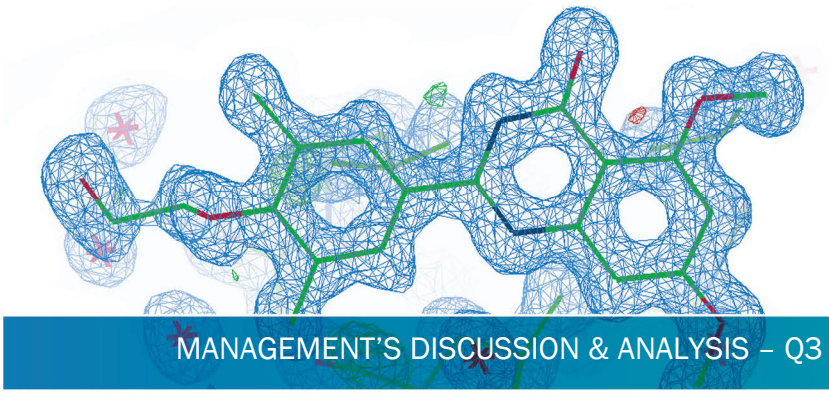

RESVERLOGIX

MANAGEMENT'S DISCUSSION & ANALYSIS – Q3 2014 (January 31, 2014)

This Management's Discussion and Analysis ("MD&A") of Resverlogix Corp.'s operations and financial position should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto for the three and nine months ended January 31, 2014 and 2013 and the audited consolidated financial statements and the notes thereto and the Management's Discussion and Analysis for the years ended April 30, 2013 and 2012. 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. 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 that inhibits Bromodomain and ExtraTerminal Domain ("BET") proteins (or "bromodomains") which increases Apolipoprotein A-I ("ApoA-I") production and high density lipoprotein ("HDL") functionality to enhance reverse cholesterol transport ("RCT"); our plans to establish RVX-208 for ApoA-I production and treatment of clinical conditions; our belief that our human clinical trials will provide an understanding of the drug properties in humans through analysis of coronary plaque atheroma, safety, pharmacokinetics and RCT markers; 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; our expectation that we will be able to raise additional capital through external financing or partnering to provide additional funds for our programs; the conduct of the ASSURE and our pre-diabetes mellitus clinical trials and the timing of significant milestones relating thereto; and our expectation that our Cash Burn Rate will decline significantly in the near term.

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 preclinical studies and 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 intellectual property, 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 16 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 6 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 compounds involving ApoA-I production. Our RVX-208 is a first-in-class small molecule being developed for the treatment of clinical conditions including atherosclerosis, Diabetes Mellitus and Alzheimer's disease. RVX-208 is the first BET bromodomain inhibitor in clinical trials.

Highlights

Scientific Developments

Phase 2b SUSTAIN Clinical Trial

176 patients with established atherosclerotic cardiovascular disease ("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 high density cholesterol ("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 high-density lipoprotein ("HDL") particles (statistical significance of p=0.002). ApoA-I and HDL are both believed to be important factors in enhancing reverse cholesterol transport ("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.

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

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 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 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. Current findings show 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. 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. The synergistic effect of the Rosuvastatin and RVX-208 combination is the basis for two recent provisional patent applications by Resverlogix.

Ongoing analysis is providing important insights into why the ASSURE topline results did not meet its primary endpoint of PAV change of -0.6%. Third party analysis of the ASSURE data showed that Rosuvastatin enhanced the actions of RVX-208 leading to synergistic treatment effects on reductions of PAV and other atheroma markers.

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 total atheroma volume (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: HDLc, 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 the ongoing analysis of 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 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 percent atheroma volume (PAV), total atheroma volume (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. 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 new observation arises 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 events. Continued analysis of the ASSURE data will not only broaden our understanding but also provide a clear pathway for our future clinical trials of RVX-208.

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 is being conducted in collaboration with Baker IDI Heart & Diabetes Institute in Melbourne, Australia. Enrollment of this trial was completed in December 2013 and data is expected in the first half of 2014.

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. 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%. 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$38.8 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. We are in compliance with the provisions of the Loan Agreement. On August 27, 2013, we paid the annual interest payment of CAD$1.5 million, and are in compliance with all of 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, 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 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 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.

We will continue to focus on the clinical development of RVX-208, whereas Zenith through its subsidiary RVX Therapeutics will focus on drug research and development by leveraging its epigenetics platform in multiple diseases including autoimmune and oncology, excluding ApoA-I and RVX-208 technology.

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 Resverlogix warrant holder at the effective date of the Arrangement received one warrant in Zenith for every warrant held in Resverlogix. The exercise prices of all outstanding warrants in the Company were reduced by approximately 9.1%, and the exercise price of each warrant in Zenith was calculated as approximately 9.1% of the exercise price of each corresponding warrant 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.

