the composition towards that observed in healthy individuals. Together, the data contained in the two presentations contribute to the theory that RVX-208 has the ability to affect glucose and lipid metabolism in ways that will be of benefit to patients with CVD risks.

Corporate Developments

Long-term Debt

In August 2012, we entered into a CAD$25 million Loan Agreement with Citibank, N.A. ("Citibank"). We received the CAD$25 million on August 30, 2012. In March 2013, we entered into an Amended and Restated Loan Agreement with Citibank to increase the loan from CAD$25 million to CAD$38.8 million. We received the additional CAD$13.8 million on March 11, 2013. In July 2014, we entered into a Second Amended and Restated Loan Agreement ("Second Loan Amendment") with Citibank which provided for the existing loan granted to us by Citibank to be increased by CAD$30 million to CAD$68.8 million. We received the CAD$30.0 million on August 15, 2014.

The entire loan is repayable upon maturity on August 28, 2017 and may be repaid in whole or in part without penalty. Effective August 27, 2013, the annual interest rate was reset from 4.5% to 4.4473%, and effective August 27, 2014, the annual interest rate was reset from 4.4473% to 4.4410%. Interest on the loan is payable annually in arrears and the interest rate is reset annually to a rate equal to Canadian one-year LIBOR swap rate plus 3.14%. The loan is secured by an irrevocable CAD$68.8 million Standby Letter of Credit (the "Letter of Credit") in favour of Citibank arranged by Eastern Capital Limited ("Eastern") which will be maintained until maturity of the loan. On August 27, 2013 and August 27, 2014, we paid the annual interest payment of CAD$1.5 million and CAD$1.8 million, respectively, and are in compliance with all of the provisions of the Loan Agreement. The next annual interest payment is scheduled for August 27, 2015.

In connection with the irrevocable Standby Letter of Credit, we agreed to indemnify Eastern for all liabilities, costs and expenses arising from any payments made to Citibank under the Letter of Credit and we have pledged our issued patents, including our US patent covering RVX-208, as of August 27, 2012, and certain tax losses and pools to Eastern as security for its obligations under the indemnity. On August 27, 2012 we issued 1,320,000 share purchase warrants (exercisable at a price of CAD$1.58 (subsequently adjusted to CAD$1.44) for a period of five years) to Eastern, and on March 8, 2013 we issued an additional 728,640 share purchase warrants (exercisable at a price of CAD$2.38 (subsequently adjusted to CAD$2.16) for a period of five years) to Eastern, and on August 15, 2014 we issued 5,000,000 share purchase warrants (exercisable at a price of CAD$0.75 for a period of five years) to Eastern. We will pay a guarantee fee to Eastern in the amount of 0.03% per annum on the average daily aggregate principal amount of the issued and undrawn Letter of Credit. We are in compliance with the provisions of our agreements with Eastern.

Plan of Arrangement

On June 3, 2013, we, Zenith Epigenetics Corp. (“Zenith”, a newly incorporated company), and RVX Therapeutics Inc. (“RVX Therapeutics”) completed a Plan of Arrangement ("the Arrangement") pursuant to the Business Corporations Act (Alberta) whereby Zenith was spun out to Resverlogix shareholders.

Upon the effective time of the Arrangement: every Resverlogix shareholder received one common share in Zenith for every common share held in Resverlogix at the effective date; Zenith owns all of the outstanding shares of RVX Therapeutics; and Zenith owns all of the outstanding royalty preferred shares of Resverlogix.

Every holder of a Resverlogix warrant, stock option and restricted stock unit at the effective date of the Arrangement received one warrant, stock option and restricted stock unit in Zenith for every warrant, stock option and restricted stock unit, respectively, held in Resverlogix. The exercise prices of all outstanding warrants and stock options in the Company were reduced by approximately 9.1%, and the exercise price of each warrant and stock option in Zenith was calculated as approximately 9.1% of the exercise price of each corresponding warrant and stock option of the Company at the effective time of the Arrangement, to reflect the fair market value of Zenith.

Pursuant to the Arrangement, Zenith was also issued 75,202,620 royalty preferred shares in the capital of Resverlogix which will provide Zenith with dividends in the amount of 6 to 12% of net Apo revenue, if any, received by Resverlogix, subject to certain adjustments. Net Apo revenue is defined as the aggregate of the following amounts: (i) amounts received by the Company or its affiliates from any person who is not the Company or its affiliate (a “third party”) in consideration for granting a license or other rights to the third party which entitle the third party to research, develop, make, manufacture, modify, administer, offer to sell, sell or distribute one or more of the Apo products and/or Apo intellectual property rights or amounts received under the terms of such license or other right that are granted to the third party; (ii) the gross consideration received from a third party by the Company, any licensee or their respective affiliates from the sale of any Apo product (other than consideration received by the Company, any licensee or their respective affiliates from a licensee of such Apo product or its affiliate); less (A) credits or allowances, if any, actually granted; (B) discounts actually allowed; (C) freight, postage, and insurance charges and additional special packaging charges; and (D) customs duties, and excise sales taxes, duties or other taxes imposed upon and paid with respect to such sales (excluding what is commonly known as income taxes); and (iii) amounts received from a third party by the Company or its affiliates in consideration for the sale of any Apo intellectual property right. On July 2, 2015, the royalty preferred shares were amended. The amendments limit the dividends payable to holders of royalty preferred shares in a particular period to amounts received by the Company during that period.

Pursuant to the Arrangement, we advanced CAD$10 million (non-repayable) to Zenith to provide working capital to Zenith and RVX Therapeutics. The promissory notes and the aggregate advances from us immediately prior to the effective time of the Arrangement were transferred from us to Zenith such that, subsequent to the effective time of the Arrangement, RVX Therapeutics was indebted to Zenith in respect of these liabilities and no longer indebted to us.

RVX Therapeutics Inc.’s assets and liabilities which were distributed to the Company’s shareholders on June 3, 2013 pursuant to the Arrangement were presented as at April 30, 2013 as held for distribution. Assets held for distribution as at April 30, 2013 were comprised of cash of $97, prepaid expenses and deposits of $57, investment tax credit receivable of $343, property and equipment of $103 and intangible assets of $107. Liabilities held for distribution were comprised of trade and other payables of $1,416.

License

On June 3, 2013, RVX Therapeutics and Resverlogix entered into an Amended and Restated License Agreement (the “License”), effective January 31, 2013, which amended a License Agreement dated August 1, 2005. Pursuant to the License we granted a worldwide license to RVX Therapeutics under certain licensed patents and licensed know-how to develop, commercialize and sell licensed products in any field other than the ApoA-I Therapeutic Field (the prevention, treatment or mitigation of any disease via the administration of a pharmaceutical agent that results in a specified therapeutic elevation in the plasma levels of ApoA-I).

As ongoing consideration for the grant of the License, we were entitled to receive a royalty from 1-5% of gross amounts received by RVX Therapeutics Inc. from the sale of any product in any field other than the ApoA-I Therapeutic Field which is encompassed within a patent licensed from Resverlogix.

Pursuant to the License, we were entitled to license any method or pharmaceutical agent within the scope of certain licensee patents owned or controlled by RVX Therapeutics Inc. that are within the ApoA-I Therapeutic Field (as defined in the License).

On May 1, 2014, Zenith wound-up RVX Therapeutics Inc. RVX Therapeutics Inc. transferred all of its assets to Zenith and Zenith assumed all of RVX Therapeutics Inc.’s liabilities.

Waiver

On March 17, 2014, Resverlogix and RVX Therapeutics Inc. entered into a Waiver Agreement whereby we waived our right under the License to license any method or pharmaceutical agent within the scope of certain patents owned or controlled by RVX Therapeutics Inc. that may be determined to come within the ApoA-I Therapeutic Field. RVX Therapeutics Inc. agreed not to develop any patents for any indication within the ApoA-I Therapeutic Field for a period of five years. RVX Therapeutics Inc. paid us $2.5 million in cash and granted to us a right of first refusal for a period of three years thereafter in respect of the license or sale of such patents and/or compounds that are determined to come within the ApoA-I Therapeutic Field.

Entering into the Waiver Agreement generated cash for us without impacting negatively on our core assets. The $2.5 million paid to us by RVX Therapeutics Inc. was a negotiated amount agreed upon by the two parties as the fair value and, having received independent financial advice, we concluded that the Waiver Agreement was fair from a financial point of view.

Termination of License

On January 31, 2015, we terminated the License in order to enhance our freedom to operate and pursue expanded indications. As consideration for the termination, we agreed to pay Zenith $1.05 million, the estimated fair value of the License. As a result, we recognized $1.05 million as a loss as the expenditure does not meet the criteria for recognition as an intangible asset.

Results of Operations for the Years Ended April 30, 2015 and 2014

(in thousands of US dollars unless otherwise noted)	2015	2014
Expenses	$ 8,458	$ 14,037
Financing (income) costs	9,906	(53,073)
Loss on termination of license	1,050	-
Gain on distribution	-	(13,650)
Gain on waiver of rights	-	(2,500)
(Income) Loss before income taxes	19,414	(55,186)
Income taxes	(1,091)	82
	18,323	(55,104)
Net (earnings) loss per share		
Basic and diluted	$ 0.22	$ (0.69)

Our results of operations include RVX Therapeutics' results of operations for the period from May 1, 2013 through June 2, 2013 (preceding the effective date of the Plan of Arrangement).

