Zacks Small-Cap Research

July 29, 2016
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Resverlogix Corp. (RVX - TSX)

Maintaining CAD$5.00 Target: Expansion into Renal and BETonMACE on Track.

Based on our DCF model and a 15% discount rate, RVX is valued at approximately CAD$5.00 per share. Our model applies a 64% probability of apabetalone sales for indications in the BETonMACE trial. Our valuation only includes BETonMACE indication contributions from the US, Europe, & Latin America, as well as royalties from the Hepalink arrangement. It does not recognize potential from renal or other orphan indications.

Current Price (6/29/2016)	$1.19
Valuation	**$5.00**

OUTLOOK

Resverlogix Corp. (RVX.TO) began recruiting and dosing participants in the Phase 3 BETonMACE trial of its lead candidate apabetalone (RVX-208) in high-risk CVD patients with diabetes in November 2015. We believe the trial will take approximately 3 years to complete, targeting topline readout in 2018. With a potential impact on multiple markers for CVD we are optimistic on a materially significant impact on MACE.

The company has begun dosing patients in its PK renal study which may provide for a more rapid approval and access to market through the orphan drug pathway.

At the current price, we view Resverlogix shares as undervalued, and in a position to provide long-term upside potential. We maintain our target price of CAD$5.00 per share and believe that expansion into new geographies, the orphan disease program, and renal disease, could provide further upside to our valuation.

SUMMARY DATA

52-Week High	**2.52**
52-Week Low	**1.00**
One-Year Return (%)	**-33.3**
Beta	**1.83**
Average Daily Volume (sh)	**16,610**
Shares Outstanding (mil)	**105.2**
Market Capitalization ($mil)	**125.2**
Short Interest Ratio (days)	**1.89**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2017 Estimate	**N/A**
P/E using 2018 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue

(In millions of US$)

	Q1 (Jul)	Q2 (Oct)	Q3 (Jan)	Q4 (Apr)	Year (Apr)
2015	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2016	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2017					$0.0 E
2018					$0.0 E

Earnings per Share

	Q1 (Jul)	Q2 (Oct)	Q3 (Jan)	Q4 (Apr)	Year (Apr)
2015	$0.08 A	-$0.04 A	-$0.02 A	-$0.23 A	-$0.21 A
2016	$0.03 A	-$0.04 A	-$0.08 A	-$0.09 A	-$0.20 A
2017					-$0.27 E
2018					-$0.28 E

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WHAT'S NEW

Resverlogix Reports Fiscal Year 2016 Results

On July 28, 2016, Resverlogix Corp. (TSX: RVX) filed financial results for the fiscal year ending April 30, 2016 with the Alberta Securities Commission. The company reported no revenues and a net loss of ($19.7) million or ($0.20) per share. This compares to our estimates also of zero revenues and a net loss of ($16.6) million or ($0.16) per share. Total operational expenses for FY:16 were $20.0 million, increasing from the $8.5 million spent in the prior year. Full-year research & development expenses rose substantially, while general & administrative remained flat, with costs related to the clinical trial driving the majority of the increase.

Clinical costs totaled approximately $8.8 million with $7.5 million of the total allocated to the BETonMACE clinical trial and $0.7 million on biomarker studies. Regulatory costs comprised $0.2 million of the total and $0.4 million was spent on other clinical costs including sample analysis, consultants and insurance. Research and development expenses increased sequentially from quarter to quarter over the 2016 period, culminating in expenses of $6.3 million in 4Q:16 as the BETonMACE trial commenced with a successful October launch. Chemistry costs saw a material increase, rising to $2.3 million in FY:16 compared to $0.3 million in FY:15. Costs related to the development of the drug product manufacturing process and shipment of clinical supplies for the BETonMACE trial contributed to the $2 million change.

General and administrative costs of $4.3 million were essentially the same in both FY:16 and FY:15. This was a result of higher share based payments, business development and regulatory costs offset by lower corporate costs and professional fees.

As of April 30, 2016, cash was $28.1 million and long-term debt was $47.7 million. A transaction with Zenith related to the cancellation of a royalty agreement resulted in a $5.7 million cash payment by Zenith to Resverlogix following the end of FY:16 reporting period. Operating cash burn was $19.3 million for the year and approximately $1.6 million per month.

Expanded Renal and Orphan Programs

In 1Q:16, the company formed an International Renal Clinical Advisory Board ("RCAB") for the future development of apabetalone into expanded renal indications. The RCAB is composed of six MDs and PhDs that will guide the development process. Shortly after, on July 21, 2016, Resverlogix announced that it had begun a Phase 1 pharmacokinetic (PK) trial in patients with severe renal impairment with apabetalone. The company is targeting this renal population to address a serious unmet need in an orphan population and may see accelerated development, approval and ultimately market adoption in pursuing this pathway.

The study's primary goal is to confirm the favorable pharmacokinetic traits that have been observed in other apabetalone trials. The study is being conducted in New Zealand and expects to post results in the second half of 2016, after which additional renal impairment and dialysis trials will proceed if positive data is seen. We hope to see a Phase 2 trial begin shortly after the completion of the data analysis and could potentially obtain approval in a renal indication under an orphan designation prior to an approval for high-risk cardiovascular disease.

The study will examine acute changes in Bromodomain and Extra-Terminal (BET) inhibition biomarkers for subjects with severe renal impairment. The company stated in its press release that "Two cohorts, each comprised of eight subjects, will be evaluated in the study. Cohort one will include subjects with end-stage renal disease (ESRD) not on dialysis, with an estimated glomerular filtration rate (eGFR) of less than 30 mL/min/1.73m^2 while cohort two will include healthy individuals whose age, weight and gender will be matched to the renal impaired subjects. All subjects will receive a single oral administration of 100mg of apabetalone."

While we do not currently include a valuation component for an orphan renal indication, we recognize the attractiveness of this pathway, find it to be an unqualified positive and will adjust our model accordingly as development details becomes more certain.

Publication of Study

In June 2016, the company announced that a pre-diabetes mellitus study performed by the Baker IDI Heart and Diabetes Institute was published in the journal 'Metabolism' under the title "Effects of the BET-inhibitor, RVX-208 on the HDL lipidome and glucose metabolism in individuals with prediabetes: A randomized controlled trial." The study concluded that apabetalone treatment impacted glucose metabolism and both the reduction in glucose absorption and its production are expected to be of benefit in patients with prediabetes mellitus.

Our Estimates

Resverlogix has increased the pace of investment into its portfolio of indications for apabetalone in recent months, launching a Phase 1 PK study with patients suffering from severe renal impairment. We anticipate that the company will continue to launch studies in other neighboring indications. Due to this acceleration in research and clinical activity, we have increased our estimates of research and development costs by $2 million in FY:17 and by $1 million in FY:18. This revision increases the loss per share by 2c in each of FY:17 and FY:18 shifting our loss per share to ($0.27) and ($0.28) respectively. We maintain our target price of CAD$5.00.

A REVIEW OF RESVERLOGIX'S ASSETS

Resverlogix's Epigenetics Platform Technology

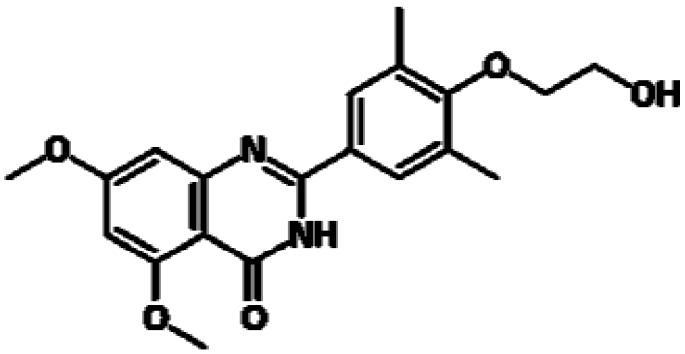
The basis of Resverlogix's epigenetics drug development platform involves targeting Bromodomain and Extra Terminal Domain (BET) proteins with the potential to impact cardiovascular disease, neurodegenerative diseases, diabetes, cancer, and autoimmune diseases. Acetylated lysine, a modified amino acid that is found in histones, binds to the two small bromodomain regions of BET proteins. Resverlogix has discovered BET protein inhibitors that specifically bind to BET bromodomains, thereby preventing them from binding to histones. This leads to modifications in certain gene activity involved in disease processes. Resverlogix is focusing the majority of its research efforts on the BRD2, BRD3, BRD4, and BRDT proteins.