Pursuant to the Arrangement, we advanced CAD$10 million 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' assets and liabilities which were distributed to the Company's shareholders 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, and liabilities held for distribution were comprised of trade and other payables of $1,416.

Amended and Restated License Agreement

On June 3, 2013, RVX Therapeutics and Resverlogix entered into an Amended and Restated License Agreement (the "Amendment"), effective January 31, 2013, which amended a License Agreement dated August 1, 2005. Pursuant to the License Agreement, Resverlogix granted an irrevocable, 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, RVX Therapeutics shall pay Resverlogix a royalty from 1% to 5% of gross amounts received by RVX Therapeutics 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.

Waiver Agreement

On March 17, 2014, Resverlogix and RVX Therapeutics Inc. entered into a Waiver Agreement whereby Resverlogix agreed to waive its right under the Amended and Restated License Agreement dated June 3, 2013 (the "License Agreement") to license any method or pharmaceutical agent within the scope of certain Licensee Patents owned or controlled by RVX Therapeutics Inc. that may be determined to come within the ApoA-I Therapeutic Field (as defined in the License Agreement), and RVX Therapeutics Inc. agreed not to develop any patents and/or compounds for any indication within the ApoA-I Therapeutic Field for a period of five years. RVX Therapeutics Inc. agreed to pay 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.

Results of Operations for the Three and Nine Months Ended January 31, 2014 and 2013

	Three months ended January 31,		Nine months ended January 31,	
(in thousands of US dollars unless otherwise noted)	**2014**	2013	**2014**	2013
Expenses	**$ 1,866**	$ 8,345	**$ 11,112**	$ 25,232
Financing (income) costs	**(17,153)**	4,468	**(52,229)**	5,806
Gain on distribution	**-**	-	**(13,650)**	-
Loss before income taxes	**(15,287)**	12,813	**(54,767)**	31,038
Income taxes	**6**	7	**33**	38
	(15,281)	12,820	**(54,734)**	31,076
Net loss per share				
Basic and diluted	**$ (0.19)**	$ 0.17	**$ (0.69)**	$ 0.42

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) and May 1, 2012 through January 31, 2013, respectively.

Cash Burn Rate

The average monthly Cash Burn Rate, a non-IFRS measure as described on page 2 herein, for the three and nine months ended January 31, 2014 was $0.5 million and $1.1 million, respectively (2013 - $2.6 million and $2.7 million, respectively). The decrease was primarily attributable to the completion of SUSTAIN and ASSURE, our focus on minimizing non-essential expenditures, and the inclusion of only one month of RVX Therapeutics operations in the current period compared to three and nine months in the comparative periods.

	Three months ended January 31,		Nine months ended January 31,	
(in thousands of US dollars unless otherwise noted)	**2014**	2013	**2014**	2013
Cash flow used in operations	**$ (1,592)**	$ (5,119)	**$(11,253)**	$ (21,377)
Changes in non-cash working capital	**152**	(2,688)	**1,305**	(2,627)
	(1,440)	(7,807)	**(9,948)**	(24,004)
Number of months	**3**	3	**9**	9
Average Monthly Cash Burn Rate	**(480)**	(2,602)	**(1,105)**	(2,667)

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 further cost reductions, and due to the completion of the ASSURE trial, we expect our Cash Burn Rate over the near term to be similar to that for the three months ended January 31, 2014. We will continue to focus on minimizing non-essential expenditures.

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 three months ended January 31, 2014, gross R&D expenditures totaled $1.0 million (2013 - $7.1 million). Clinical costs totaled approximately $0.4 million (2013 - $2.8 million), including $0.3 million on ASSURE (2013 - $2.6 million), $nil on SUSTAIN (2013 - $0.1 million), $0.1 million on other clinical trials (2013 - $nil), and $nil (2013 - $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.

During the nine months ended January 31, 2014, gross R&D expenditures totaled $8.1 million (2013 - $21.6 million). Clinical costs totaled approximately $4.0 million (2013 - $10.1 million), including $3.5 million on ASSURE (2013 - $8.6 million) (reflecting substantial completion of ASSURE in June 2013), $0.1 million on SUSTAIN (2013 - $0.8 million), $0.3 million on other clinical trials (2013 - $nil) and $0.1 million (2013 - $0.7 million) on other clinical costs including sample analysis.

As illustrated below, patient enrollment in ASSURE commenced in November 2011, enrollment and dosing ended in September 2012 and April 2013, respectively. Patient enrollment and dosing in SUSTAIN commenced in September 2011; enrollment and dosing were completed in November 2011 and May 2012, respectively.