Cash Burn Rate

The average monthly Cash Burn Rate, a non-IFRS measure as described on page 2 herein, for the year ended April 30, 2015 was $0.8 million (2014 - $1.0 million). The decrease was primarily attributable to the completion of SUSTAIN and ASSURE and our focus on minimizing non-essential expenditures.

	Years ended April 30,	
(in thousands of US dollars unless otherwise noted)	2015	2014
Cash flow used in operations	$ (8,499)	$ (13,188)
Changes in non-cash working capital	(973)	1,615
	(9,472)	(11,573)
Number of months	12	12
Average Monthly Cash Burn Rate	(789)	(964)

Our historical Cash Burn Rate is not necessarily indicative of our future Cash Burn Rate. Based on our planned business operations for the next year which reflect the planned commencement of a Phase 3 clinical trial, we expect our Cash Burn Rate to increase substantially.

Research and Development

In addition to the costs associated directly with clinical programs, research and development includes other product development costs such as drug development and manufacturing, pharmacology, toxicology and other studies, and costs associated with discovery research. R&D expenses also include salaries and benefits for R&D staff, consulting fees, supplies and general laboratory operating expenses.

During the year ended April 30, 2015, gross R&D expenditures totaled $4.2 million (2014 - $9.8 million). Clinical costs totaled approximately $1.0 million (2014 - $4.0 million), including nil on ASSURE (2014 - $3.5 million) (reflecting substantial completion of ASSURE in June 2013), $1.0 million on other clinical trials (2014 - $0.3) and nil (2014 - $0.1 million) on other clinical costs including sample analysis. Clinical costs are comprised primarily of investigator grants, project and site management and monitoring costs, and laboratory costs.

As illustrated below, patient enrollment in ASSURE commenced in November 2011, enrollment and dosing ended in September 2012 and April 2013, respectively.

	Commencement of dosing	Completion of enrollment	Completion of dosing	Completion of trial
ASSURE	November 2011	September 2012	April 2013	June 2013
Pre-Diabetes Mellitus	December 2012	December 2013	March 2014	July 2014

During the year ended April 30, 2015, chemistry costs (comprised of CMC, or chemistry, manufacturing and controls) were approximately $0.3 million (2014 - $1.0 million comprised of both CMC and discovery chemistry, primarily consisting of medicinal chemistry conducted by RVX Therapeutics).

During the year ended April 30, 2015, preclinical costs were approximately $0.3 million (2014 - $0.8 million). Preclinical costs include research, pharmacology, toxicology and DMPK (drug metabolism, and pharmacokinetics).

Research and development compensation and related costs (related primarily to our research, preclinical and clinical teams) for the year ended April 30, 2015 decreased to $1.8 million (2014 - $4.0 million), reflecting the exclusion of any of Zenith's researchers compensation and related costs in the current period compared to the inclusion of seven months in the comparative period, in part offset by decreased fees charged for these services, a modest expansion of clinical staff in preparation for the BETonMACE trial, and salary increases in the year ended April 30, 2015.

During the year ended April 30, 2015, amortization and depreciation decreased to $0.1 million (2014 - $0.6 million) reflecting the sale of certain equipment to Zenith and the impairment of certain patents in the prior period.

General and Administrative

General and administrative expenses includes compensation and related costs, operating costs not directly involved in research and development, as well as professional fees for legal, audit, communications, and business development services.

During the year ended April 30, 2015, general and administrative expenditures totaled $4.3 million (2014 - $4.2 million). Increases in compensation and related costs (excluding share-based payments) and business development was offset in part by decreases in professional fees and share-based payments as described below.

Share-based Payments

Our share-based payments and depreciation and amortization are included in research and development and general and administrative rather than being presented separately in the statements of comprehensive loss (income).

During the year ended April 30, 2015, we recognized share-based payments of $1.1 million (2014 - $2.2 million). The expense recognized in a given period reflects the fair value of past and newly-granted stock options outstanding during the period, and is impacted by factors such as vesting and fluctuations in share price. During the year ended April 30, 2015, we granted 654,200 stock options with a weighted average exercise price of CAD$0.78 and a weighted average fair value of $0.64 (2014 – 772,300 stock options with a weighted average exercise price of CAD$3.09 and a weighted average fair value of $1.88) and 554,400 restricted stock units (2014 – 379,100).

During the year ended April 30, 2014, 477,700 options and 74,150 restricted stock units previously granted to former officers and a former director that would have otherwise been forfeited or expired were extended to expire on the original expiry dates. The extension of these options and the related incremental fair value (as measured as at the modification dates) was recognized as part of share based payment transaction costs in the period. Share-based payments are a non-cash expense which does not impact operating cash flows.

Change in Fair Value of Warrant Liability

We have issued warrants in connection with various securities offerings. Warrants issued as part of an equity unit, or in connection with a debt financing, with an exercise price denominated in a foreign currency are reported as a liability until they are exercised or expire. These warrants are adjusted to fair value at each reporting period and any change in fair value between reporting periods is recorded in the statement of comprehensive loss.

The change in fair value of warrant liability significantly impacts our reported loss (income). During the year ended April 30, 2015, we recognized a $12.6 million loss on the change in the fair value of our warrant liability (2014 - $14.8 million gain). The changes in fair value were based on several factors including decreases in the remaining terms of the various series of warrants, changes in estimated future volatility of our common shares, and change in the market price of our shares to CAD$2.62 on April 30, 2015 from CAD$0.67 on April 30, 2014 and from CAD$3.37 on April 30, 2013. Gains and losses resulting from the revaluation of warrant liability are non-cash and do not impact our cash flows from operations.

Change in Fair Value of Royalty Preferred Shares

During the year ended April 30, 2015, we recognized a $6.2 million gain on the change in the fair value of our royalty preferred shares (2014 - $40.0 million gain). For fair value measurement purposes, the royalty preferred shares liability has been categorized within level 3 of the fair value measurement hierarchy. The fair value of the royalty preferred shares is based on management's judgments, estimates and assumptions which include significant unobservable inputs including the timing and amounts of discounted risk adjusted future net cash flows derived from the Apo-A-I applications rights, which incorporate: a cumulative probability rate of generating forecasted future cash flows of 35% as at April 30, 2015 (April 30, 2014 – 21%) (reflecting in each case, among other factors, the Company's clinical results including those of the ASSURE trial and communication with regulatory bodies); a discount rate of 24.2% as at April 30, 2015 (April 30, 2014 – 25.0%); commencement of revenue in between 2021 and 2023 (based on clinical development paths across various jurisdictions) as at April 30, 2015 (April 30, 2014 – 2020); RVX-208 market shares percentages; and product pricing. The change in estimated timing of future cash flows, as well as the change in rates, affected the fair value of our royalty preferred shares.

The fair value of the royalty preferred shares is subject to significant volatility. Small changes in the aforementioned assumptions may have a significant impact on the fair value of the royalty preferred shares. For instance, holding all other assumptions constant, a 1% increase in the discount rate would result in a $3.7 million decrease in the fair value of the royalty preferred shares. Assuming commencement of revenue one year later would result in a $6.3 million decrease in the fair value of the royalty preferred shares.

Interest and Accretion

During the year ended April 30, 2015, interest on the Citibank loan totaled $2.4 million (2014 - $1.7 million), and accretion (of the discount on the debt and debt issuance costs) totaled $3.6 million (2014 - $2.0 million). Effective August 27, 2013, the annual interest rate was reset from 4.5% to 4.4473%%, and effective August 27, 2014, the annual interest rate was reset from 4.4473% to 4.4410%. Interest on the loan is payable annually in arrears and the interest rate is reset annually to a rate equal to Canadian one-year LIBOR swap rate plus 3.14%. The discount on the debt and debt issuance costs are accreted over the term of the loan using the effective interest method.

Liquidity and Capital Resources

Cash

As at April 30, 2015, we had $16.2 million of cash, $1.9 million of trade and other payables, and $1.8 million of accrued interest. Our cash and liquidity is described further under "Liquidity".

Long-term Debt

In August 2012, we entered into a CAD$25 million Loan Agreement with Citibank. We received the CAD$25 million on August 30, 2012. In March 2013, we entered into the Second Loan Amendment with Citibank to increase the loan from CAD$25 million to CAD$38.8 million. We received the additional CAD$13.8 million on March 11, 2013. In July 2014, we entered into the Second Loan Amendment which provided for the existing loan granted to us by Citibank to be increased by CAD$30 million to CAD$68.8 million. We received the additional CAD$30 million on August 15, 2014.

The entire loan is repayable upon maturity on August 28, 2017 and may be repaid in whole or in part after August 27, 2013 without penalty. Interest on the loan is payable annually in arrears at 4.5% per annum for the first year of the loan and thereafter at a rate equal to Canadian one-year LIBOR swap rate plus 3.14%, to be reset annually. Effective August 27, 2013, the annual interest rate was reset from 4.5% to 4.4473%, and effective August 27, 2014, the annual interest rate was reset from 4.4473% to 4.4410%. Interest on the loan is payable annually in arrears and the interest rate is reset annually to a rate equal to Canadian one-year LIBOR

swap rate plus 3.14%. The loan is secured by an irrevocable Standby Letter of Credit of up to CAD$68.8 million in favour of Citibank arranged by Eastern which will be maintained until maturity of the loan. We are in compliance with the provisions of the Loan Agreement.