These novel, small molecule compounds identified by Resverlogix function via selective inhibition of BET proteins. They alter the activity of genes that play a key role in disease in relevant cell models, demonstrate oral bio-availability allowing for oral administration in the form of a pill, and demonstrate activity in animal models of human disease. Resverlogix is in the process of identifying and developing compounds for additional clinical indications with proprietary platform activities continuing to add to its growing portfolio of intellectual property needed to support the development of these assets.

Apabetalone (RVX-208) is a BET antagonist

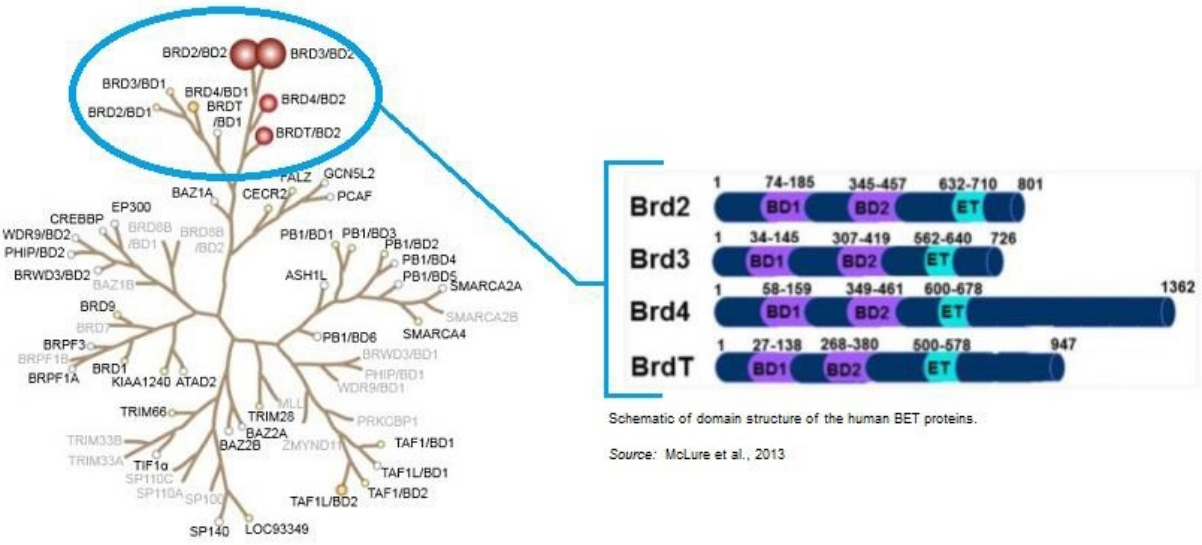
Resverlogix's lead candidate, apabetalone, is a first-in-class, orally active small molecule that selectively inhibits BET proteins.

Exhibit I – Chemical Composition of Apabetalone (RVX-208), $C_{20}H_{22}N_2O_5$



Apabetalone works by binding to the two specialized areas of BET proteins known as bromodomains (BD1 and BD2). Both of these bromodomains can recognize and bind to an acetylated lysine, which is a modified amino acid found on histones bound to DNA. This process is referred to as "reading", which refers to the protein-to-protein interaction of a BET protein finding and binding an acetylated lysine through the actions of the bromodomain. Apabetalone acts via an epigenetic mechanism on BET proteins, specifically BRD2, BRD3, BRD4 and BRDT with increased selectivity for BRD4-BD2.

Exhibit II – Bromodomains BD1 and BD2



Selectivity of RVX-208 within the human bromodomain family determined using a thermal shift assay.

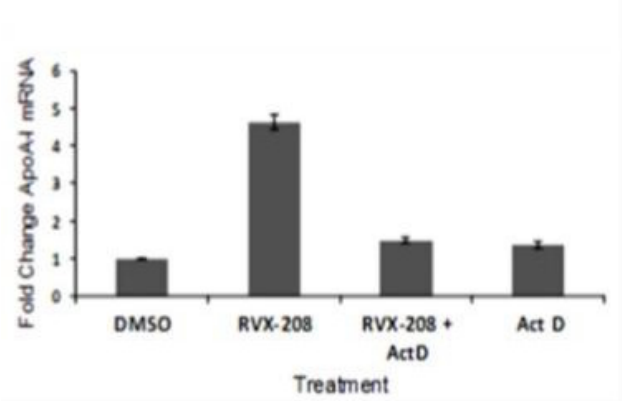
Source: Picaud et al., 2013

Schematic of domain structure of the human BET proteins.

Source: McLure et al., 2013

By targeting BET bromodomains, apabetalone has a multimodal approach and impacts several key biological processes that play a role in vascular disease risk. Initially, apabetalone binds to the BET protein and triggers a cascade of events. Apabetalone induces Apo A-1 mRNA production in human hepatocyte cell lines leading to an increase in Apo A-1 gene transcription and eventually an increase in endogenous Apo A-1 protein production (McLure et al., 2013). This results in the subsequent synthesis of new HDL particles.

Exhibit III – RVX-208 Induction of Apo A-1 mRNA



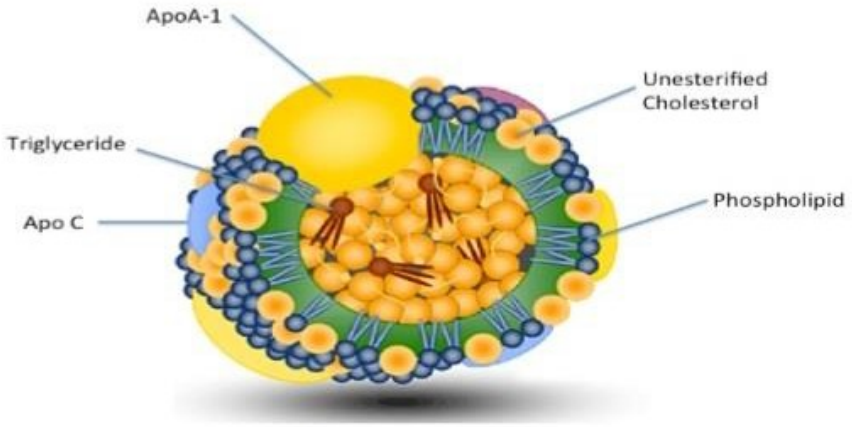
Induction of ApoA-I in the human hepatoma cell line Huh7 by 30 µM RVX-208 is inhibited by Actinomycin D (Act D).

Source: McLure et al., 2013

Apabetalone Targeting Apo A-1, HDL, & Reverse Cholesterol Transport

Apo A-1 makes up approximately 70% of the protein found in HDL particles ("good cholesterol") and is secreted by the intestines and liver. Apo A-1 is crucial for the synthesis and function of HDL (Zannis et al., 2006), and greater production of Apo A-1 results in the formation of new HDL molecules. The newly formed HDL molecules have increased functionality because they are unfilled and flat, and thus have a greater ability to remove cholesterol out of plaques from arteries and reduce and/or prevent atherosclerosis. These HDL particles can effectively remove plaque via RCT, which is a natural physiologic process by which cholesterol is transported out of arteries and subsequently to the liver for excretion out of the body in bile.

Exhibit IV - High density lipoprotein (HDL)



Source: Resverlogix, Corp.