	Commencement of dosing	Completion of enrollment	Completion of dosing	Completion of trial
SUSTAIN	September 2011	November 2011	May 2012	August 2012
ASSURE	November 2011	September 2012	April 2013	June 2013
Pre-Diabetes Mellitus	December 2012	December 2013	Anticipated H1 2014	Anticipated H1 2014

During the three and nine months ended January 31, 2014, chemistry costs (discovery chemistry, comprised mostly of medicinal chemistry conducted by RVX Therapeutics, and CMC, or chemistry, manufacturing and controls) were approximately $0.1 million and $1.0 million, respectively (2013 - $1.5 million and $3.9 million, respectively).

During the three and nine months ended January 31, 2014, preclinical costs were approximately $0.1 million and $0.8 million, respectively (2013 - $1.4 million and $3.4 million, respectively). 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 three and nine months ended January 31, 2014 were $0.8 million and $3.1 million, respectively (2013 - $0.9 million and $2.7 million, respectively), reflecting a modest expansion of research, salary increases, and restructuring costs in the three months ended July 31, 2013, offset by the inclusion of only one month of RVX Therapeutics Inc.'s compensation and related costs in the current period compared to three and nine months in the comparative periods.

Medicinal chemistry, preclinical, and compensation and related costs for the three and nine months ended January 31, 2014 each reflect the absence of RVX Therapeutics' costs incurred subsequent to June 3, 2013 (the effective date of the Plan of Arrangement).

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, tax, communications, and business development services.

During the three and nine months ended January 31, 2014, general and administrative expenditures totaled $0.9 million and $3.2 million, respectively (2013 - $1.3 million and $3.9 million, respectively). Salaries and benefits were essentially unchanged. Professional fees increased due to the costs associated with the Arrangement, offset by a decrease in business development costs, and management fees recovered from Zenith.

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 three and nine months ended January 31, 2014, we recognized share-based payments of $0.5 million and $1.4 million, respectively (2013 - $0.4 million and $1.3 million, respectively). 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 three months ended January 31, 2014, we granted nil stock options (2013 – 70,000). During the nine months ended January 31, 2014, we granted 772,300 stock options with a weighted average exercise price of CAD$3.09 and a weighted average fair value of $1.88 (2013 – 758,700 stock options with a weighted average exercise price of CAD$1.51 and a weighted average fair value of $0.99) and 379,100 restricted stock units (2013 – 334,100). 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 has significantly impacted our reported loss (income) subsequent to the adoption of IFRS. During the three and nine months ended January 31, 2014, we recognized a $1.1 million loss and a $13.1 million gain, respectively, on the change in the fair value of our warrant liability (2013 - $4.0 million loss and $4.8 million loss, respectively). 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$0.81 on January 31, 2014 from CAD$0.53 on October 31, 2013 and CAD$3.37 on April 30, 2013 and to CAD$2.75 on January 31, 2013 from CAD$2.09 on October 31, 2012 and CAD$1.56 on April 30, 2012. 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 nine months ended January 31, 2014, we recognized a $39.5 million gain on the change in the fair value of our royalty preferred shares (2012 - $nil). The change in the fair market value of the royalty preferred shares recognized during the three months ended July 31, 2013 was significantly affected by the change in the discount rate (applied to future cash flows) of 27% as at July 31, 2013 and January 31, 2014 from 22% as at June 3, 2013 (the date of initial recognition) reflecting additional company specific risks including our ability to raise additional capital. Furthermore, as at January 31, 2014, management changed its estimate of the timing and amount of future cash flows to reflect one additional year of development to achieve commercialization. As the royalty preferred shares contain a non-discretionary royalty dividend they represent a contractual obligation to deliver cash.

IFRS requires that the preferred shares be classified as a financial liability. The liability is required to be re-measured to its fair value at each reporting period end with changes in fair value recognized in the statement of comprehensive (income) loss.

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. These 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 23% and discount rates of 22% as at June 3, 2013 (the date of initial recognition) and 27% as at July 31, 2013 and January 31, 2014, reflecting, among other factors, the Company's clinical results including those of the ASSURE trial.

Interest and Accretion

During the three and nine months ended January 31, 2014, interest on the Citibank loan totaled $0.4 million and $1.3 million, respectively (2013 - $0.3 million and $0.5 million (for approximately five months commencing on August 27, 2012)), and accretion (of the discount on the debt and debt issuance costs) totaled $0.5 million and $1.5 million, respectively (2013 - $0.3 million and $0.5 million, respectively). Effective August 27, 2013, the annual interest rate was reset from 4.5% to 4.4473%. 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 January 31, 2014, we had $0.5 million of cash, compared to $1.7 million at October 31, 2013 and $17.4 million at April 30, 2013. Pursuant to the Arrangement, on June 3, 2013 we advanced a non-repayable amount of CAD$10 million to Zenith to provide working capital to Zenith and RVX Therapeutics. As at January 31, 2014, we had $2.0 million of trade and other payables. Our average monthly Cash Burn Rate, a non-IFRS measure as described on page 2 herein, for the three and nine months ended January 31, 2014 was $0.5 million and $1.1 million, respectively.