In connection with the irrevocable Standby Letter of Credit, we agreed to indemnify Eastern for all liabilities, costs and expenses arising from any payments made to Citibank under the Letter of Credit and we have pledged our issued patents, including our US patent covering RVX-208, and certain tax losses and pools to Eastern as security for its obligations under the indemnity. On August 27, 2012 we issued 1,320,000 share purchase warrants (exercisable at a price of CAD$1.58 (subsequently adjusted to CAD$1.44) for a period of five years) to Eastern, and on March 8, 2013 we issued an additional 728,640 share purchase warrants (exercisable at a price of CAD$2.38 (subsequently adjusted to CAD$2.16) for a period of five years) to Eastern. On August 15, 2014 we issued 5,000,000 share purchase warrants (exercisable at a price of CAD$0.75 for a period of five years) to Eastern. We will pay a guarantee fee to Eastern in the amount of 0.03% per annum on the average daily aggregate principal amount of the issued and undrawn Letter of Credit. We are in compliance with the provisions of our agreements with Eastern.

The CAD$25 million Citibank loan was initially recorded at its fair value of approximately US$17.1 million, representing the principal amount of the loan (US$25.3 million) less a US$6.7 million discount and US$1.5 million of debt issuance costs (comprised primarily of the initial fair value of the 1,320,000 warrants). The subsequent CAD$13.8 million Citibank loan was initially recorded at its fair value of approximately US$8.7 million, representing the principal amount of the loan (US$13.4 million) less a US$3.3 million discount and US$1.4 million of debt issuance costs (comprised primarily of the initial fair value of the 728,640 warrants). The CAD$30 million loan amendment was initially recorded at US$19.3 million, comprised of its fair value of approximately US$22.6 million (representing the principal amount of the loan of US$27.5 million, less a US$4.9 million discount) and US$3.3 million of debt issuance costs (comprised primarily of the initial fair value of the 5,000,000 warrants). The combined carrying value of the CAD$68.8 million loan was translated to reflect the US/Canadian dollar exchange rate as at April 30, 2015. As described above, during the year ended April 30, 2015, we recognized interest of $2.4 million (2014 - $1.7 million), and accretion of the discount on the debt and debt issuance costs of $3.6 million (2014 - $2.0 million). We used significant judgment in determining whether Eastern was acting in the capacity of a shareholder or a provider of service. Based on discussions with Eastern, consideration of the terms of the arrangements between Eastern, Citibank and Resverlogix whereby Eastern provided its assets as collateral to Citibank in connection with a loan from Citibank to Resverlogix, and the risks and rewards associated therewith, we determined that Eastern was acting in the capacity of a shareholder in arranging the Letter of Credit; therefore, the debt discounts were recognized as contributed surplus.

Private Placement

On July 20, 2015, we closed a private placement with Hepalink and Eastern of 18,870,000 million units of Resverlogix at CAD $2.67 per unit for gross proceeds of CAD$50 million (US$39 million). Each unit was comprised of one common share and 0.075358 common share purchase warrant. Each warrant is exercisable for five years at an exercise price of $2.67.

Equity Distribution Agreement

In January 2012, we entered into an equity distribution agreement to sell up to 15 million ATM Shares (to a maximum of approximately $11.0 million by way of at-the-market distributions in Canada) and up to an additional 10 million common shares of Resverlogix at fixed prices to be determined in jurisdictions outside Canada. The number of ATM Shares sold on any trading day could not exceed 25% of the total trading volume of the common shares on that trading day. The EDA expired on November 13, 2013.

During the year ended April 30, 2015, pursuant to the EDA we issued nil (2014 – 5,053,300) common shares at an average price of $nil (2014 – CAD$1.02) per share for gross proceeds of $nil (2014 – CAD$5.2 million) and net proceeds of $nil (2014 – CAD$4.9 million) after deducting commissions of $nil (2014 – CAD$0.3 million). In total, we sold 5.3 million ATM Shares for gross proceeds of CAD$5.8 million.

Liquidity

We are a development stage company; our primary capital requirements relate to funding research and development activities, including preclinical and clinical trials, and for general working capital purposes. Our operations have been financed in recent years primarily through the sale of common shares or units consisting of common shares and warrants and the Citibank loan.

Our primary objective when managing capital is to ensure we have sufficient funds available to carry out our research, development and commercialization programs based, in part, on continuous monitoring.

As at April 30, 2015, we had $16.2 million of cash, $1.9 million of trade and other payables, $1.8 million of accrued interest and were committed to pay $0.4 million for research and development and $0.8 million of lease obligations over the following twelve months. Zenith agreed to pay us for its proportionate share of operating lease payments and operating costs for office and

laboratory premises of an estimated $0.4 million and $0.1 million, respectively, for the next twelve months. Our average monthly Cash Burn Rate, a non-IFRS measure as described on page 2 herein, for the year ended April 30, 2015 was $0.8 million. Our historical Cash Burn Rate is not indicative of our future Cash Burn Rate. Based on our planned business operations for the next year which reflect the commencement of a clinical trial, we expect our Cash Burn Rate to increase substantially.

We believe our cash, in combination with the proceeds from the private placement closed subsequent to April 30, 2015, will be sufficient to fund our contractual commitments and net working capital liability for at least the next year, and will be sufficient to fund all of our planned business operations for at least the next year. We may raise additional capital through other sources such as prospectus offerings and/or private placements.

We intend to perform additional human clinical trials. Such trials and regulatory approvals will require several years to complete. As such, we may not generate operating cash inflows in the foreseeable future, and we will require additional financial resources to ensure that we have sufficient capital to fund our long-term research, development and corporate activities. Our long-term capital requirements will depend on, among other considerations, whether we commence additional clinical trials, the size of any trials, and whether the trials are funded entirely by us or, partially or entirely, by a strategic partner.

We continuously investigate and assess financing alternatives and expect to be able to raise additional capital to fund our capital requirements. However, there is no assurance that initiatives to raise additional capital will be successful. If we are unable to raise additional capital, we may need to defer or discontinue some or all of our research and development activities.

During the year ended April 30, 2015, all of our treasury funds were invested in high interest deposit accounts.

Cash Flows Used By Operating Activities

Cash flows used in operating activities for the year ended April 30, 2015 totaled $8.5 million (2014 - $13.2 million), reflecting decreased research and development in the current period and changes in various components of our working capital including a $1.8 million increase in amounts due from Zenith. We believe Zenith's cash is not sufficient to fund its contractual obligations and net working capital liability for the next year, or sufficient to fund all of its planned business operations for the next year. However, based on our expectation that Zenith will be able to raise additional capital, we believe that amounts receivable from Zenith are recoverable.

Cash Flows from Financing Activities

During the year ended April 30, 2015, we completed a CAD$30 million loan amendment and a private placement where we issued 3.5 million common shares at CAD$0.65 per unit for gross proceeds of $2.1 million (CAD$2.3 million).

During the year ended April 30, 2015, 31,768 stock options were exercised for proceeds of CAD$0.05 million and 378,750 warrants were exercised for proceeds of CAD$0.8 million.

During the year ended April 30, 2014, pursuant to the EDA we issued 5,053,300 common shares at an average price of CAD$1.02 per share for gross proceeds of $4.9 million (CAD$5.2 million) and net proceeds of $4.6 million (CAD$4.9 million) after deducting commissions of $0.3 million (CAD$0.3 million).

During the year ended April 30, 2014, we also completed a private placement where we issued 1,765,307 units, representing 1,765,307 common shares and 529,592 warrants, at CAD$0.90 per unit for gross proceeds of $1.6 million (CAD$1.6 million). The warrants have an exercise price of CAD$0.90 per common share and expire on August 14, 2018.

During the year ended April 30, 2014, 16,730 stock options were exercised for proceeds of CAD$0.03 million and 48,775 warrants were exercised for proceeds of CAD$0.1 million.

During the year ended April 30, 2015, we paid interest of $1.7 million (2014 - $1.4 million) in connection with the long term debt with Citibank.

Cash Flows Used By Investing Activities

During the year ended April 30, 2015, we paid $1.05 million for the termination of the license agreement with Zenith, we also paid for additions to property and equipment and intangible assets (patent-related costs) totaled $0.8 million (2014 - $0.8 million). Pursuant to the Arrangement, on June 3, 2013 we advanced a non-repayable amount of CAD$10 million to Zenith. On November 1, 2013, we sold laboratory equipment and office furniture and equipment to Zenith for proceeds of $0.3 million. On March 17, 2014, we entered into a Waiver Agreement with RVX Therapeutics Inc.; in consideration for this waiver, RVX Therapeutics Inc. paid us $2.5 million in cash.

Contractual Obligations

The table below summarizes our contractual obligations related to research and development, by due date, as at April 30:

(in thousands of US dollars)	2015	2014
Less than one year	384	282
Between one and five years	-	-
More than five years	-	-
	384	282

The table below summarizes our contractual obligations related to operating leases for office and laboratory premises, by due date, as at April 30:

(in thousands of US dollars)	2015	2014
Less than one year	755	668
Between one and five years	1,642	1,891
More than five years	1,554	1,648
	3,951	4,207

Zenith agreed to pay us for its proportionate share of operating lease payments and operating costs for office and laboratory premises of an estimated $0.4 million and $0.1 million, respectively, for the next twelve months.

Significant Accounting Policies and Estimates

Note 4 to our consolidated financial statements for the year ended April 30, 2015 includes a summary of our significant accounting policies.

The preparation of financial statements requires management to use estimates and assumptions that they believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. These estimates and assumptions are subject to inherent risk of uncertainty and actual results may differ from these estimates and assumptions.

Significant estimates are used for, but not limited to, the measurement of the fair value of long-term debt and the fair value of the distribution and royalty preferred shares, share-based payment transactions, warrant liability and taxes.