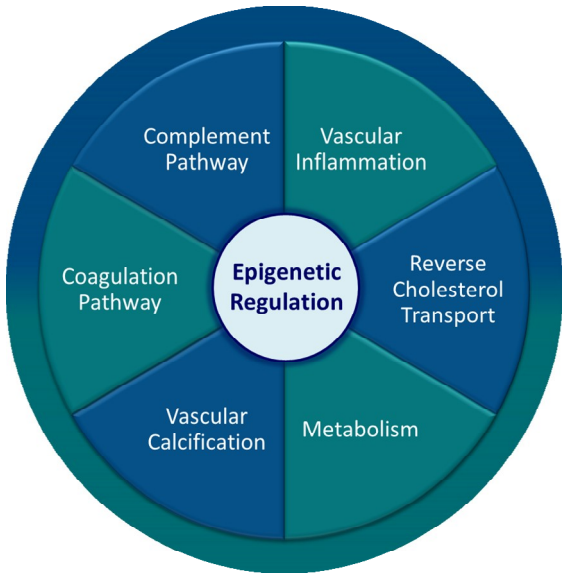
Apabetalone Targets Multiple Biologies

In the initial stages of RVX-208 development, Resverlogix focused solely on the RCT mechanism for MACE reduction, and although it is plays an important role in the process, management has now evolved the company's focus to address other aspects of the drug's mechanism of action that are impacted thorough the BET Bromodomain 4 target. Resverlogix believes that apabetalone:

- Reduces key vascular inflammation markers
- Modulates the complement, coagulation and acute phase response cascades, known drivers in CVD and acute cardiac events
- Enhances RCT
- Lowers key markers of metabolic risk

These multimodal aspects of apabetalone explain the overall MACE reduction observed in certain populations within back-to-back clinical trials.

Exhibit V –Apabetalone: The Multimodal Approach[1]



[1] Source: Resverlogix June Presentation

Mechanism of Action

In April 2012, Resverlogix announced the mechanism of action by which apabetalone increases Apo A-1 production. The finding provides the opportunity to initiate licensing and partnering in the areas of atherosclerosis, oncology, autoimmune and Alzheimer's diseases where the MoA plays a pivotal role. The value can be further translated into the cancer space, with the connection highlighted by Dr. James Watson between regulation of the BRD4 protein and its relationship with uncontrolled cell division by AML cells.

Apabetalone disrupts the acetylation of specific lysines in the histones found in actively transcribed regions of DNA. The compound is taken up by liver cells, where it binds to a BET protein. The proteins contain two small conserved regions called bromodomains, each of which has a pocket that can bind to or read specific acetylated lysine found at the end of some histones. When this interaction occurs, a different region of the BET protein can recruit other components important for controlling gene transcription. When a BET protein is anchored to chromatin via its bromodomain binding to an acetylated lysine, this complex recruits additional proteins that regulate transcription which can lead to selective increases and decreases in mRNA. Apabetalone binds to the same pocket of the bromodomain as the acetylated lysine of histones and in so doing causes the BET protein to be released from chromatin, thus altering transcription. This action of apabetalone leads to an increase of Apo A-1 mRNA and production of Apo A-1 protein, the key building block of new HDL.

Addressing the Unmet Need in CVD

Cardiovascular disease is currently the most common cause of death in the world and future projections suggest that the prevalence of CVD and associated expenses will rise dramatically over the next decades. The need for new therapeutics that lower the CV risk is crucial to addressing this unmet clinical need. With the growing knowledge and insight into disease mechanisms, new approaches are being evaluated with the hopes of the discovery of novel therapeutic options for CVD.

Resverlogix is addressing the major problem of the unmet need in cardiovascular management. Over the last several years, there has been a great movement forward in cardiovascular care with statins and other therapies, but these address less than a third of the afflicted population. There are new medications emerging such as the novel LDL modulators like PCSK9 that are designed to lower LDL, yet they only have a small impact on the unmet need in CV management and take up only a small part of the market.

The large market opportunity lies in the 70% of unmet need of unmanaged cardiovascular issues that extend to other indications such as diabetes and kidney disease. According to the International Diabetes Federation, there are 387 million patients worldwide with diabetes, and this number is expected to rise to 592 million by 2035. While the majority of current therapies aim to manage glucose levels in diabetic patients, Resverlogix is taking a unique approach by looking at it from the point of view of reducing MACE – the primary killer in both men and women. In a multinational study, 50% of people with diabetes died of cardiovascular disease, primarily heart disease and stroke (Moorish et al., 2001). Other sources cite up to 80% of patients with diabetes will develop and possibly die from CVD (Narayan et al., 2003 and Hogan et al., 2003). Furthermore, CKD is an extension of diabetes and also results in high CVD death rates, and may be another area addressed by apabetalone.

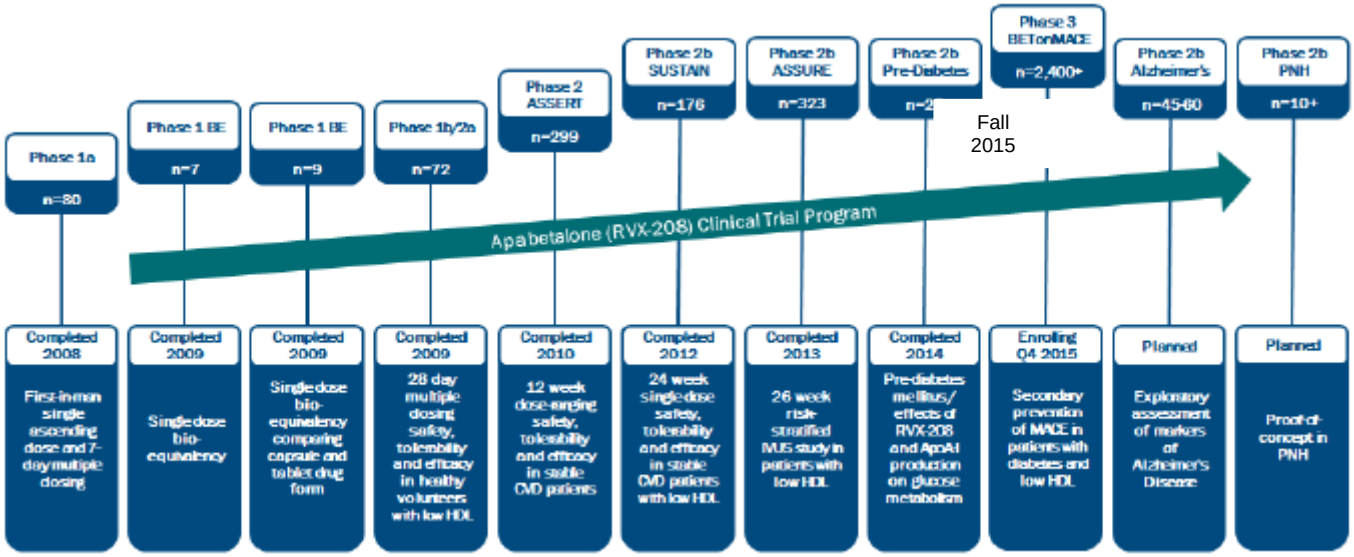
Clinical Overview of Apabetalone

Resverlogix has completed many clinical trials to date. Apabetalone has been tested in over 1,000 patients in 12 countries, and clinical experience with apabetalone has demonstrated that BET inhibitors can be both safe and effective. Over the years, Resverlogix has gathered information from these studies and shifted focus to target patients with low HDL and diabetes with co-treatment of RVX-208 and rosuvastatin (Crestor®) and atorvastatin (Lipitor®) in its BETonMACE trial.

Prior to the BETonMACE trial, apabetalone has completed two Phase 2b trials named SUSTAIN and ASSURE in collaboration with the Cleveland Clinic. Furthermore, Resverlogix has performed thorough analysis of MACE in the Phase 2b clinical program; 35 MACE events were reported in both the SUSTAIN and ASSURE trials. This analysis demonstrated that treatment with apabetalone was associated with a 55% reduction in MACE. Apabetalone treated patients had a lower level of cumulative events of 6.7% vs. 15.1% (p=0.02) in the placebo treated group.

Furthermore, a beneficial effect of apabetalone on patients with diabetes mellitus was accentuated with a reduction in MACE that was lowered by 77% (p=0.01). BETonMACE will continue to focus on MACE reduction as the primary endpoint for the registration study.

Exhibit VI – Summary of Resverlogix's Clinical Trials[2]



Phase 2 "ASSERT" Clinical Trial: Completed

ASSERT was a Phase 2, 12-week randomized, double-blind, placebo-controlled, parallel-group, multi-center U.S. dose-finding and safety study of 299 enrolled patients with established stable coronary artery disease (CAD). The primary endpoint of the study was increased plasma Apo A-1 levels after three months of apabetalone dosing compared to the placebo group. Additional goals of the study included evaluation of the safety and tolerability profile of apabetalone, comparing the dose-time response relationship for Apo A-1 and investigating important reverse cholesterol markers involved with HDL activity.