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 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. 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 to 4.4473%. The loan is secured by an irrevocable Standby Letter of Credit of up to CAD$38.8 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, 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 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 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 combined carrying value of the CAD$38.8 million loan was translated to reflect the US/Canadian dollar exchange rate as at January 31, 2014. As described above, during the three and nine months ended January 31, 2014, we recognized interest of $0.4 million and $1.3 million, respectively, and accretion of the discount on the debt and debt issuance costs of $0.5 million and $1.5 million, respectively.

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 three months ended January 31, 2014, pursuant to the EDA we issued 271,500 (2013 – nil) common shares at an average price of CAD$0.64 per share for gross proceeds of CAD$0.2 million (2013 – $nil) and net proceeds of CAD$0.2 million (2013 – $nil) after deducting commissions of CAD$9 thousand (2013 – $nil). During the nine months ended January 31, 2014, pursuant to the EDA we issued 5,053,300 (2013 – nil) common shares at an average price of CAD$1.02 per share for gross proceeds of CAD$5.2 million (2013 – $nil) and net proceeds of CAD$4.9 million (2013 – $nil) after deducting commissions of CAD$0.3 million (2013 – $nil). In total, we sold 5.3 million ATM Shares for gross proceeds of CAD$5.8 million; the vast majority of shares have been sold at prices at or above the previous day's closing price.

Base Shelf Prospectus

In October 2011, we filed and obtained a receipt for a final short-form base shelf prospectus (the "Base Shelf Prospectus") with the securities commissions in each of the provinces of Canada. Subject to securities regulatory requirements, the Base Shelf Prospectus allowed us to make offerings of common shares, preferred shares, debt securities, warrants, units, or any combination of such securities up to an aggregate offering price of CAD$125 million during the 25 month period that the Base Shelf Prospectus remained effective. In January 2012, we filed a prospectus supplement to the base shelf prospectus qualifying the distribution of up to 15 million common shares. The Base Shelf Prospectus expired in November 2013.

In October 2013, we filed a preliminary short-form base shelf prospectus (for up to an aggregate offering price of CAD$50 million) with the securities commissions in each of the provinces of Canada. However, the Alberta Securities Commission was of the view that a base shelf prospectus is not appropriate given our financial condition as well as the uncertainty and timing of financing. Therefore, we do not intend to enter into a replacement equity distribution agreement. However, we expect to be able to raise additional capital by way of short form prospectuses and/or private placements.

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 January 31, 2014, we had $0.5 million of cash, $2.0 million of trade and other payables and were committed to pay $0.5 million for research and development, $0.7 million of lease obligations and $0.7 million for tenant improvements to be completed, net of a tenant improvement allowance, 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 for the next twelve months, as well as the cost of tenant improvements (based on either proportionate square footage or specific use), net of a tenant improvement allowance, estimated to be approximately $0.4 million. On March 17, 2014, RVX Therapeutics Inc. paid us $2.5 million pursuant to a Waiver Agreement as described herein under "Waiver Agreement". Our average monthly Cash Burn Rate, a non-IFRS measure as described on page 2 herein, for the three and nine months ended January 31, 2014 was $0.5 million and $1.1 million, respectively. Our historical Cash Burn Rate is not indicative of our future Cash Burn Rate. Based on our planned business operations for the next year, we expect our Cash Burn Rate over the near term to be similar to that for the three months ended January 31, 2014.

We believe our cash as at January 31, 2014, in combination with cash received subsequent to January 31, 2014, is not sufficient to fund our contractual commitments and net working capital liability over the next year, and is not sufficient to fund substantially all of our planned business operations over the next year. We will have to raise additional capital through sources such as private placements and/or prospectus offerings.

ASSURE results may adversely affect our ability to raise capital. As described under "Highlights", on June 27, 2013, we announced that ASSURE did not meet its primary endpoint of a -0.6% change in percent atheroma volume and that we would be analyzing the full data set to determine whether continued development of RVX-208 in cardiovascular disease is warranted. Furthermore, 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 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. 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. The synergistic effect of the Rosuvastatin and RVX-208 combination is the basis for two recent provisional patent applications by Resverlogix.

Ongoing analysis is providing important insights into why the ASSURE topline results did not meet its primary endpoint of PAV change of -0.6%. Third party analysis of the ASSURE data showed that Rosuvastatin enhanced the actions of RVX-208 leading to synergistic treatment effects on PAV.

A subgroup analysis revealed that 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 total atheroma volume (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: HDLc, 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.