New Standards and Interpretations Adopted

The Company has adopted the following new standards and amendments to standards, with a date of initial application of May 1, 2014:

Offsetting Financial Assets and Liabilities

An amendment to IAS 32 - *Offsetting Financial Assets and Liabilities,* (a) clarifies requirements for the right to set-off for rights that are contingent, and enforceability in default, insolvency or bankruptcy of all parties to a liability and (b) clarifies provisions on net settlement. The amendments to IAS 32 did not have a material impact on the consolidated financial statements.

Recent Accounting Pronouncements

The following are new IFRS pronouncements that have been issued, that are not yet effective, that have not been early adopted, and that may have an impact on us in the future, as discussed below.

Financial Instruments

On July 24, 2014 the IASB issued IFRS 9 *Financial Instruments* which replaced the classification and measurement requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for financial assets. This altered the options for valuing financial assets and proposed changes to how changes in certain financial liabilities are accounted for. The mandatory effective date is for periods beginning on or after January 1, 2018 and must be applied retrospectively. We intend to adopt IFRS 9 (2014) in our financial statements for the annual period beginning on May 1, 2018. The extent of the impact of adoption has not yet been determined.

Annual Improvements

The IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements released on December 12, 2013 to be implemented for periods beginning on or after July 1, 2014. These altered the definition of "vesting condition" in IFRS 2 *Share-based payment* which is to be applied prospectively to new grants; and "related party" in IAS 24 *Related Party Disclosures* which is to be applied retrospectively. We intend to adopt these amendments in our financial statement statements for the annual period beginning on May 1, 2015. We do not expect the amendments to have a material impact on our financial statements.

The IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements released on September 24, 2014 to be implemented for periods beginning on or after January 1, 2016. These included a clarification on IAS 34 *Interim Financial Reporting* that the disclosures required under the standard are to be included within the notes to the financial statements, or to be incorporated there by cross-reference, and is to be applied retrospectively. We intend to adopt these amendments in our financial statement statements for the annual period beginning on May 1, 2016. We do not expect the amendments to have a material impact on our financial statements.

Disclosure Initiative

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements to be implemented for periods beginning on or after January 1, 2016. The amendments made changes to clarify the objectives of disaggregation, materiality, and the ordering of notes in order to ensure that entities are able to use judgement when reporting financial results. We intend to adopt these amendments in our financial statement statements for the annual period beginning on May 1, 2016. We do not expect the amendments to have a material impact on our financial statements.

Off-Balance Sheet Arrangements

As of April 30, 2015, we have not entered into any off-balance sheet arrangements, other than operating leases.

Selected Annual Information for Three Years

	For the years ended April 30		
(in thousands of US dollars except as otherwise noted)	**2015**	2014	2013
Revenue	**-**	-	-
Net and total comprehensive (income) loss	**18,323**	(55,104)	43,355
Net (earnings) loss per share (basic and diluted) ($)	**0.22**	(0.69)	0.58
Assets (as at April 30)	**21,156**	3,026	20,496

Summary of Quarterly Results

The following is a summary of selected financial information derived from our unaudited interim consolidated financial statements for each of the eight most recently completed quarters.

	For the Three Months Ended			
(in thousands of US dollars except as otherwise noted)	**April 30, 2015**	January 31, 2015	October 31, 2014	July 31, 2014
Revenue	**-**	-	-	-
Total comprehensive income (loss)	**(19,949)**	(1,657)	(3,339)	6,622
Net earnings (loss) per share ($)				
- basic	**(0.23)**	(0.02)	(0.04)	0.08
- diluted	**(0.23)**	(0.02)	(0.04)	0.08

	For the Three Months Ended			
(in thousands of US dollars except as otherwise noted)	**April 30, 2014**	January 31, 2014	October 31, 2013	July 31, 2013
Revenue	**-**	-	-	-
Total comprehensive income (loss)	**369**	15,281	(1,925)	41,379
Net earnings (loss) per share ($)				
- basic	**0.00**	0.19	(0.02)	0.55
- diluted	**0.00**	0.19	(0.02)	0.53

Items that impact the comparability of quarterly results of operations include:

- The recognition of the gain on distribution associated with the spin out of RVX Therapeutics on June 3, 2013.
- The recognition of the gain on the waiver of our ApoA-I rights on March 17, 2014.
- The recognition of the loss on the termination of the License on January 31, 2015.
- Research and development was impacted by the particular stage of our various clinical trials during each particular quarter, specifically our SUSTAIN, ASSURE and pre-diabetes mellitus trials.
- Research and development was also impacted by the timing of costs related to our preclinical studies and chemistry.
- General and administrative costs were impacted by fluctuations associated with the recognition of compensation and related costs and costs associated with the spin out of RVX Therapeutics.
- Warrants issued pursuant to unit offerings with an exercise price denominated in a currency other than an entity's functional currency are remeasured to reflect the change in fair value as at the end of the reporting period, with changes in fair value recognized in the statement of comprehensive loss, resulting in volatility in quarterly income (loss).
- Royalty preferred shares are remeasured to reflect the change in fair value at the end of the reporting period, with changes in fair value recognized in the statement of comprehensive loss, resulting in volatility in quarterly income (loss).
- Share-based payments fluctuate from quarter to quarter based on the timing and fair value of stock option grants. Share-based payments are a non-cash expense.
- The recognition of foreign currency gains and losses resulting from fluctuations in Canadian denominated assets and liabilities (including our Canadian-denominated long-term debt) and Canadian / US dollar exchange rates.

Related Party Transactions

Under IFRS, a "related party" includes a member of the key management personnel (including any director). Compensation expenses paid to key management personnel were as follows:

(in thousands of US dollars)	**2015**	2014
Short-term benefits	**1,466**	2,639
Termination benefits	**-**	375
Equity-settled share-based payments	**496**	1,687
	1,962	4,701

Pursuant to the Assignment and Services Agreement dated June 3, 2013 and effective May 1, 2012 between us and RVX Therapeutics, RVX Therapeutics engaged us to perform research and administrative services on its behalf. As consideration for the services, RVX Therapeutics will pay us service fees for salary and other compensation related costs allocated to the services and reimbursable expenses incurred by us. In addition, pursuant to a Management Services Agreement dated June 3, 2013 between us and Zenith, Zenith engaged us to perform all management and administrative services pertaining to Zenith as are required. Zenith will pay us a management fee based on the cost of our personnel and the proportionate time worked on behalf of Zenith. We will also be reimbursed for general and administrative costs.

Effective January 1, 2015, we entered into a Services Agreement whereby Zenith supplies limited research services to us.

During the year ended April 30, 2015, we provided an aggregate of $1.1 million (2014 - $4.8 million) of service fees and reimbursable expenses, comprised of $0.4 million (2014 - $2.5 million) for research services, $0.5 million (2014 - $0.6 million) for administrative services, and $0.2 million (2014 - $1.7 million) of reimbursable expenses. As at April 30, 2015, Zenith owes us $2.0 million, against which no allowance has been booked (2014 - $0.2 million). This balance is payable on demand and non-interest bearing. On March 17, 2013 we entered into a Waiver Agreement with RVX Therapeutics Inc. In consideration for this waiver, RVX Therapeutics Inc. paid us $2.5 million in cash.

On January 31, 2015, we terminated the License in order to enhance our freedom to operate and pursue expanded indications. As consideration for the termination, we agreed to pay Zenith $1.05 million, the estimated fair value of the License. As a result, we recognized a $1.05 million loss as the expenditure does not meet the criteria for recognition as an intangible asset. The non-development covenant and right of first refusal granted by Zenith to us pursuant to the Waiver Agreement were not affected by the termination of the License.

Outstanding Equity Instruments

As at July 23, 2015, we had authorized an unlimited number of common shares and preferred shares and 75,202,620 royalty preferred shares.

	As at July 23, 2015	As at April 30, 2015	As at April 30, 2014
Common Shares	105,078,083	86,106,938	81,729,160
Warrants	12,338,237	10,644,482	8,381,222
Stock Options	3,931,836 (1)	3,771,936	3,859,970
Restricted Stock Units	929,021 (2)	577,131	855,235
Total	122,277,177	101,100,487	94,825,587
Royalty Preferred Shares	75,202,620	75,202,620	75,202,620

(1) 3,336,664 of 3,931,836 stock options are vested and exercisable
(2) 244,691 of 929,021 restricted stock units are vested

Additional information relating to our securities can be found in Note 15 to the consolidated financial statements for the year ended April 30, 2015.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

As at April 30, 2015, an evaluation of the effectiveness of our disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision and with the participation of management, including our President and Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"). Based on this evaluation, the CEO and CFO concluded that, as at April 30, 2015, the design and operation of our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports filed with, or submitted to, securities regulatory authorities were reported within the time frames specified under Canadian securities laws.

Internal controls over financial reporting is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls over financial reporting, no matter how well designed, have inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. Under the supervision and with participation of our CEO and CFO, management conducted an evaluation of the effectiveness of our internal controls over financial reporting. Based on this evaluation, our CEO and CFO concluded that internal controls over financial reporting were designed and operating effectively as at April 30, 2015, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

During the three months ended April 30, 2015, there were no changes in our internal controls over financial reporting that materially affected or are reasonably likely to materially affect the effectiveness of our internal controls over financial reporting.