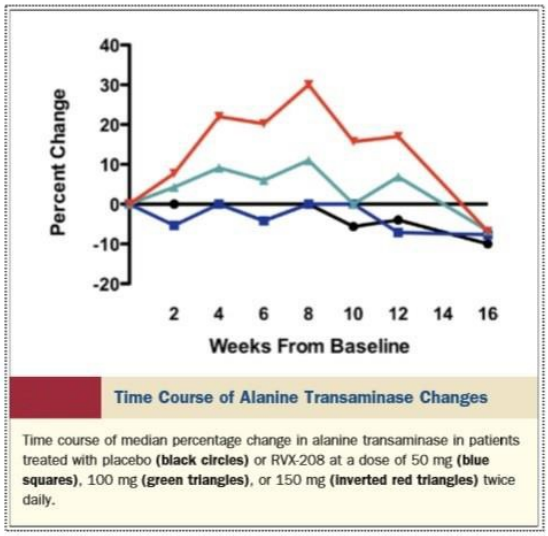
Resverlogix announced top line results of the ASSERT Phase 2 clinical trial in November 2010. Data revealed that the three key biomarkers in the RCT process showed dose dependent and steady improvement. Although the study demonstrated dose dependent increases in Apo A-1, the trial's primary endpoint, the percent change in ApoA-1 from baseline to 12 weeks post-randomization for each treatment arm, was not statistically significant when compared to the control group. In *post-hoc* analysis of the data, the study found that apabetalone had more of an impact on low HDL and low Apo A-1 patients.

However, the data showed statistically significant increase in HDL cholesterol including alpha1 particles or functional HDL as well as highly statistically significant increases in large HDL particles. In the highest dose cohort, Apo A-1 showed a 5.6% increase with a statistical value of p=0.06 vs. placebo. Across all patients, Apo A-1 showed a trend to increase in higher doses with statistical significance of p=0.035. Apo A-1 as well as other HDL molecules continued to be increasing by the end of the 12-week trial. For example, both the 8.3% HDL cholesterol increase (p<0.01) and the 21.1% large particle HDL increase (p<0.001) were highly statistically significant. In the high-risk sub population of patients who received the newer class of statins and had HDL <45mg/dL, the middle dose of 200 mg saw the most marked increases of 12% in Apo A-1 (p<0.02), 21% in HDL (p<0.015), and 32% in large HDL (p.<0.018) vs. baseline. As per Resverlogix, these pronounced HDL related increases via Apo A-1 production are very important as they take place later in the RCT process and are indicative of the strong potential for plaque regression and/or prevention.

It is important to mention that incidents of elevated alanine aminotransferase liver enzymes (ALTs) in excess of 3 times the upper limit of normal ("ULN") were experienced by 18 of 225 treated patients in ASSERT. One patient out of 45 in the high-risk sub population who received the newer class of statins and had HDL <45 mg/dL experienced ALTs in excess of 3 times ULN. One possible explanation for this finding, suggested by Resverlogix, was that this patient had an elective surgery during the study and was also given two agents post-surgery that are known to cause excessive liver ALT signals. ALTs were highest at week 8 and declined at weeks 10 and 12 across all doses. Resverlogix believes these data point to the possibility of liver adaptation and/or that elevated ALTs are transient. The occurrence of elevated ALTs was less frequent in patients on low and medium doses of statin agents, and RCT biomarker levels remained the same or improved in patients that were receiving high dose statins.

[2] Source: Resverlogix Clinical Trials Summary

Exhibit VII - Alanine Transaminase and Related Biomarker Data



Time Course of Alanine Transaminase Changes

Time course of median percentage change in alanine transaminase in patients treated with placebo **(black circles)** or RVX-208 at a dose of 50 mg **(blue squares)**, 100 mg **(green triangles)**, or 150 mg **(inverted red triangles)** twice daily.

Biochemical Safety Parameters

Parameter	Placebo (n = 74)	RVX-208 50 mg bid (n = 76)	RVX-208 100 mg bid (n = 75)	RVX-208 150 mg bid (n = 74)	Overall p Value
ALT or AST >3× ULN	0 (0)	3 (3.9)	8 (10.7)	7 (9.5)	0.009
ALT or AST >8× ULN	0 (0)	2 (2.6)	4 (5.3)	2 (2.7)	0.28
Total bilirubin >2× ULN	0 (0)	0 (0)	0 (0)	0 (0)	1.00
CK elevation >3× ULN	4 (5.4)	1 (1.3)	0 (0)	3 (4.1)	0.10
Creatinine elevation >1.5× baseline	0 (0)	0 (0)	3 (4.0)	3 (4.1)	0.07

Values are reported as the n (%) of subjects experiencing laboratory measures of adverse events.
ALT = alanine transaminase; AST = aspartate transaminase; bid = twice daily; CK = creatinine phosphokinase; ULN = upper limit of normal.

Source: Nicholls et al., 2011

To summarize, key findings drawn from ASSERT included the following: (1) 200 mg/day of apabetalone was the optimal dose, based on safety and efficacy; (2) those patients with a low level of HDL-C at baseline had a better response for HDL-C and Apo A-1 increases when treated with apabetalone; and (3) the best response was seen in those patients given apabetalone in combination with non-max doses of second generation statins such as rosuvastatin (Crestor®) or atorvastatin (Lipitor®). These observations helped Resverlogix establish a better understanding of apabetalone dosing and more details regarding what target patient population to further examine in the design of "SUSTAIN" and "ASSURE" studies.

Phase 2b "SUSTAIN" Clinical Trial: Completed

"The Study of Quantitative Serial Trends in Lipids with Apolipoprotein A-1 Stimulation", also known as SUSTAIN, was a 24-week, multi-center, double-blind, randomized, parallel group, placebo controlled Phase 2b clinical trial carried out in South Africa and led by investigators at the Cleveland Clinic. The SUSTAIN clinical trial began enrolling and dosing patients in September 2011, with enrollment completed in November 2011 and dosing of patients completed in May 2012. All 176 patients enrolled in the study had established atherosclerotic CVD, low HDL-C and were at a high-risk for recurrent CVD events. All patients had been receiving up to 40 mg atorvastatin (Lipitor®) or 20 mg rosuvastatin (Crestor®). Subjects received 200 mg apabetalone daily or placebo in order to evaluate safety, lipid trends and other biomarkers of reverse cholesterol transport. The purpose of SUSTAIN was to measure changes in Apo A-1, HDL and other lipid parameters vs. placebo as well as to examine safety over an extended period in the patient population with the largest response to apabetalone in the Phase 2 ASSERT trial.

In August 2012, Resverlogix announced that SUSTAIN met both its primary endpoint for apabetalone significantly increasing HDL-C from baseline (p=0.001) and its secondary endpoints of apabetalone increasing levels of Apo A-1 (p=0.002) and large HDL particles (p=0.02), which are both believed to be important in the process of improving reverse cholesterol transport (RCT) activity. These increases in both HDL and Apo A-1 biomarkers seen in the 24-week SUSTAIN trial represents a remarkable increase over the respective HDL and Apo A-1 values observed in the 12-week ASSERT trial. SUSTAIN also showed that apabetalone was safe when administered daily for 6 months and that increases in ALTs (as mentioned above from ASSERT) that were previously reported were transient and uncommon with no new increases seen past week 12 of the 24-week trial. Furthermore, with the help of some experts in the field, Resverlogix has completed detailed analyses on these patients and have found that these ALT elevations were isolated occurrences, generally observed without clinical symptoms and mainly seen in individuals that had underlying pathology (such as Hepatitis A, B or C, or liver disease) and using concomitant medications known to cause ALT elevations (such as high dose acetaminophen or clavulanic acid).

To summarize, key findings drawn from SUSTAIN included the following: (1) patients with both low baseline HDL and low baseline Apo A-1 biomarkers were the best responders to the treatment; and (2) 1 MACE event was observed in treated subjects compared to 6 MACE events in the placebo group. The findings from the SUSTAIN trial provided Resverlogix with important HDL functionality data as well as safety data regarding the transient nature of the early liver signals that were seen in prior studies. Resverlogix believes that this data firmly supports the chronic usage of apabetalone.