Also, as described under “Highlights”, on November 4, 2013, we announced two additional results from the ongoing analysis of 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). The second new observation arises from a pre-specified exploratory endpoint in ASSURE which reveals so called virtual histology IVUS (VH-IVUS). VH-IVUS data was analyzed to provide insight into vulnerability of an atherosclerotic plaque to rupture and its relationship to future cardiovascular risk. Plaque vulnerability was calculated by the ratio of necrotic core to dense calcium (NC/DC). 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 events. Continued analysis of the ASSURE data will not only broaden our understanding but also provide a clear pathway for our future clinical trials of RVX-208.

On October 28, 2013, we filed a preliminary short-form base shelf prospectus (for up to an aggregate offering price of CAD$50 million) with the securities commissions in each of the provinces of Canada. However, the Alberta Securities Commission was of the view that a base shelf prospectus is not appropriate given our financial condition as well as the uncertainty and timing of financing. Therefore, we do not intend to enter into a replacement equity distribution agreement. However, we expect to be able to raise additional capital by way of short form prospectuses and/or private placements. If we are not able to raise capital, we will have to further reduce our cash requirements by eliminating or deferring spending on research, development and corporate activities, and we may be forced to cease operations.

If we were 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 subsequent to ASSURE we commence additional Phase 2 clinical trials, a Phase 3 clinical trial, 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 and intend to continue 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 nine months ended January 31, 2014, 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 nine months ended January 31, 2014 totaled $11.3 million (2013 - $21.4 million), reflecting decreased research and development in the current period and changes in various components of our working capital.

Cash Flows from Financing Activities

Common Shares

During the nine months ended January 31, 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 nine months ended January 31, 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 $1.5 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 nine months ended January 31, 2014, 16,730 stock options were exercised for proceeds of CAD$26 thousand and 48,775 warrants were exercised for proceeds of $0.1 million.

Cash Flows Used By Investing Activities

Pursuant to the Arrangement, on June 3, 2013 we advanced a non-repayable amount of CAD$10 million to Zenith. During the nine months ended January 31, 2014, additions to property and equipment and intangible assets (patent-related costs) totaled $0.3 million (2013 - $0.3 million). On November 1, 2013, we sold laboratory equipment and office furniture and equipment to Zenith for proceeds of $0.3 million.

Contractual Obligations

The table below summarizes our contractual obligations related to research and development, by due date, as at January 31:

(in thousands of US dollars)	**2014**	2013
Less than one year	**482**	10,878
Between one and five years	**-**	-
More than five years	**-**	-
	482	10,878

The table below summarizes our contractual obligations related to operating leases for office and laboratory premises, by due date, as at January 31:

(in thousands of US dollars)	**2014**	2013
Less than one year	**712**	395
Between one and five years	**1,908**	547
More than five years	**2,191**	-
	4,811	942

As at January 31, 2014, we were committed to pay $0.7 million for tenant improvements to be completed, net of a tenant improvement allowance. 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 for the next twelve months, as well as the cost of tenant improvements (based on either proportionate square footage or specific use), net of a tenant improvement allowance, estimated to be approximately $0.4 million.

Significant Accounting Policies and Estimates

Note 4 to our consolidated financial statements for the year ended April 30, 2013 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, share-based payment transactions, warrant liability and taxes.

Recent Accounting Pronouncements

The Company has adopted the following new standards and amendments to standards, with a date of initial application of May 1, 2013:

IFRS 10 - *Consolidated Financial Statements* - supersedes IAS 27 "Consolidation and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". This standard provides a single model to be applied in control analysis for all investees including special purpose entities. The adoption of IFRS 10 did not have a material impact on the condensed interim consolidated financial statements.

IFRS 11 - *Joint Arrangements* - divides joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. IFRS 11 replaces the guidance in IAS 31 *Interest in Joint Ventures*, and essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures must now use the equity method of accounting. The adoption of IFRS 11 did not have a material impact on the condensed interim consolidated financial statements.

IFRS 12 - *Disclosure of Interests in Other Entities* - combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements as well as unconsolidated structured entities. The adoption of IFRS 12 did not have a material impact on the condensed interim consolidated financial statements.

IFRS 13 - *Fair Value Measurement* – replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurement to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other. Due to the nature of the Company's financial assets and liabilities, the adoption of IFRS 13 did not have a material impact on the condensed interim consolidated financial statements. The adoption of IFRS 13 resulted in the inclusion of certain fair value disclosures which were previously applicable to annual financial statements only.

Amendments to IAS 1 – *Presentation of Financial Instruments* - requires an entity to present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. As the amendments only required changes in the presentation of items in other comprehensive income, the new standard did not have a material impact on the condensed interim consolidated financial statements.

Amendments to IFRS 7 – *Offsetting Financial Assets and Liabilities* – contains new disclosure requirements for offset financial assets and liabilities and netting arrangements. The amendments to IFRS 7 did not have a material impact on the condensed interim consolidated financial statements.