Outlook

We are planning to conduct BETonMACE, a follow-on clinical trial in high risk CVD patients with diabetes. As discussed under "Phase 3 European Regulatory Approval" herein the primary endpoint of the BETonMACE trial is designed to show a RRR of MACE. Treatment will continue for up to 104 weeks. The study is an event-based trial and will continue until 250 MACE events, defined as CV death, non-fatal MI and stroke, have occurred.

Further analysis of data from the exploratory pre-diabetes mellitus trial beyond preliminary results reported will be performed and will include: HDL abundance, lipidomics, platelet aggregation, monocyte activation and neutrophil adhesion. We are planning to submit the above important findings and other new data to scientific journals for peer review prior to publication and presentation at leading medical conferences.

In respect of partnering, we continue discussions with potential pharma partners with the goal that RVX-208 may be further developed for a broad set of high risk clinical conditions.

We also continue to explore additional indications supported by the thinking that ApoA-I/HDL-raising strategies may have benefits beyond vascular disease. Epidemiological and mechanistic evidence also indicate a link between low ApoA-I/HDL and neurodegenerative diseases such as dementia and AD. We believe that our lead molecule RVX-208 and its ability to raising plasma ApoA-I/HDL by ApoA-I production has the potential to beneficially impact vascular dementia, mild cognitive impairment ("MCI") and AD. With leading experts on our neurodegenerative clinical and scientific advisory board providing input and guidance, we are moving towards a clinical trial in this therapeutic area, subject to funding.

Risks and Uncertainties

An investment in the Company should be considered highly speculative due to the nature of its activities and the stage of its development. 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. The risks and uncertainties set forth below are not the only ones we will face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business and operations and cause the price of the Common Shares to decline. If any of the following risks actually occur, our business may be harmed and our financial condition and results of operations may suffer significantly. In that event, the value of the Common Shares could decline and purchasers of the Common Shares may lose all or part of their investment. Readers should carefully consider the following risk factors in addition to the other information contained herein before investing in the Common Shares.

Risks Relating to Our Business

We are a development stage company. If we do not develop commercially successful products, we may be forced to cease operations.

We are in an early stage of development, which may require significant additional investment for research and development, manufacturing, clinical testing, and regulatory submissions prior to commercialization. Investors must evaluate our business in light of the uncertainties and complexities affecting a development stage biotechnology company and there can be no assurance that any such product will eventually be developed. Any product would be unsuccessful if it:

- does not demonstrate acceptable safety and efficacy in preclinical studies and clinical trials or otherwise does not meet applicable regulatory standards for approval;
- does not offer therapeutic or other improvements over existing drugs used to treat the same or similar conditions;
- is not capable of being produced in commercial quantities at an acceptable cost, or at all; or
- is not accepted by patients, the medical community or third party payors.

A commitment of substantial time and resources is required to conduct research and clinical trials if we are to complete the development of any product. We have not proven our ability to develop and commercialize products. It is not known whether any of these products will meet applicable health regulatory standards and obtain required regulatory approvals, or (i) whether such products can be produced in commercial quantities at reasonable costs and be successfully marketed, (ii) whether our products will achieve market acceptance, or (iii) if our investment in any such products will be recovered through sales or royalties. Problems

frequently encountered in connection with the development and utilization of new and unproven technologies and the competitive environment in which we operate might limit our ability to develop commercially successful products.

Results of early research and development may not be indicative of the results that will be obtained in later stages of research and development. If regulatory authorities do not approve the products or if regulatory compliance is not maintained, we would have limited ability to commercialize our products, and our business and results of operations would be harmed. We may fail to develop any products, to obtain regulatory approvals, to enter clinical trials, or to commercialize any products. If we are unable to make our product candidates commercially available, we will not generate product revenues, and we may be forced to cease operations.

We have a history of net losses. We expect to continue to incur substantial net losses for the foreseeable future, and we may never achieve or maintain profitability.

To date, we have not recorded any revenues from the sale of biopharmaceutical products, and have incurred significant net losses in each year since our inception. As at April 30, 2015, we had a deficit of US$248.2 million. We expect to incur substantial net losses and negative cash flow for the foreseeable future. Such losses have had, and will continue to have, an adverse effect on our shareholders' equity and working capital.

The process of developing and commercializing our products requires significant preclinical testing and clinical trials as well as regulatory approvals for commercialization and marketing before we could begin product sales. In addition, commercialization of our products would require us to establish a sales and marketing organization or contractual relationships to enable product manufacturing and other related activities. Because of the numerous risks and uncertainties associated with pharmaceutical product development and commercialization, we are unable to accurately predict the timing or amount of future expenses or when, or if, we will be able to achieve or maintain profitability. Currently, we have no products approved for commercial sale, and to date we have not generated any product revenue. We have financed our operations primarily through the sale of equity securities and a credit facility. The size of our future net losses will depend, in part, on the rate of growth or contraction of our expenses and the level and rate of growth, if any, of our revenues. We expect to incur losses unless and until such time as payments, if any, from corporate collaborations, product sales and/or royalty payments generate sufficient revenues to fund our continuing operations. Quarter to quarter fluctuations in revenues, expenses and losses are also expected. Even if we do achieve profitability, we may not be able to sustain or increase profitability on an ongoing basis.

We will need to raise additional capital in the future to fund our operations. If we cannot raise additional capital, we will have to delay, reduce or cease operations.

We will need to raise additional capital to fund our operations and to develop our products. We expect to attempt to raise additional funds through public or private equity or debt financing and/or from other sources. Our future capital requirements will be substantial and will depend on many factors, such as the following:

- the scope, rate of progress, results and costs of any clinical and preclinical programs;
- timing, costs and outcomes of regulatory proceedings;
- the cost and timing of developing sales and marketing operations or partnerships;
- payments received under any future partnerships;
- prosecution or defense of patent claims;
- the cost and timing of developing manufacturing capacity;
- costs associated with commercialization of our products; and
- competing technological and market developments, including the introduction by others of new therapies in our market.

As described under "Liquidity and Capital Resources", on July 20, 2015, we closed a CAD$50 million (US$39 million) private placement with Hepalink and Eastern.

We believe our cash as at April 30, 2015, in combination with cash received subsequent to April 30, 2015 from the private placement described above, is sufficient to fund our contractual commitments for at least the next year, and is sufficient to fund substantially all of our planned business operations for at least the next year. We may raise additional capital through private placements and/or prospectus offerings.

Further, changing circumstances may cause us to consume capital significantly faster or slower than we currently anticipate. We have based these estimates on assumptions that may prove to be wrong, and we could utilize our available financial resources sooner than we currently expect.

There can be no guarantee that we will be able to access capital markets in the future to fund our ongoing operations. If we cannot access capital markets in the future we may be forced to cease operations. Any financing transaction may contain unfavorable

terms. If we raise additional funds by issuing equity securities, our stockholders' equity will be diluted. If we raise additional funds through strategic partnerships, we may be required to relinquish rights to our products, or to grant licenses on terms that are not favorable to us.

Unstable market conditions may have serious adverse consequences on our business.

Our business strategy may be adversely affected by unpredictable and unstable market conditions. If the current equity and credit markets deteriorate it may make any necessary equity or debt financing more difficult, more costly, and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and stock price and could require us to delay or abandon clinical development plans. There is a risk that one or more of our current or future strategic partners may encounter difficulties during challenging economic times, which would directly affect our ability to attain our operating goals on schedule and on budget.

If our clinical trials fail to establish the safety and efficacy of our products, including RVX-208, we will not be able to commercialize our products.

Drug discovery and development has inherent risk and the historical failure rate is high. Failures in the HDL cholesterol market by some pharmaceutical companies have highlighted the risk of these types of therapies.

On June 27, 2013, we announced topline ASSURE data and that ASSURE did not meet its primary endpoint of a -0.6% change in PAV. However, on September 3, 2013 we announced the results of subgroup analysis of 281 treated patients in ASSURE. Current findings show that the subgroup with below median HDL (<39 mg/dL) baseline population consisted of 92 patients who were taking either rosuvastatin (Crestor®) or atorvastatin (Lipitor®) together with RVX-208. Those patients taking rosuvastatin and RVX-208 had a highly statistically significant PAV plaque regression of -1.43% with probability value of $p<0.002$ v.s. baseline. This PAV regression exceeded the trial's pre-specified PAV endpoint (-0.6%) by more than two-fold. But those patients taking atorvastatin (Lipitor®) together with RVX-208 had a PAV plaque progression of +0.19% with a non-significant probability value v.s. baseline.

To obtain regulatory approval to market and sell any of our products, we must satisfy the United States Federal Drug Administration ("FDA"), Health Canada's Therapeutic Products Directorate (the "TPD"), and other regulatory authorities, through extensive clinical trials and preclinical studies, that our products are safe and efficacious. If we 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.

We may not have conducted or may not conduct in the future the types of testing ultimately required by regulatory authorities, or future tests may indicate that our products are not safe for use in humans. Preclinical testing and clinical trials are expensive, can take many years and have an uncertain outcome. In addition, success in initial preclinical testing does not ensure that later preclinical testing or clinical trials will be successful. 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, which may require us to conduct additional preclinical testing or to abandon product candidates that we believed to be promising;
- the regulators may require that we hold, suspend or terminate clinical research for noncompliance with regulatory requirements;
- we, our potential partners, the FDA, the TPD 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 anticipated;
- the cost of our clinical trials may be greater than anticipated;
- our products may have unfavorable pharmacology, toxicology or carcinogenicity;
- our product candidates may cause undesirable side effects; and
- the supply or quality of our drugs or other materials necessary to conduct 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 goals for this and other drugs and, as a result, materially adversely affect our business, financial condition and results of operations.