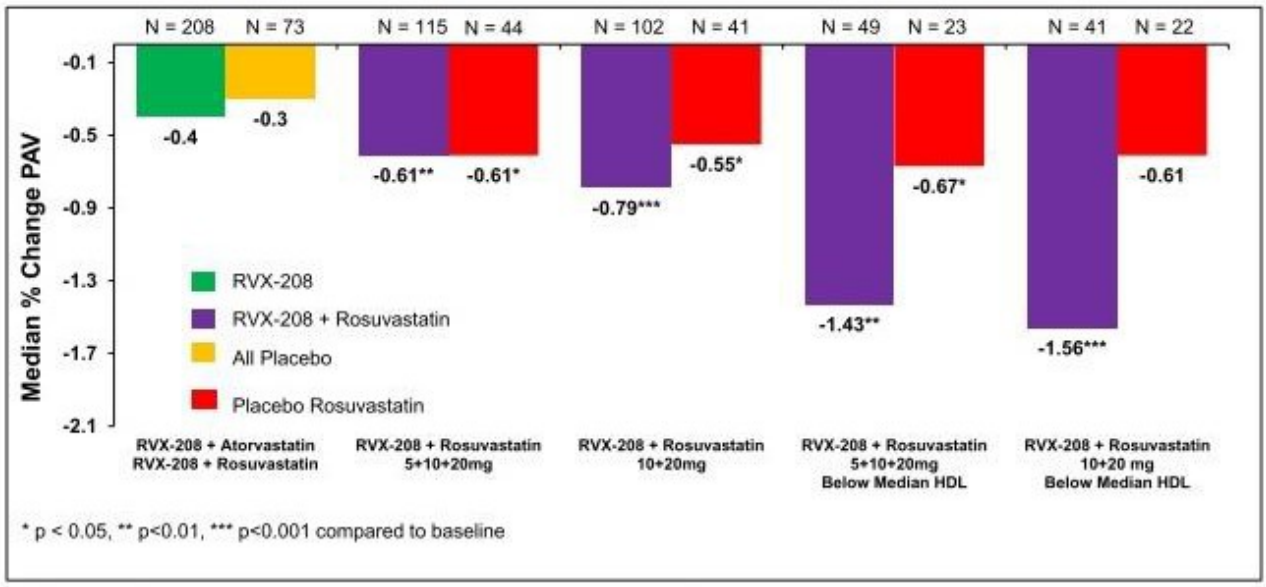
Phase 2b "ASSURE" Clinical Trial: Completed

"The Apo A-1 Synthesis Stimulation and Intravascular Ultrasound for Coronary Atheroma Regression Evaluation" trial, ASSURE, was a 26-week, multi-center, double-blind, randomized, parallel group, placebo-controlled Phase 2b trial led by investigators at the Cleveland Clinic. The ASSURE clinical trial began enrolling and dosing of patients in November 2011 with enrollment of all 323 patients completed in September 2012. The purpose of the trial was to assess the early impact of atherosclerosis regression by 100 mg of apabetalone twice-daily therapy in high-risk CVD patients. A total of 281 patients formed the Full Analysis Set (FAS) and each received two Intra-Vascular Ultrasound (IVUS) procedures that provided grey-scale images detailing plaque volume.

In June 2013, Resverlogix announced that ASSURE did not meet its primary endpoint of a -0.6% change in percent atheroma volume (PAV) from baseline to 26 weeks as determined by intravascular ultrasound (IVUS) measurement. The apabetalone treated group had -0.4% plaque regression (p= 0.08). All seven of the secondary IVUS and non-IVUS endpoints were met. These markers included regression of Total Atheroma Volume (TAV) and 10mm worst occluded TAV were met with high statistical significance with p<0.001 and p<0.001, respectively. Additional secondary endpoints such as increases in HDL of 10.7% (p<0.001) and increases in Apo A-1 of 11.7% (p<0.001) were also met.

In September 2013, Resverlogix announced ASSURE's Full Analysis Set (FAS) data showing that the below median HDL (<39 mg/dL) baseline population consisted of 92 patients who were taking either atorvastatin (Lipitor®) or rosuvastatin (Crestor®) with apabetalone. Subjects taking rosuvastatin (Crestor®) and apabetalone had a highly statistically significant Percent Atheroma Volume (PAV) plaque regression of -1.43% as compared to baseline (p<0.002). This PAV regression surpassed the ASSURE's pre-determined PAV endpoint of -0.6% by more than 138% (below). On the other hand, subjects taking atorvastatin (Lipitor®) and apabetalone had a PAV plaque progression of +0.19% with a non-significant probability value as compared to baseline. This reconfirmed previous findings from ASSERT which demonstrated that the best improvements were observed in patients with low HDL-C in combination with the newer generation statin agents.

Exhibit VIII – Median Percent Change Atheroma Volume



Notes: Median Baseline HDL = 39 mg/dL, N refers to number of patients

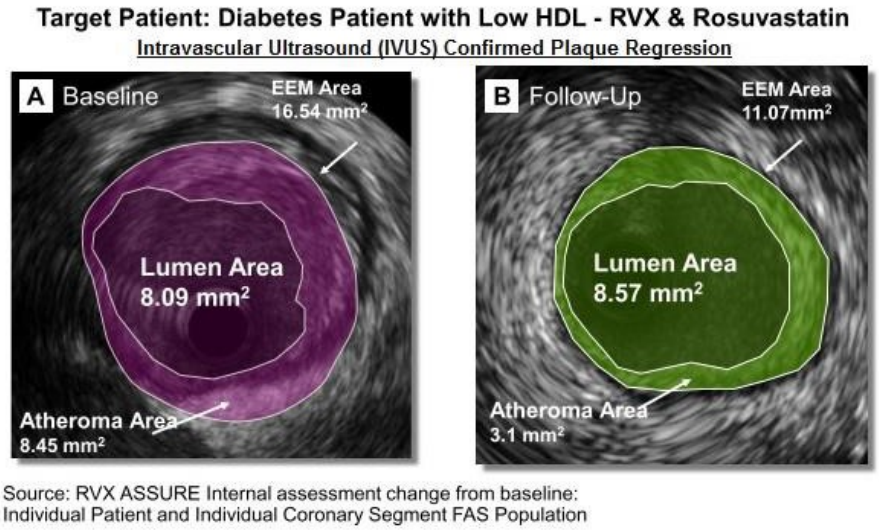
Source: RVX data on file – ASSURE FAS Population. Wilcoxon signed-rank test.

On November 4, 2013, Resverlogix announced two new results from ASSURE outlining the effects of apabetalone on vascular inflammation and vulnerability of atherosclerotic plaque rupture. The first observation showed statistically significant improvements in MACE and coronary IVUS plaque measurements in patients with a >2.0 mg/dL serum high sensitivity C-reactive protein (hsCRP) biomarker. The hsCRP biomarker when >2.0 mg/dL indicates an increased state of inflammation and is an established indicator of predicting CVD risk. The incidence of MACE was lower by 63% (p=0.023) vs. placebo in apabetalone treated patients with elevated hsCRP. There was a 60% reduction (p<0.0001) in hsCRP in patients receiving apabetalone vs. baseline and (p=0.054) vs. placebo. To summarize, the potentially greater promising effects of apabetalone on MACE and coronary disease progression

were observed in patients with higher levels of systemic inflammation. Resverlogix presented a poster, co-authored by the Cleveland Clinic, in March 2014 at the American Cardiology Congress highlighting these findings.

The second finding arose from a pre-determined endpoint in ASSURE using a new catheter (Volcano Revolution 45 mghz) intended for radiofrequency analysis of the intravascular (IVUS) signal. Catheter data reveals virtual histology IVUS ("VH-IVUS"), which is an emerging technology that helps measure tissue properties of atherosclerotic plaques and provides information regarding the vulnerability of atherosclerotic plaque rupture and its relationship to future CV risk. These VH-IVUS observations illustrated that apabetalone treatment lead to less vulnerability of atherosclerotic plaque rupture (Missel et al., 2008).