Off-Balance Sheet Arrangements

As of January 31, 2014, we have not entered into any off-balance sheet arrangements, other than operating leases.

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)	**January 31, 2014**	October 31, 2013	July 31, 2013	April 30, 2013
Revenue	**-**	-	-	-
Total comprehensive income (loss)	**15,281**	(1,925)	41,379	(12,278)
Net earnings (loss) per share ($)				
- basic	**0.19**	(0.02)	0.55	(0.16)
- diluted	**0.19**	(0.02)	0.53	(0.16)

	For the Three Months Ended			
(in thousands of US dollars except as otherwise noted)	January 31, 2013	October 31, 2012	July 31, 2012	April 30, 2012
Revenue	-	-	-	-
Total comprehensive loss	(12,820)	(10,303)	(7,954)	(6,842)
Net loss per share (basic and diluted) ($)	(0.17)	(0.14)	(0.11)	(0.10)

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.
- 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

A description of transactions with related party transactions (specifically compensation expenses paid to key management personnel, including directors, whom are considered related parties under IFRS) can be found under "Related Party Transactions" in the MD&A for the year ended April 30, 2013. As at January 31, 2014, the transactions with related parties have not changed significantly from these descriptions. 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.

Outstanding Equity Instruments

As at March 17, 2014, we had authorized an unlimited number of common shares and preferred shares and 75,202,620 royalty preferred shares.

	As at March 17, 2014	As at January 31, 2014	As at January 31, 2013
Common Shares	**81,729,160**	81,729,160	74,210,483
Royalty Preferred Shares	**75,202,620**	75,202,620	-
Warrants	**11,228,346**	11,228,346	11,024,892
Stock Options	**3,859,970** (1)	4,139,970	5,262,500
Restricted Stock Units	**855,235** (2)	857,635	578,600
	172,875,331	173,157,731	91,076,475

(1) 2,515,290 of 3,859,970 stock options are vested and exercisable
(2) 308,759 of 855,235 restricted stock units are vested

Additional information relating to our securities can be found in note 8 to the unaudited condensed interim consolidated financial statements for the three and nine months ended January 31, 2014.

Internal Controls Over Financial Reporting

During the three months ended January 31, 2014, 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

On June 3, 2013, we completed the spin-off of research and development activities related to our epigenetic platform technology to Zenith Epigenetics Corp. other than the research and development activities related to the development of compounds for applications with indications involving a therapeutic increase in ApoA-I, including the clinical program related to RVX-208.

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. We are currently performing a comprehensive data assessment. We have now completed seven clinical trials, with participation by 966 subjects.

On September 3, 2013, we announced the results of subgroup analysis of 281 treated patients in its Phase 2b ASSURE clinical trial evaluating RVX-208 using intravascular ultrasound (IVUS) in high-risk cardiovascular patients. 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 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. In 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. The surprising synergistic effect of the Rosuvastatin and RVX-208 combination is the basis for two recent provisional patent applications by Resverlogix.

Ongoing analysis is providing important insights into why the ASSURE topline results, reported previously on June 27, 2013, did not meet its primary endpoint of PAV change of -0.6%. Third party analysis of the ASSURE data showed that Rosuvastatin enhanced the actions of RVX-208 leading to synergistic treatment effects on PAV.

A subgroup analysis revealed that 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 total atheroma volume (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: HDLc, 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.

We are encouraged by the positive findings of a synergistic effect between Rosuvastatin and RVX-208 on coronary atherosclerosis and that the RVX-208 responsive group did not differ from the originally intended population, namely those with low HDL receiving standard of care therapy. Our findings identify a statin that is superior when combined with RVX-208. These findings supported two filed patent applications.

Initial plaque composition data shows significant plaque stabilization by RVX-208. In support of this finding, we noted an important trend in the ASSURE trial in that RVX-208 trended to reduce major adverse cardiac events (MACE) including death from myocardial infarction (MI), MI without death, and revascularization. In ASSURE and the previously completed 24 week SUSTAIN trial, MACE were 46% lower in the RVX-208 treated vs. the placebo population (p=0.09). However, neither trial was designed or powered for MACE. Furthermore, the safety component of both trials again illustrated that the rare RVX-208 induced rise in the ALT was benign and manageable, i.e. short in duration and appearing prior to week 12 of dosing. These findings are valuable for the development of RVX-208, the first BET-protein inhibitor to be tested in human clinical trials for cardiovascular disease.

Furthermore, on November 4, 2013, we announced two additional results from the ongoing analysis of ASSURE. First, the data showed statistically significant improvements in coronary IVUS atheroma measurements and MACE in patients with a high (>2.0 mg/dL) serum high sensitivity C-Reactive Protein (hsCRP). The second new observation arises from a pre-specified exploratory endpoint in ASSURE which reveals so called virtual histology IVUS (VH-IVUS). VH-IVUS data was analyzed to provide insight into vulnerability of an atherosclerotic plaque to rupture and its relationship to future cardiovascular risk. Plaque vulnerability was calculated by the ratio of necrotic core to dense calcium (NC/DC). 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 events. Continued analysis of the ASSURE data will not only broaden our understanding but also provide a clear pathway for our future clinical trials of RVX-208.