We may be required to conduct additional clinical trials to address concerns that the use of our leading product, RVX-208, might increase the risk of liver injury. This may materially adversely affect our business, financial condition and results of operations.

In our Phase 2 ASSERT clinical trial, some patients had elevations in serum enzymes which are sensitive markers of liver injury; however other clinical laboratory tests indicate there was no impairment in liver function and patients were asymptomatic for liver injury. Most of these liver signals occurred between weeks five and ten with less occurrence between weeks ten and thirteen. In our subsequent Phase 2b clinical trials, SUSTAIN and ASSURE I, increases in ALTs were observed in a small group of patients. Those who had ALT elevations of 3X ULN all dosed through the trial which potentially illustrated adaptability to the drug. Those who had elevation greater than 5XULN, a high number of those patients had pre-existing liver condition such as hepatitis and took known agents that cause ALT elevations such as acetaminophen, clavulanic acid, diclofenac, and Augmentin. These increases were all observed within weeks 12 and 24 of the trial. Upon stopping RVX-208 ALT elevations returned to ULN quickly which further illustrates a lack of hepatotoxicity. We also performed the FDA's liver analysis tool ("eDISH") which further illustrated that there were no Hy's Law (elevated ALT and total bilirubin) cases. With these learnings, we believe that the current therapeutic regimen can be safe with regard to effects on the liver. However, if further tests were to determine such risk did exist, the FDA may require us to conduct additional clinical trials to address these concerns prior to receiving FDA or foreign regulatory approval for RVX-208. These clinical trials would be expensive and could delay any commercialization of RVX-208. Adverse results in these trials could delay or prevent commercialization of RVX-208 or could jeopardize existing development in other indications.

If our testing assumptions are incorrect our products may not be approved for marketing.

The design of our clinical trials is based on many assumptions about the expected effect of our product candidates. If those assumptions prove incorrect, the clinical trials may not produce statistically significant results. We cannot assure you that the design of, or data collected from, the clinical trials of our product candidates will be sufficient to support the FDA and foreign regulatory approvals.

We are dependent on third parties to conduct our clinical trials and to provide services for certain important aspects of our business. If these third parties do not perform as contractually required or expected, we may not be able to obtain regulatory approval for our products, or we may be delayed in doing so.

We rely on third parties, such as contract research organizations, medical institutions, academic institutions, independent clinical investigators and contract laboratories, to conduct our clinical trials and preclinical studies, and we 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. As a result, many important aspects of our product development are outside our direct control. We are responsible for confirming that our preclinical studies are conducted in accordance with applicable regulations and that each of our clinical trials is conducted in accordance with its general investigational plan and protocol. The FDA requires us to comply with regulations and standards, commonly referred to as good laboratory practices, or GLP, for conducting and recording the results of our preclinical studies and good clinical practices for conducting, monitoring, recording and reporting the results of clinical trials, to assure that data and reported results are accurate and that the clinical trial participants are adequately protected. Our reliance on third parties does not relieve us of these responsibilities. If the third parties conducting our clinical trials do not perform their contractual duties or obligations, do not meet expected recruitment or other deadlines, fail to comply with the FDA's good clinical practice regulations, do not adhere to our clinical trial protocols or otherwise fail to generate reliable clinical data, development, approval and commercialization of our products, including RVX-208, may be extended, delayed or terminated or may need to be repeated, and we may not be able to obtain regulatory approval.

We do not currently own or operate manufacturing facilities for clinical or commercial production of the active pharmaceutical ingredient, or API, used in RVX-208. As a result, we rely on third parties to supply the API. We expect to continue to depend on third parties to supply the API for our lead product candidate and any additional product candidates we develop in the foreseeable future. An API manufacturer must meet high precision and quality standards for that API to meet regulatory specifications and comply with regulatory requirements. A contract manufacturer's failure to comply with applicable regulations and requirements could result in refusal to approve or a delay in approval of RVX-208 or other product candidate. We are ultimately responsible for confirming that the APIs used in our product candidates are manufactured in accordance with applicable regulations. Furthermore, if our third party drug suppliers fail to achieve and maintain high manufacturing standards in compliance with applicable regulations, we could be subject to certain product liability claims in the event such failure to comply resulted in defective products that caused injury or harm.

We rely on partnerships and strategic relationships for our success. The failure to successfully collaborate with third parties may delay, prevent or otherwise impair the development or commercialization of our products or revenue expectations.

As a result of the costs associated with commercializing a product candidate we seek strategic partnerships with corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing and commercialization of our products, and we intend to attract corporate partners and enter into additional research

collaborations. Our goal is to partner RVX-208 so that it may be developed for clinical conditions. There can be no assurance, however, that such collaborations will be established, that such collaborations will be established on favourable terms, if at all, or that future collaborations will be successful. In particular, 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 our products may result in our 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, and this may materially adversely affect our business, financial condition and results of operations.

Should a collaborative partner fail to develop, manufacture, or commercialize successfully any product to which it has rights, or any partner's product to which we 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 our competitors, as a means for developing treatments for the diseases targeted by our programs.

Furthermore, we 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 us. We 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. We may also be obligated to make royalty payments on the sales, if any, of products resulting from licensed technology and, in some instances, are responsible for the costs of filing and prosecuting patent applications.

We face significant competition in seeking appropriate strategic partners, and these strategic partnerships can be intricate and time consuming to negotiate and document. We may not be able to negotiate additional strategic partnerships on acceptable terms, or at all. We are unable to predict when or if we will enter into any additional strategic partnerships because of the numerous risks and uncertainties associated with establishing strategic partnerships. If we are unable to negotiate additional strategic partnerships for our products, we may be forced to delay or terminate development or commercialization of one or more of our products. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us.

If we enter into partnerships or other strategic relationships, we may lose important rights to and control over the development of our products.

As a result of the costs and risks associated with commercializing a product we will seek strategic partnerships in order to continue to develop and, if approved, market our products. Such strategic partnerships may require us to relinquish control over the timing and manner of clinical trials and commercialization of our products. Strategic partners may experience financial difficulties or choose to terminate the arrangement or independently work on a competing product resulting in the delay or discontinuation of development or commercialization of our product candidates. Furthermore, disputes may arise between us and our strategic partners that result in the delay or termination of the research, development or commercialization of our product candidates or that result in costly litigation or arbitration that diverts management's attention and consumes resources. Strategic partners may not properly maintain or defend our intellectual property rights or may use our proprietary information in a manner that could jeopardize or invalidate our proprietary information or expose us to potential litigation.

We may not receive the full payment of all milestone or royalty payments pursuant partnerships or strategic relationships.

We may enter into license agreements and other forms of agreements with third parties regarding the development and commercialization of our products. These agreements generally require that the third party pays to the Company certain amounts upon the attainment of various milestones and possibly include royalties on the sale of the developed product. There can be no guarantee that we will receive the payments described in those agreements since the development of the products may be cancelled if clinical trials do not yield positive results. Under such circumstances, the Company would not receive royalties as well. Even if the development of a product yields positive results, all of the risks described herein with respect to the obtaining of regulatory approval and market acceptance of the product are applicable. Finally, if there occurs a disagreement between the Company and the third party, the payment relating to the attainment of milestones or of royalties may be delayed. The occurrence of any of these circumstances could have a material adverse effect on the Company's financial condition and operating results.

If our products fail to achieve market acceptance for any reason, such failure may materially adversely affect our business, financial condition and results of operations.

There can be no assurance that any of our products, if approved for marketing, will achieve market acceptance. If our products, once approved, do not receive market acceptance for any reason, it will adversely affect our business, financial condition and results of operations. The degree of market acceptance of any products we develop will depend on a number of factors, including:

- the clinical efficacy and safety of our products;
- our products' potential advantages over existing and future treatment methods;
- the price of our products; and
- reimbursement policies of government and third-party payers, including hospitals and insurance companies.

If after we obtain regulatory approval to sell our products, physicians, and healthcare payors fail to adopt our products or conclude that our products are not safe and effective, physicians could choose not to use them to treat patients. Our competitors may also develop new technologies or products which are more effective or less costly, or that seem more cost-effective than our products.

In addition, regulations affecting the pricing of pharmaceutical products may change in ways adverse to us. While we cannot predict the likelihood of any regulatory proposals, if a government agency were to adopt proposals limiting market or third-party payor pricing for pharmaceutical products, it could materially adversely affect our business, financial condition and results of operations.

We cannot be certain that we will ever obtain regulatory approvals in Canada, the United States, or other countries. The failure to obtain such approvals may materially adversely affect our business, financial condition and results of operations.

Biotechnology, medical device and pharmaceutical companies operate in a high-risk regulatory environment. The study, manufacture and sale of products are governed by numerous statutes and regulations in the United States, Canada and other countries. We are required to obtain various regulatory approvals prior to being able to study, commercialize and distribute our products. The regulatory review and approval process required to perform a clinical study in Canada, the United States and other countries includes evaluation of preclinical studies and clinical studies, as well as the evaluation of our manufacturing process. This process is complex, lengthy, expensive, resource intensive and uncertain. Securing regulatory approval to market our products also requires the submission of extensive preclinical and clinical data, manufacturing information regarding the process and facility, scientific data characterizing our product and other supporting data to the regulatory authorities in order to establish its safety and effectiveness. We, or our collaborators, may fail to obtain the necessary approvals to commence or continue preclinical or clinical testing of our product candidates, including RVX-208, or to manufacture or market our products in reasonable time frames, if at all.