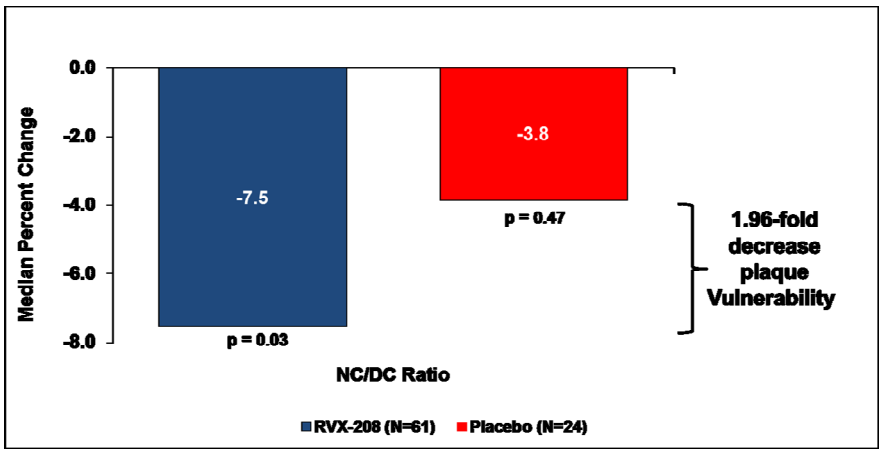
Exhibit IX – VH-IVUS Vulnerability Measurement



Source: RVX ASSURE Internal assessment change from baseline: Individual Patient and Individual Coronary Segment FAS Population

This information was used to reflect plaque vulnerability by calculating the ratio of necrotic core to dense calcium (NC/DC). The NC/DC ratio in apabetalone 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 apabetalone improved the NC/CS ratio pointing to less vulnerability of the atherosclerotic plaque for rupture.

Exhibit X – NC/DC Ratio



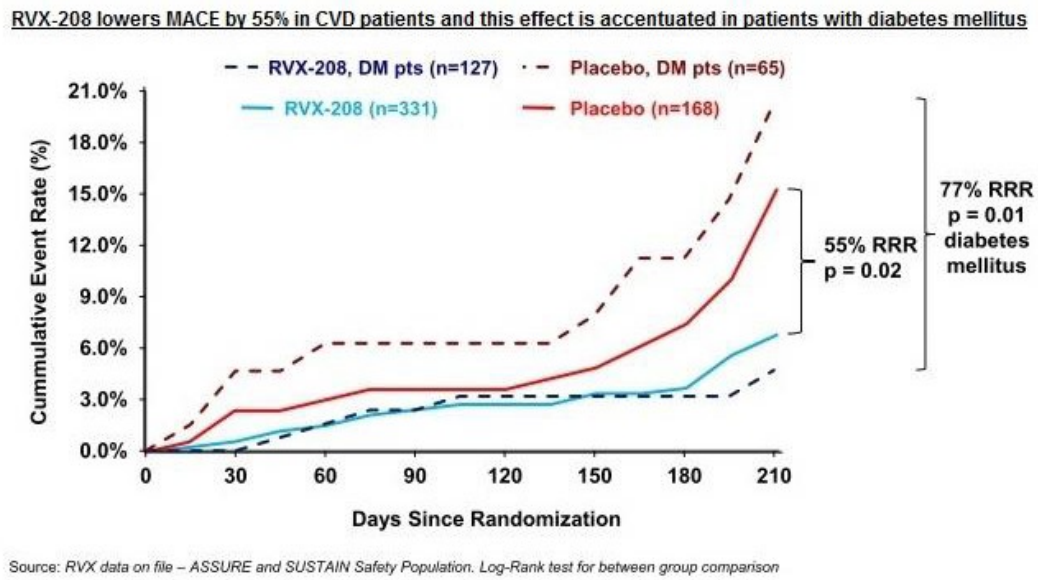
Pooled ASSURE & SUSTAIN (MACE) Analysis

In January 2014, Resverlogix announced that when MACE data (n=499) from both SUSTAIN and ASSURE trials were pooled and analyzed by an independent firm, it was found that patients treated with apabetalone over a six-month period had a significant reduction in MACE. According to Resverlogix, patients treated with apabetalone (n=331) had fewer overall major adverse cardiac events of 6.7% vs. 15.1% (p=0.02) in the placebo treated group (n=168). It was also observed that the benefit of RVX-208 treatment (n=179) was most noteworthy in patients with

elevated CRP > 2.0mg/dL (n=283), with an overall event rate of 6.4% vs. 20.5% (p=0.007) in the placebo group (n=104). The pooled analysis on MACE is also being investigated in the context of other high-risk populations. The information gathered from the independent MACE analyses will help provide guidance to Resverlogix regarding the future development of apabetalone. Management believes that this early data showing reduction in MACE will be an important factor for apabetalone registration down the road, and that it is promising in showing the potential of apabetalone to help patients that are at high risk for CVD.

In September 2014, Dr. Jan Johansson, Senior Vice President of Medical Affairs of Resverlogix, reported at the European Society of Cardiology (ESC) Congress that CVD patients when treated with apabetalone had a 55% (p=0.02) relative risk reduction (RRR) in MACE. Furthermore, this effect of apabetalone on patients with diabetes mellitus was greatly accentuated with a RRR in MACE that was reduced by 77% (p=0.01) (below). This information is guiding Resverlogix in the planning and design of Phase 3 clinical study BETonMACE.

Exhibit XI – RVX-208 Impact on MACE



Source: *RVX data on file – ASSURE and SUSTAIN Safety Population. Log-Rank test for between group comparison*

Phase 2b Pre-Diabetes Clinical Trial: Completed

In October 2012, Resverlogix initiated a small exploratory Phase 2 clinical trial in pre-diabetic/metabolic syndrome patients to explore the effects of apabetalone and Apo A-1 production on the metabolism of glucose. Enrollment was completed in December 2013 and patient dosing was completed in March 2014. The trial was conducted in association with Baker IDI Heart & Diabetes Institute in Melbourne, Australia and examined factors such as insulin sensitivity and insulin secretion.

The preliminary results of the trial were announced on July 23, 2014. The investigators hypothesized that the apabetalone induced rise in Apo A-1/HDL-C could potentially affect pancreatic insulin secretion and thus lower blood glucose levels as detected by oral glucose tolerance tests. A total of 23 patients with pre-diabetes mellitus/ metabolic syndrome were given 200 mg apabetalone daily for 4 weeks. Unfortunately, the preliminary results were not in-line with the investigators hypothesis, as there was no statistically significant change in pancreatic insulin secretion or blood glucose levels after four weeks on 200 mg apabetalone. Resverlogix believes that this finding was useful in understanding the ASSURE data because for apabetalone to decrease blood glucose in diabetic patients diabetes, at least 12 weeks of apabetalone treatment is necessary. Further analysis from the data will include HDL abundance, lipidomics, platelet aggregation, monocyte activation and neutrophil adhesion.

Epigenetics Pooled Database

Resverlogix's Phase 2b program (SUSTAIN and ASSURE) in high-risk cardiovascular patients with low HDL has provided the company with a proprietary database of key biomarkers that are targeted by apabetalone. According to Resverlogix, this is "the first and largest integrated dataset of multiple vascular risk markers with an epigenetic drug treatment on these specific high target patients." Resverlogix performed a pooled analysis of various vascular risk biomarkers such as RCT markers including Apo A-1, HDL-C, HDL particle numbers, large HDL, HDL particle size;

vascular inflammatory markers such as C-reactive protein (CRP); and metabolic markers such as alkaline phosphatase, glucose, HbA1C as well as others markers of epigenetic interest. Resverlogix will continue building the database with the hope of developing a more comprehensive foundation of epigenetics knowledge and to highlight patient groups that will be responders to apabetalone treatment.

Phase 3 "BETonMACE"

In October 2015, Resverlogix launched its Phase 3 "Effect of RVX-208 on Time to Major Adverse Cardiovascular Events in High-Risk Type 2 Diabetes Mellitus Subjects with Coronary Artery Disease" (BETonMACE) trial with lead drug apabetalone in high-risk patients with coronary artery disease (CAD) and type 2 diabetes mellitus (DM). The study is a large international multi-center, double-blind, randomized, parallel group, placebo-controlled clinical trial to determine whether treatment with apabetalone in combination with rosuvastatin or atorvastatin increases the time to MACE compared to treatment with rosuvastatin or atorvastatin alone.