Findings from ASSURE, as well as SUSTAIN, continue to expand our understanding of RVX-208's properties in high risk atherosclerosis patients through extensive analysis of coronary plaque atheroma, safety, pharmacokinetics, targeted effect in these patient groups, and markers of reverse cholesterol transport that demonstrate enhanced HDL functionality. The trials also offer further elucidation on fixed-dose combinations ("FDC") of RVX-208 with select statins.

We are also completing a comprehensive pooled analysis of our Phase 2b program studies, SUSTAIN and ASSURE. This post-hoc analysis will be comprised of detailed examination and modeling that focuses on pooled results versus placebo and baseline in these two trials. The rationale for pooled analysis of SUSTAIN and ASSURE is to provide greater powering of numbers for calculating important CVD risk markers such as major adverse cardiovascular events ("MACE") such as death, heart attack, worsening angina and Percutaneous Coronary Intervention ("PCI") procedures (stents). Also measured in the pooled analysis will be RCT markers such as HDL-c and ApoA-I as well as HDL particle analysis such as HDL-P, HDL size and Large HDL particle size and inflammation markers such as hs-CRP. MACE and the potential of RVX-208 to reduce it, is the single most important factor to the drug's future commercial impact. MACE analysis will be performed to provide additional early information of the potential of RVX-208 treatment to reduce events in high risk vascular patients. This pooled analysis will continue to build our understanding of where RVX-208 has the best response in high risk vascular patients who currently have high unmet medical need.

Our first pooled analysis focusing on MACE findings was reported on January 15, 2014. When MACE data (n=499) from both the SUSTAIN and ASSURE trials 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, in patients who had elevated CRP > 2.0 mg/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). This independent MACE analyses performed from the combined SUSTAIN and ASSURE trials to assess RVX-208's impact on death, non-fatal myocardial infarct, hospitalizations from cardiac events and PCI procedures or revascularizations is valuable to have as it illustrates in a cumulative fashion that RVX-208 has the potential to reduce cardiac events in those pateints who are at very high risk. We will continue careful examination of both SUSTAIN and ASSURE for other CVD risk markers outlined previously to better understand how to plan for larger confirmatory trials in high risk vascular patients.

In addition to performing ongoing analysis, we are now planning, subject to raising the required capital, a Phase 2b CVD Risk Matrix trial which will be multi-center, double-blind, randomized, parallel group, placebo-controlled clinical trial for the assessment of reaching treatment goal of not having a CVD event and decreasing risk of future CVD events as indicated by increasing RCT markers

of choice and potential reduction of a vascular inflammation marker of choice in high risk patients with coronary artery disease and low baseline HDL. The planned trial will be approximately three times the size of ASSURE with approximately 1,000 high risk atherosclerosis patients over a 52-76 week treatment on RVX-208 and rosuvastatin. Further details and refinement of the trial design and rollout are currently being planned.

We continue to explore additional indications supported by the thinking that ApoA-I/HDL-raising strategies may have benefits beyond vascular disease. We are currently conducting an exploratory Phase 2 clinical trial in Australia for Diabetes Mellitus ("DM"), the most common endocrine disease in the world. A primary defect in DM is the inability of the pancreas to provide enough insulin for the body, thus leading to increased blood glucose. In this trial we are examining insulin secretion, insulin sensitivity and whole-body glucose and lipid metabolism in individuals with pre-diabetes. This study is an important prerequisite to potentially expand the indications for RVX-208 to type 2 diabetes mellitus. Enrollment of this trial was completed in December 2013 and data is expected in the first half of 2014.

Epidemiological and mechanistic evidence also indicate a link between low ApoA-I/HDL and neurodegenerative diseases such as dementia and Alzheimer's disease ("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 Phase 2 clinical trial in this therapeutic area.

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. Our key short-term goals continue to be: to engage in partnering discussions as we continue to believe that partnering RVX-208 is most likely to generate the greatest shareholder value, to raise additional capital to fund operations, including a Phase 2b trial in the future, and to continue to focus on minimizing non-essential expenditures.

Risks and Uncertainties

The biotechnology industry generally may be regarded as uncertain given the nature of the industry. Accordingly, investments in biotechnology companies should be regarded as speculative. Biotechnology research and development involves a significant degree of risk. An investor should carefully consider the risks and uncertainties described below, as well as other information contained in this Management's Discussion and Analysis. The risks and uncertainties described below is not an exhaustive list. Additional risks and uncertainties not presently known to us or that we believe to be immaterial may also adversely affect our business. If any one or more of the following risks occur, our business, financial condition and results of operations could be seriously harmed. Further, if we fail to meet the expectations of the public market in any given period, the market price of our common shares could decline.