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 our ability to develop our products. Many of the products and processes that are being currently developed by us 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 we attempt to develop 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 us or by the FDA, the TPD or foreign regulatory authorities if it is determined that the subjects or patients are being exposed to unacceptable risks. We may encounter delays or rejections based on varying regulatory interpretations or changes in regulatory agency policies, during the period in which we develop a product.

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 we 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. We have limited experience in filing and pursuing applications necessary to gain these regulatory approvals.

The approval procedures vary among countries and can involve additional product testing and administrative review periods. The time required to obtain approval in various countries vary from one another. Approval in one country does not ensure approval by the regulatory authorities of other countries. The failure to obtain such approvals may materially adversely affect our business, financial condition and results of operations.

Regulatory authorities may not approve our products even if they meet safety and efficacy endpoints in clinical trials.

The FDA, the TPD and other foreign regulatory agencies can delay, limit or deny marketing approval for many reasons, including finding a product may not be considered safe and effective; the manufacturing processes or facilities may not meet applicable requirements; or changes in approval policies or regulations. Our product candidates may not be approved even if they achieve their

endpoints in clinical trials. Regulatory agencies, including the FDA, or their advisors may disagree with our trial design and our interpretations of data from preclinical studies and clinical trials. Regulatory agencies may change requirements for approval even after a clinical trial design has been approved. Regulatory agencies also may approve a product candidate for fewer or more limited indications than requested or may grant approval subject to the performance of post-marketing studies. In addition, regulatory agencies may not approve the labeling claims that are necessary or desirable for the successful commercialization of our product candidates.

Our products will remain subject to ongoing regulatory review even if they receive marketing approval. If we fail to comply with continuing regulations, we could lose these approvals, and the sale of any future products could be suspended.

In the event we receive regulatory approval to market a particular product candidate, United States, Canadian or other foreign regulatory authority could condition approval on conducting additional costly post-approval studies or could limit the scope of approved uses. In addition, the product may later cause adverse effects that limit or prevent its widespread use, force us to withdraw it from the market or prevent or delay our ability to obtain regulatory approvals in additional countries. In addition, we will continue to be subject to regulatory review and periodic inspections to ensure adherence to applicable regulations. After receiving marketing approval, the FDA imposes extensive regulatory requirements on the manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion and record keeping related to the product. Failure to comply with the regulatory requirements could result in:

- civil or criminal penalties or fines;
- injunctions;
- product seizures, detentions or import bans;
- voluntary or mandatory product recalls and publicity requirements;
- suspension or withdrawal of regulatory approvals; and
- refusal to approve pending applications for marketing approval of new drugs or supplements to approved applications.

We may be subject to product liability claims if our products harm people, and we do not have product liability insurance.

The manufacture and sale of pharmaceutical products involve an inherent risk of product liability claims and associated adverse publicity. We have entered into human clinical trials that involve inherent risks in the testing of unproven products. We currently have only clinical trial liability insurance for our products; we do not have product liability insurance. We do not know if we will be able to maintain existing or obtain additional clinical trial liability insurance or obtain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. This type of insurance is expensive and may not be available on acceptable terms. If we are unable to obtain or maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential clinical trial and product liability claims, we may be unable to commercialize our products. A successful clinical trial liability or product liability claim brought against us in excess of our insurance coverage, if any, may require us to pay substantial amounts. This could have a material adverse effect on our business, financial condition and results of operations.

The pharmaceutical industry is extremely competitive. If our competitors develop and market products that are more effective, safer or less costly than any future products that we may develop, our commercial opportunity will be reduced or eliminated.

The technological competition we face from new and established 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. 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 we intend to develop. Our commercial opportunity will be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer side effects or are less expensive than any future products that we may develop and commercialize. In addition, significant delays in the development of our product candidates could allow our competitors to bring products to market before us and impair our ability to commercialize our product candidates. Research and development by others may render our technology or products obsolete or noncompetitive or produce treatments or cures superior to any therapy developed or to be developed by us.

We anticipate that, if approved for the reduction of MACE in cardiovascular / atherosclerotic disease, RVX-208 would be positioned to be used in conjunction with leading standard of care statin treatments such as Lipitor and Crestor to further reduce major adverse cardiac events such as myocardial infarction, stroke and death and potentially compete with other therapeutic programs in development, such as, the LDL reduction programs (PCSK9), peptide programs, ApoA-I infusion treatments, delipitated HDL programs and cholesteryl transfer protein ("CETP") inhibitors.

We anticipate that, if RVX-208 is approved for reduction of CVD risk and MACE and it improves other biomarkers such as eGFR and ALP, RVX-208 would potentially compete with, or be added to, novel and existing CKD products in clinical development.

We anticipate that, if approved for neurodegenerative disorders, including mild cognitive impairment / AD / dementia, RVX-208 would potentially be used in conjunction with standard of care therapies such as Aricept to improve therapeutic outcomes and/or compete with other agents and novel approaches to this disease such as small molecules, Namenda and PBT2, and monoclonal antibody technologies ("MOABs") such as Bapineuzumab.

We anticipate that, if approved for reduction of CVD risk and MACE in diabetes mellitus patients, RVX-208 would potentially be a complimentary agent added to standard of care diabetes mellitus agents in clinical development.

Many of our competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Established pharmaceutical companies may invest heavily to discover quickly and develop novel compounds or drug delivery technology that could make our product candidates obsolete. Smaller or early stage companies may also prove to be significant competitors, particularly through strategic partnerships with large and established companies. In addition, these third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies and technology licenses complementary to our programs or advantageous to our business. Accordingly, our competitors may succeed in obtaining patent protection, receiving FDA approval or discovering, developing and commercializing products before we do. If we are not able to compete effectively against our current and future competitors, our business will not grow and our financial condition will suffer.

We are dependent upon retaining and attracting key personnel and others, the loss of which could materially adversely affect our business, financial condition and results of operations.

We depend on certain members of our management and scientific staff, the loss of whose services might significantly delay or prevent the achievement of research, development or business objectives and would materially adversely affect our business, financial condition and results of operations. We do not have employment agreements with any of our senior management that would prevent them from leaving us. In addition, our success depends, in large part, on our ability to improve our management systems and attract and retain qualified management, scientific and medical personnel, and on our ability to develop and maintain important relationships with commercial partners, leading research institutions and key distributors. We face intense competition for such personnel and relationships. We cannot assure that we will attract and retain such persons or maintain such relationships. In addition, failure to succeed in clinical trials may make it more challenging for us to recruit and retain qualified scientific personnel.

We may not be able to attract, train and retain a sufficient number of qualified employees to maintain and grow our business.

We expect that our potential expansion into areas and activities requiring additional expertise, such as further clinical trials, governmental approvals, manufacturing, sales, marketing and distribution will place additional requirements on our management, operational and financial resources. We expect these demands will require an increase in management and scientific personnel and the development of additional expertise by existing management personnel. There is currently aggressive competition for employees who have experience in technology and engineering. The failure to attract and retain such personnel or to develop such expertise could materially adversely affect our business, financial condition and results of operations.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information. Disclosure of this information may materially adversely affect our business, financial condition and results of operations.

We rely on trade secrets, which we seek to protect, in part, through confidentiality and non-disclosure agreements with our employees, collaborators, suppliers, and other parties. There can be no assurance that these agreements will not be breached, that we would have adequate remedies for any such breach or that our trade secrets will not otherwise become known to or independently developed by our competitors. We might be involved from time to time in litigation to determine the enforceability, scope and validity of our proprietary rights. Any such litigation could result in substantial cost and divert management's attention from our operations.

We may need to implement additional finance and accounting systems, procedures and controls in the future as we grow and to satisfy new reporting requirements.

As we grow we may access capital markets more broadly which could require us to implement additional finance and accounting systems along with enhanced internal control systems. This will result in increased costs to us as we continue to undertake efforts to comply with best practices and applicable rules and requirements applicable to public companies. These rules may make it more difficult and costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage as compared

to the polices previously available to public companies. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or our board committees or as executive officers. In addition, we may need to hire additional legal and accounting staff with appropriate experience and technical knowledge, and we cannot assure that if additional staffing is necessary that we will be able to do so in a timely fashion.

Our products may not be eligible for reimbursement from government or private third-party payors, or may be eligible for reimbursement at lower prices than we currently anticipate, which could materially adversely affect our business, financial condition and results of operations.

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

In light of these market changes in drug development, pricing of drug therapies has come under significant pressure with government authorities and private health insurers around the world. The top current leading reimbursed markets; USA, Japan, Germany, UK, France, Spain, Italy, and Canada, have implemented healthcare reforms that focus specifically on value and reimbursement. Reforms such as reference based pricing, pharmacoeconomics, and numbers needed to treat are a few of the many instruments that healthcare organizations utilize to ensure maximum value for reimbursed therapeutics. Healthcare reform is underway in these top global markets and there is additional uncertainty about the viability of current pricing methodologies for reimbursement. There can be no assurance that adequate third-party coverage will be available to establish price levels which would allow us to realize an acceptable return on our investment in product development. If we cannot realize an acceptable return on our investment in product development we may need to delay or cease our product development.

We have been advanced funds under our loan agreement with Citibank and we must repay such funds when they become due and payable.