The primary endpoint of the BETonMACE trial is designed to show a relative risk reduction of MACE, narrowly defined as a single composite endpoint of CV death, non-fatal myocardial infarction ("MI") and stroke. The study is an event-based trial and will continue until at least 250 MACE events have occurred. MACE will be adjudicated by an independent committee and the study will be monitored by a data safety monitoring board. Management is seeking a 30% reduction in MACE as compared to the placebo arm.

Secondary endpoints include time to first occurrence of the composite broad MACE which includes the addition of hospitalization for CVD events (unstable angina and revascularization procedures), changes in lipoprotein concentrations (HDL and apolipoprotein A-1, changes in diabetes mellitus variables (glucose and glycated hemoglobin), change in alkaline phosphatase ("ALP"), changes in kidney function and additional safety and tolerability of apabetalone.

In order to be eligible to participate in the study, patients must have documented history of type 2 Diabetes Mellitus, experienced a recent (defined as 7-90 days prior to randomization) coronary artery disease ("CAD") event including unstable angina, revascularization procedure or MI and have low levels of HDL (<40 mg/dL for males and <45 mg/dL for females). Standard of care high potency statin therapy shall consist of daily dose of either atorvastatin 40-80 mg or rosuvastatin 20-40 mg. After an initial screening period of 1 to 2 weeks during which subjects will be treated with standard of care statin therapy, subjects will be randomized to either apabetalone 100 mg twice daily or matching placebo with continued statin treatment. This combination treatment period will continue for up to 104 weeks.

Resverlogix believes that a Phase 3 MACE trial could confirm health benefits in CVD, diabetes, and CKD. The main objective of the trial will be to confirm MACE reduction by apabetalone as observed in SUSTAIN and ASSURE pooled analysis and also expand safety assessment. The study will be in a larger prospective setting with high-risk patients that have diabetes mellitus and low HDL-C (< 40 mg/dL for males and < 45 mg/dL for females who are post events). Management also plans to further explore the potential impact that apabetalone may have on inflammation, the complement and coagulation pathways, as well as on platelet improvement in these high-risk patients in the future Phase 3 trial.

As part of the BETonMACE trial, the study will examine a subset of the patients to test for impact on neuro-degenerative diseases and test for cognition. The subset will include patients over the age of 70 and perform a Montreal Cognitive Assessment (MoCA) test. The company anticipates that this could be from 200 to 300+ participants in the trial. This population group is the equivalent of a Phase 2 dementia trial built into BETonMACE.

BETonMACE will initially be conducted in Argentina, Mexico and various European cities with potential expansion into Asia through the partnership with Hepalink. U.S. sites are also a consideration as Resverlogix looks towards FDA approval in this adaptive trial that will target a minimum of 2,400 patients. As of April 30, 2016, Argentina, Belgium, Bulgaria, Croatia, Germany, Hungary, Israel, Mexico, Poland, Serbia, and Slovakia had received regulatory approval to open clinical investigator sites and were recruiting patients.

Development Strategy for Apabetalone

Cardiovascular disease Phase 3 clinical trials typically extend from two to five years and require testing of a much larger patient pool as compared to most other therapeutic areas, and include anywhere from several hundred to several thousand patients. Due to the large size of the pool of patients in this prospective group, Resverlogix has focused the target population on CVD patients with diabetes, decreased levels of HDL with coronary artery disease and chronic kidney disease (CKD). There is an unmet need in these high-risk patients as they are more likely to

suffer from MACE than CVD patients. Resverlogix believes, and we agree, that this is a much more efficient Phase 3 process. This presents as a large savings in both time and cost related expenses due to the higher rate of CVD in the high risk population.

Phase 3 trials in cardiovascular are very expensive, with many above $50 million and some in excess of $100 million in cost. The high cost is due to the large population sizes required to power statistical significance. For normal populations, MACE events are observed at a very low rate, fluctuating around 2% of observations. To generate statistical significance, very large population sizes are required as are extended observation periods. For the high risk population of MACE, which includes those with diabetes and chronic kidney disease, the incidence of MACE is much higher, in excess of 11% providing a much lower threshold to determine efficacy.

Apabetalone has the potential to expand to other indications and Resverlogix plans to conduct subsequent Phase 3 trials in the future. For instance, Resverlogix has mentioned several orphan indications that may be pursued in the undetermined future. This pathway may provide a quicker route to market for the compound.

Resverlogix sees possibility in a successful pharmaceutical partnership or licensing agreement for apabetalone which may help overcome the cost burden, lengthy development time, and high attrition rates, while helping to advance the drug through future clinical trials and drug development stages. Through extensive modeling and ongoing outreach to key opinion leaders (KOLs), management believes that if apabetalone can provide a 30% relative risk reduction of MACE in the Phase 3 trial, the pharmaco-economics of apabetalone could be very compelling for managed care and other payors that will be able to justify a fair price that lowers costs overall. While the outcome and efficacy of the trial, prices for competing therapies and negotiations with payors will ultimately determine the price, our model currently targets a range of $2,500 to $4,500 per annum.

Intellectual Property

The company's strategy is to build a strong patent portfolio around its core technology that is important to the development of leading edge medicines. Resverlogix's strategy is to be the first to identify, isolate, and patent therapeutic agents with commercial importance, as well as, to seek out and license intellectual property believed to be useful in connection with potential products.

Resverlogix's intellectual property portfolio covers compositions, methods of use, manufacturing, combinations, and treatments for a number of indications related to its core technology. The company owns and/or has rights to more than 10 patent families, comprising more than 40 issued patents, including 10 in the U.S., as well as more than 50 pending patent applications in different jurisdictions. Resverlogix Corp. announced in April 2015 that it had received two patent approvals in China covering RVX-208, which include a composition of matter patent granted until February 2027, and a manufacturing patent granted until June 2029. The table below shows a list of issued U.S. patents and pending patent applications related to RVX-208.

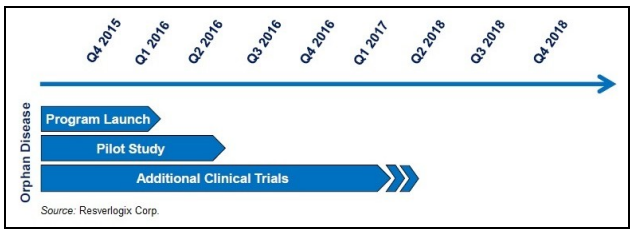
Exhibit XII – Summary of Patents Held

Patent Number	Title	Expiration Date
US 8,053,440 (Composition claims)	Compounds for the prevention and treatment of cardiovascular disease	August 2030
US 8,889,698 (Use claims)	Compounds for the prevention and treatment of cardiovascular disease	September 2027
US 8,114,995 (Manufacturing)	Methods of preparing quinazolinone derivatives	April 2030
US 8,884,046 (Manufacturing)	Novel compounds useful in the synthesis of benzamide compounds	October 2033
Application Number	**Title**	**Filing date**
US 13/665,147 (Formulation)	Pharmaceutical Compositions for Substituted Quinazolinones	October 2012
WO 2015/025226	Compositions and Therapeutic Methods for Accelerated Plaque Regression	August 2014
WO 2015/025228	Compositions and Therapeutic Methods for Accelerated Plaque Regression	August 2014

Orphan Disease Program

On September 24, 2015, Resverlogix announced the commencement of an Orphan Disease Program for Complement Mediated Diseases.

Exhibit XIII – Orphan Disease Timeline



Management believes that new data suggests that apabetalone downregulates different components of the complement and coagulations pathways, which are important to cardiovascular disease as well several orphan diseases. Resverlogix would like to further explore the potential of apabetalone in humans with overactive complement pathways. We believe that apabetalone will be tested in a Phase 2 proof-of-concept pilot study in a small group of patients with Paroxysmal Nocturnal Hemoglobinuria (PNH).

We believe there is potential for Resverlogix to study other complement mediated diseases, such as atypical hemolytic uremic syndrome (aHUS), and glomerulonephritis in conjunction with apabetalone as well as other pre-clinical BET inhibitors/follow-on compounds (*below*), but we are not exactly sure the path the company wishes to pursue. Resverlogix does not currently have an orphan drug designation at this point, but we anticipate that the current Phase 1 PK study in renal has a good chance of securing an orphan designation if data are supportive. Management believes that the orphan drug route will allow for the drug to reach the market before that for the indications in the BETonMACE trial.