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. We have not completed clinical development for any of our products and there can be no assurance that any such products will actually 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 January 31, 2014, we had a deficit of $247.7 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. 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 our 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.

We believe our cash as at January 31, 2014, in combination with cash received subsequent to January 31, 2014, is not sufficient to fund our contractual commitments and net working capital liability over the next year, and is not sufficient to fund substantially all of our planned business operations over the next year. We will have to raise additional capital. ASSURE results may adversely affect our ability to raise capital. As described under "Highlights", on June 27, 2013, we announced that ASSURE did not meet its primary endpoint of a -0.6% change in percent atheroma volume and that we would be analyzing the full data set to determine whether continued development of RVX-208 in cardiovascular disease is warranted. Furthermore, 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 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.

On October 28, 2013, we filed a preliminary short-form base shelf prospectus (for up to an aggregate offering price of CAD$50 million) with the securities commissions in each of the provinces of Canada. However, the Alberta Securities Commission was of the view that a base shelf prospectus is not appropriate given our financial condition as well as the uncertainty and timing of financing. Therefore, we do not intend to enter into a replacement equity distribution agreement. However, we expect to be able to raise additional capital by way of short form prospectuses and/or private placements. If we are not able to raise capital, we will have to further reduce our cash requirements by eliminating or deferring spending on research, development and corporate activities, and we may be forced to cease operations. As described below, any equity financing transaction would result in our existing common stockholders experiencing immediate dilution.

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.

The economic downturn and market instability has made the business climate more volatile and more costly. 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 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. 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. The synergistic effect of the Rosuvastatin and RVX-208 combination is the basis for two recent provisional patent applications by Resverlogix.

Ongoing analysis is providing important insights into why the ASSURE topline results, reported previously on June 27, 2013, did not meet its primary endpoint of PAV change of -0.6%. Third party analysis of the ASSURE data showed that Rosuvastatin enhanced the actions of RVX-208 leading to synergistic treatment effects on PAV.

A subgroup analysis reveavled 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 total atheroma volume (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: HDLc, 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.

Also, as described under "Highlights", on November 4, 2013, we announced two additional results from the ongoing analysis of 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). The second new observation arises from a pre-specified exploratory endpoint in ASSURE which reveals so called virtual histology IVUS (VH-IVUS). VH-IVUS data was analyzed to provide insight into vulnerability of an atherosclerotic plaque to rupture and its relationship to future cardiovascular risk. Plaque vulnerability was calculated by the ratio of necrotic core to dense calcium (NC/DC). 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 events. Continued analysis of the ASSURE data will not only broaden our understanding but also provide a clear pathway for our future clinical trials of RVX-208.

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 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

more recent SUSTAIN trial, increases in ALTs were infrequent and returned to normal during continued dosing, with no new increases observed beyond week 12 of the 24-week trial. In the ASSURE trial, RVX-208 induced rises in ALTs were rare, short in duration and appeared prior to week 12 of dosin. This potentially suggested adaptability to the drug. 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 and risks 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, or that future collaborations will be successful. In particular, failures in HDL cholesterol therapies and our clinical trial results 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.

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 cardiovascular / atherosclerotic disease, RVX-208 would be positioned to be used in conjunction with leading standard of care statin treatments such as Crestor or other new LDL lowering agents to further reduce major adverse cardiac events such as myocardial infarction, stroke and death and potentially compete with other HDL therapeutic programs in development, such as peptide programs, ApoA-I infusion treatments, delipitated HDL programs and cholesteryl transfer protein ("CETP") inhibitors.

We anticipate that, if approved for neurodegenerative disorders, including mild cognitive impairment / Alzheimer's disease / 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 diabetes mellitus, RVX-208 would potentially compete with novel 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 Resverlogix. 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 are set to come off patent over the next few years. Health authorities will continue to increase their scrutiny and pharmacoeconomic diligence on new products in all disease areas including those for the cardiovascular market. These rapid changes in the healthcare reimbursement marketplace will potentially have a significant impact on the future marketability of new drugs in development 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 CAD$38.8 million in August 2012 and March 2013. 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$38.8 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 issued 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 issued patents and certain tax losses and pools to satisfy the indemnity obligation.

Variations in interest rates could adversely affect our financial condition.

Effective August 27, 2013, the annual interest rate on our loan with Citibank was reset from 4.5% to 4.4473%. Our indebtedness under the loan agreement with Citibank is at variable rates of interest commencing in August 2014 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 U.S. 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 January 31, 2014, the closing market price of our common shares ranged from CAD$0.23 to CAD$3.80 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 and/or warrants 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 our 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.