Under our loan agreement with Citibank, Citibank advanced to us a total of CAD$68.8 million in August 2012, March 2013, and August 2014. We are required to pay annual interest payments on the funds advanced to us under the loan agreement and to repay the loan in full by August 2017. Our ability to repay our indebtedness to Citibank under the loan agreement when principal and interest payments are due and payable will depend upon our available capital resources at such time. If we do not have sufficient capital resources to make such payments, we may need to seek additional funding through public or private equity or debt financing, or we may be required to divert capital that would otherwise have been used for research or development projects, which could adversely affect our business, financial condition, prospects and results of operations.

Failure to repay our indebtedness could result in a loss of our intellectual property.

If we are unable to repay amounts owing under the loan agreement with Citibank, Citibank could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness. The collateral consists of a CAD$68.8 million Standby Letter of Credit arranged by Eastern Capital Limited. We agreed to indemnify Eastern Capital Limited for all liabilities, costs and expenses arising from any payments made to Citibank under the Standby Letter of Credit and we have pledged our patents and certain tax losses and pools to Eastern as security for our obligations under the indemnity. In the event that we are unable to satisfy any indemnity obligation to Eastern, Eastern would be entitled to foreclose or otherwise realize upon our patents and certain tax losses and pools to satisfy the indemnity obligation.

Variations in interest rates could adversely affect our financial condition.

Our indebtedness under the loan agreement with Citibank is at variable rates of interest and exposes us to interest rate risk. If interest rates increase, our debt service obligations on the indebtedness and our net loss both would increase and our cash flows would decrease.

It may be difficult or impossible for U.S. investors to enforce judgments against us, our directors or our officers in Canada.

We were formed under the laws of the Province of Alberta. Some of the members of our board of directors and our officers are residents of countries other than the United States. As a result, it may be impossible for U.S. investors to affect service of process within the United States upon us or these persons or to enforce against us or these persons any judgments in civil and commercial matters, including judgments under U.S. federal or state securities laws. In addition, a Canadian court may not permit U.S. investors to bring an original action in Canada or to enforce in Canada a judgment of a state or federal court in the United States.

Risks Relating to our Intellectual Property

We may not accurately predict the protection afforded by our patents and proprietary technology and if our predictions are wrong, this may materially adversely affect our business, financial condition and results of operations.

Our success will depend in part on our ability to obtain, maintain, and enforce patent rights, maintain trade secret protection and operate without infringing the proprietary rights of third parties, both domestically and internationally.

Our patent positions are highly uncertain, and any future patents we receive for our potential products will be subject to this uncertainty, which may adversely affect our business, financial condition and results of operations. There can be no assurance that pending patent applications will be allowed and that we 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 us. In addition, we 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 us. If such licenses are not obtained we could encounter delays in introducing one or more of our products to the market, while we attempt to design around such patents, or could find that the development, manufacturing or sale of products requiring such licenses could be foreclosed. In addition, we could incur substantial costs in defending suits brought against us on such patents or in suits in which we attempt to enforce our own patents against other parties. Such disputes could involve arbitration, litigation or proceedings declared by the United States 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 we not prevail, could seriously harm our business. With respect to any infringement claim asserted by a third party, we can give no assurances that we will be successful in the litigation or that such litigation would not have a material adverse effect on our business, financial condition and results of operation.

Until such time, if ever, that patent applications are filed and/or approved, our ability to maintain the confidentiality of the described technology may be crucial to our ultimate possible commercial success. While procedures have been adopted to protect the confidentiality of our 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 we can meaningfully protect our rights to our trade secrets.

Even if valid and enforceable patents cover our products and technologies, such patents will provide protection only for a limited amount of time.

Even if patents are issued regarding our product candidates or methods of using them, those patents can be challenged by our competitors who can argue that our patents are invalid and/or unenforceable. Third parties may challenge our rights to, or the scope or validity of, our patents. Patents also may not protect our products if competitors devise ways of making these or similar product candidates without legally infringing our patents. The Federal Food, Drug and Cosmetic Act and the FDA regulations and policies provide incentives to manufacturers to challenge patent validity or create modified, non-infringing versions of a drug or device in order to facilitate the approval of generic substitutes. These same types of incentives encourage manufacturers to submit new drug applications that rely on literature and clinical data not prepared for or by the drug sponsor.

We also rely on trade secrets to protect our technology, especially where we do not believe that patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. The employees, consultants, contractors, outside scientific collaborators and other advisors of our company and our strategic partners may unintentionally or willfully disclose our confidential information to competitors. Enforcing a claim that a third party illegally obtained and is using our trade secrets is expensive and time consuming and the outcome is unpredictable. Failure to protect or maintain trade secret protection could adversely affect our competitive business position.

Our research and development collaborators may have rights to publish data and other information in which we have rights. In addition, we sometimes engage individuals or entities to conduct research that may be relevant to our business. The ability of these individuals or entities to publish or otherwise publicly disclose data and other information generated during the course of their

research is subject to certain contractual limitations. These contractual provisions may be insufficient or inadequate to protect our trade secrets and may impair our patent rights. If we do not apply for patent protection prior to such publication or if we cannot otherwise maintain the confidentiality of our technology and other confidential information, then our ability to receive patent protection or protect our proprietary information may be jeopardized.

Litigation or other proceedings or third party claims of intellectual property infringement could require us to spend time and money and could shut down some of our operations.

Our commercial success depends in part on not infringing patents and proprietary rights of third parties. Others have filed, and in the future are likely to file, patent applications covering products that are similar to our product candidates, as well as methods of making or using similar or identical products. If these patent applications result in issued patents and we wish to use the claimed technology, we would need to obtain a license from the third party. We may not be able to obtain these licenses at a reasonable cost, if at all.

In addition, administrative proceedings, such as interferences and reexaminations before the U.S. Patent and Trademark Office, could limit the scope of our patent rights. We may incur substantial costs and diversion of management and technical personnel as a result of our involvement in such proceedings. In particular, our patents and patent applications may be subject to interferences in which the priority of invention may be awarded to a third party. We do not know whether our patents and patent applications would be entitled to priority over patents or patent applications held by such a third party. Our issued patents may also be subject to reexamination proceedings. We do not know whether our patents would survive reexamination in light of new questions of patentability that may be raised following their issuance.

We may be subject to claims for intellectual property infringement from former employers of our key employees, which could result in loss of intellectual property, our key employees or both.

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

Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. If we fail in defending such claims, in addition to paying money claims, we 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, financial condition and results of operations.

Risks Relating to Owning our Common Shares

Our share price has been and may continue to be extremely volatile. It may be difficult to resell our common shares.

The market price of our common shares has fluctuated substantially in the past, including subsequent to our June 27, 2013 announcement concerning our Phase 2b ASSURE clinical trial, and could fluctuate substantially in the future. During the twelve months preceding April 30, 2015, the closing market price of our common shares ranged from CAD$0.42 to CAD$3.00 per share. In addition, the trading prices of life science and biotechnology company stocks in general have experienced extreme price fluctuations in recent years. The valuations of many life science companies without consistent product revenues and earnings are high based on conventional valuation standards, such as price to revenue ratios. These trading prices and valuations may not be sustained. Any negative change in the public's perception of the prospects of life science or biotechnology companies could depress our stock price regardless of our results of operations. In addition our stock may fluctuate based on a variety of factors, including actual or anticipated regulatory approvals or disapprovals of our products or competing products, actual or anticipated results and timing of our clinical trials, changes in the expected or actual timing of our development programs, changes in our operating results, conditions or trends in the life science and biotechnology industries, announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments, additions or departures of key personnel, sales and distributions of our common shares by us or our shareholders, changes in general conditions in the economy or other developments affecting us, our clients, or our competitors, some of which may be unrelated to our performance.

Among other things, volatility in our share price could mean that investors will not be able to sell their shares at or above prices at which they were acquired. The volatility also could impair our ability in the future to offer common stock as a source of additional capital. In addition, in the past, stockholders have often instituted securities class action litigation after periods of volatility in the market price of a company's securities. If a stockholder files a securities class action suit against us, we would incur substantial legal fees, and our management's attention and resources would be diverted from operating our business in order to respond to the litigation.

If we sell common shares in the future, existing common shareholders will experience immediate dilution and our stock price may decrease.

We will need to raise additional capital to fund our operations and to develop our products. We will likely raise such additional capital through the sale of our common shares and/or warrants from time to time. Any such financing transaction will result in our existing common shareholders experiencing immediate dilution.

If our estimates regarding timing of milestones are incorrect our share price may decrease.

For planning purposes, we estimate and may disclose timing of a variety of clinical, regulatory and other milestones. 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, obtain access to clinical sites as expected or obtain approval from regulatory bodies such as the FDA to enter into trials. If we do not achieve milestones consistent with investors' expectations, the price of our shares would likely decline.

We do not currently intend to pay dividends on our common shares and, consequently, investors' ability to achieve a return on investment will depend on appreciation in the price of our common shares.

We have not to date paid any dividends on our Common Shares. We currently intend to invest our future earnings, if any, to fund the development and growth of our business. The payment of dividends will be at the discretion of our board of directors and will depend on our results of operations, capital requirements, financial condition, future prospects, contractual arrangements, restrictions imposed by applicable law, any limitations on payments of dividends present in any debt agreements we may enter into and other factors our board of directors may deem relevant. If we do not pay dividends, your ability to achieve a return on your investment in the Company will depend on any future appreciation in the market price of our common shares. There is no guarantee that our Common Shares will appreciate in value or even maintain the price at which our holders have purchased their Common Shares.

Additional Information

Additional information relating to Resverlogix, including our Annual Information Form, can also be found on SEDAR at www.sedar.com.