Paroxysmal Nocturnal Hemoglobinuria

The National Organization for Rare Disorders (NORD) states that paroxysmal nocturnal hemoglobinuria, or PNH, is a rare yet progressive and often life-threatening acquired hematopoietic stem cell disease of the blood. Hematopoietic stem cells give rise to red blood cells. In PNH, red blood cells break down or are prematurely destroyed earlier than normal (hemolysis) by an individual's own immune system (complement system), with potentially fatal consequences. It is estimated to affect between one and five million individuals.

Resverlogix summarizes the details of PNH:

> The disease manifests itself in the complement-mediated destruction of red blood cells, a process known as hemolysis with potentially fatal consequences. In healthy individuals, red blood cells and other blood cell types have specific cell surface proteins that function to inhibit the complement system and ultimately protect cells against formation of the membrane attack complex ("MAC"). The root cause of this disorder lies in specific protein anchors, which act as tethers for proteins responsible for protecting blood cells from the activity of the complement system. CD59 glycoprotein, also known as MAC-inhibitory protein, and complement decay-accelerating factor ("DAF") function as such inhibitors by impeding the activity of the enzymes that activate complement component 3 ("C3") and complement component 5 ("C5"), respectively. These regulators are membrane-bound via a glycophosphatidylinositol ("GPI") anchor.
>
> Due to the acquired mutation in their hematopoietic stem cells, patients with PNH do not express these host proteins and their red blood cells become subject to complement-mediated destruction. A direct link exists between excessive complement activation and the clinical manifestation of PNH. The resultant excessive RBC lysis causes transfusion dependence in these patients. Symptoms of PNH include extreme fatigue, abdominal pain, anemia and hemoglobinuria (the release of free hemoglobin into the urine), which can lead to renal failure. A life threatening complication of PNH is repeated thrombosis (blood clot formation) which is the leading cause of death in PNH patients, accounting for at least 40% of PNH mortality. PNH has an estimated annual incidence rate of 1-5 cases per million in the general population. A UK study found that approximately one-third of patients

diagnosed with PNH died within 5 years of diagnosis despite receiving the current standard of care. Historically, the median survival has been 10 to 15 years from the time of diagnosis.

Treatment Options for PNH

PNH treatment is often tailored to specific symptoms and includes many different therapeutic and supportive approaches. Treatment often involves steroids that can suppress the immune system to help slow down red blood cell destruction, as well as blood transfusions, supplemental iron and folic acid, anti-coagulation drugs to prevent clot formation, and bone marrow transplantation.

The U.S. Food and Drug Administration (FDA) approved Soliris (eculizumab), an orphan drug, in 2007 for the treatment of PNH. It was the first drug to be approved for PNH, and although it does not cure the disease, it does block the breakdown of red blood cells, and in turn, can prevent thrombosis. Soliris blocks the complement system of the body that is responsible for destroying blood cells in PNH individuals. Since it does block the immune system, the drug does increase the risk of meningococcal infections, and patients must be vaccinated with a meningococcal vaccine at least two weeks before receiving the first dose of the drug. Soliris is also approved for the treatment of aHUS. The drug was developed by Alexion Pharmaceuticals and patent expiration occurs in 2021.

Soliris has been the subject of controversy as it has been called one of the most expensive drugs in the world, and. In 2014, it had a U.S. list price of about $440,000 per patient a year. According to EvaluatePharma, worldwide sales of Soliris in 2014 were $2.2 billion, with estimated sales to be over $2.6 billion in 2015. According to a 2014 report by the International PNH Registry, close to 75% of PNH patients are not receiving Soliris treatment. Some believe it is only being used in severe cases of PNH due to the high cost of the drug. For these reasons, Resverlogix believes that if apabetalone is successful as a treatment for PNH, it could fill a large unmet medical need for patients with this severe disease.

Summary

Resverlogix's lead product candidate, apabetalone, is the first selective BET bromodomain inhibitor in clinical trials for high-risk vascular disease. In the current Phase 3 BETonMACE trial, Apabetalone is targeting a very specific patient population with low HDL, type diabetes mellitus and chronic kidney disease with a high cardiovascular risk for increased MACE. The trial is progressing with patient recruitment and trial site activation in Phase 3 BETonMACE. Currently, all planned countries including Argentina, Belgium, Bulgaria, Croatia, Germany, Hungary, Israel, Mexico, Poland, Serbia, and Slovakia have received regulatory approval to open clinical investigator sites and are recruiting patients.

As a reminder, our investment thesis for Resverlogix is based on a large and growing underserved market in cardiovascular disease. With a growing older population in the world, and in many cases a less healthy one than in previous generations, the addressable market for therapies that reduce cardiovascular risk is increasing. Apabetalone has shown an ability to positively impact major adverse cardiac events in early trials and we expect the current BETonMACE trial to confirm this hypothesis. There is also potential for the compound to address a number of other indications, including orphan diseases, PNH and aHUS. With a substantially large market and an anticipated high degree of efficacy, we forecast a rapid uptake of apabetalone following regulatory approval and forecast robust pricing ability given the anticipated pharmacoeconomics of the drug.

We believe that durable patent position and the forecasted pricing of apabetalone, combined with a management skill set surrounding CVD and diabetes and a novel approach to addressing the residual risk in high need CVD patients, support our price target. The company has secured access to approximately $37 million USD in new capital through licensing and stock purchase agreements with Hepalink and Eastern Capital, which we believe should fully fund the Phase 3 BETonMACE program.

We highlight that data from the BETonMACE trial will not likely be available until mid to late-2018, but we hope to see results from the interim futility analysis which will provide a first look after 125 MACE events. The recently announced complement-mediated orphan disease program could also provide further upside to our valuation, however at this time it is too early to include in our model. Additionally, apabetalone's multimodal mechanism of action has led to the announcement of the current Phase 1 trial in renal disease, which may provide additional upside to our valuation. Currently, we believe the company is undervalued. We maintain our price target of CAD$5.00 per share.

PROJECTED FINANCIALS

Resverlogix Corp. - Income Statement

Resverlogix Corp. (millions of $US)	Apr. 2015 FY-15 A	Jul. 2015 Q1 A	Oct. 2015 Q2 A	Jan. 2016 Q3 A	Apr. 2016 Q4 A	Apr. 2016 FY-16 A	Apr. 2017 FY-17 E	Apr. 2018 FY-18 E
RVX-208	$0	$0	$0	$0	$0	$0	$0	$0
Licensing & Collaborative	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-	-	-	-
Total Revenues	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
CoGS	$0	$0	$0	$0	$0	$0	$0	$0
Product Gross Margin	-	-	-	-	-	-	-	-
R&D Expense (net)	$4.2	$2.2	$3.2	$3.9	$6.3	$15.7	$17.0	$18.0
G&A Expense	$4.3	$1.3	$0.9	$0.8	$1.3	$4.3	$6.3	$6.8
Operating Income	($8.5)	($3.5)	($4.1)	($4.7)	($7.6)	($20.0)	($23.3)	($24.8)
Operating Margin	-	-	-	-	-	-	-	-
Net Finance Activities	($9.9)	$6.1	$0.3	($4.1)	($2.0)	$0.3	($6.0)	($6.0)
Other Gain / (Loss)	($1.1)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Pre-Tax Income	($19.4)	$2.6	($3.8)	($8.9)	($9.7)	($19.7)	($29.3)	($30.8)
Taxes & Other	($1.1)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	($18.3)	$2.6	($3.8)	($8.9)	($9.7)	($19.7)	($29.3)	($30.8)
Reported EPS	**($0.21)**	**$0.03**	**($0.04)**	**($0.08)**	**($0.09)**	**($0.20)**	**($0.27)**	**($0.28)**
YOY Growth	-						-	-
Diluted Shares Outstanding	85.6	93.8	105.1	105.2	105.6	101.0	108.0	110.0

Source: Company Filing // Zacks Investment Research, Inc. Estimates

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HISTORICAL STOCK PRICE



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