



*Third Quarter
Ended January 31, 2010*

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TRADING SYMBOL:

TSX: RVX

RESVERLOGIX CORP.

Interim Consolidated Balance Sheets
(Unaudited)

	January 31, 2010	April 30, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,510,374	\$ 12,564,267
Restricted cash (note 5)	-	7,163,928
Prepaid expenses and deposits	832,986	1,430,055
	<u>9,343,360</u>	<u>21,158,250</u>
Property and equipment (note 3)	665,868	708,498
Intellectual property and patents (note 4)	867,127	703,552
	<u>\$ 10,876,355</u>	<u>\$ 22,570,300</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,246,031	\$ 2,577,563
Accrued interest on convertible debentures	-	365,238
Convertible debentures (note 5)	-	5,769,228
	<u>2,246,031</u>	<u>8,712,029</u>
Shareholders' equity (note 6):		
Common shares	83,239,489	72,237,124
Convertible debentures equity component	-	14,952,621
Contributed surplus	17,800,000	16,496,537
Warrants	28,255,855	26,017,371
Deficit	(120,665,020)	(115,845,382)
	<u>8,630,324</u>	<u>13,858,271</u>
	<u>\$ 10,876,355</u>	<u>\$ 22,570,300</u>

Nature of operations (note 1)
Commitments (notes 4, 6(g) and 7)

See accompanying notes to the interim consolidated financial statements.

RESVERLOGIX CORP.

Interim Consolidated Statements of Net Loss, Comprehensive Loss and Deficit
(Unaudited)

	Three months ended January 31,		Nine months ended January 31,	
	2010	2009	2010	2009
Revenue:				
Interest income	\$ 283	\$ 9,340	\$ 2,750	\$ 164,587
Expenses:				
Research and development	3,758,714	4,220,007	9,752,010	11,652,043
General and administrative	723,223	737,524	2,295,643	2,076,280
Stock-based compensation	363,000	896,531	1,303,464	2,035,289
Interest and accretion on convertible debentures	285,187	430,165	1,203,229	1,982,612
Depreciation and amortization	57,891	60,693	171,021	203,219
Foreign exchange loss	184,892	154,520	765,478	1,294,028
(Gain) loss on redemption of convertible debentures (note 5)	3,337,073	-	3,337,073	(1,881,591)
	<u>8,709,980</u>	<u>6,499,440</u>	<u>18,827,918</u>	<u>17,361,880</u>
Net loss and comprehensive loss	8,709,697	6,490,100	18,825,168	17,197,293
Deficit, beginning of period	125,960,853	104,315,160	115,845,382	78,554,042
Redemption and amendment of convertible debentures (note 5)	(14,005,530)	-	(14,005,530)	13,183,480
Amendment of warrants (note 6)	-	-	-	1,870,445
Deficit, end of period	<u>120,665,020</u>	<u>110,805,260</u>	<u>120,665,020</u>	<u>110,805,260</u>
Net loss per common share – basic and diluted	\$ 0.21	\$ 0.26	\$ 0.47	\$ 0.61
Weighted average number of common shares (note 6)	<u>40,716,103</u>	<u>25,204,291</u>	<u>39,805,211</u>	<u>28,314,826</u>

See accompanying notes to the interim consolidated financial statements.

RESVERLOGIX CORP.

Interim Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended January 31,		Nine months ended January 31,	
	2010	2009	2010	2009
Cash provided by (used in):				
Operations:				
Net loss	(\$8,709,697)	(\$ 6,490,100)	(\$18,825,168)	(\$17,197,293)
Items not involving cash:				
Stock-based compensation	363,000	896,531	1,303,464	2,035,289
Depreciation and amortization	57,891	60,693	171,021	203,219
Accretion on convertible debentures	78,642	140,105	324,453	610,147
Interest paid in common shares	-	2,048	154,926	1,179,386
Services paid in common shares	-	-	122,500	-
(Gain) loss on redemption of convertible debentures	3,337,073	-	3,337,073	(1,881,591)
Unrealized foreign exchange (gain) loss	(37,793)	176,198	(688,228)	2,214,419
	(4,910,884)	(5,214,525)	(14,099,959)	(12,836,424)
Changes in non-cash working capital:				
Prepaid expenses and deposits	238,682	(143,505)	597,069	4,955
Accounts payable and accrued liabilities	623,311	1,347,135	(472,336)	1,667,061
Accrued interest on debentures	(445,620)	41,509	(359,794)	(14,699)
	(4,494,511)	(3,969,386)	(14,335,020)	(11,179,107)
Financing:				
Proceeds from the issuance of common shares and warrants	12,853,175	-	12,853,175	-
Share issuance costs	(716,119)	-	(709,940)	-
Redemption of convertible debentures	(8,911,274)	-	(8,911,274)	(5,260,600)
Proceeds from exercise of options and warrants	-	84,320	-	298,255
	3,225,782	84,320	3,231,961	(4,962,345)
Investing:				
Restricted cash	6,060,305	-	7,163,928	-
Short term investments	-	4,032,137	-	15,271,610
Property and equipment additions	(32,625)	-	(79,817)	(28,611)
Patent additions	(75,202)	(43,790)	(212,151)	(134,382)
Non-cash investing working capital	57,261	24,597	177,206	21,685
	6,009,735	4,012,944	7,049,166	15,130,302
Increase (decrease) in cash and cash equivalents	4,741,006	127,878	(4,053,893)	(1,011,150)
Cash and cash equivalents, beginning of period	3,769,368	1,210,345	12,564,267	2,349,373
Cash and cash equivalents, end of period	\$ 8,510,374	\$ 1,338,223	\$ 8,510,374	\$ 1,338,223

See accompanying notes to the Interim consolidated financial statements.

RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements

Three and nine months ended January 31, 2010 and 2009
(Unaudited)

The interim consolidated financial statements of Resverlogix Corp. (the "Company") were prepared by management using accounting policies and methods of their application consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended April 30, 2009. The disclosure which follows is incremental to the disclosure included with the annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended April 30, 2009.

1. Nature of operations

Resverlogix Corp. is an emerging biopharmaceutical company focused on development of novel therapeutics in cardiovascular disease, and related indications in vascular inflammation and Alzheimer's Disease. The Company also has therapeutics under development for the treatment of fibrotic diseases and cancer. The Company is considered to be in the development stage, as most of its efforts have been devoted to research and development and it has not earned any revenue to date.

Research and development expenditures on these projects are as follows:

	Three months ended		Nine months ended		Cumulative since inception
	January 31,		January 31,		
	2010	2009	2010	2009	
NexVas PR	\$3,753,168	\$4,201,240	\$ 9,703,934	\$11,594,152	\$ 51,951,317
NexVas VI / ReVas	5,546	-	19,113	27,948	1,868,140
TGF- β Shield	-	-	-	-	735,221
NexVas AD	-	18,767	28,963	29,943	58,906
	\$3,758,714	\$4,220,007	\$ 9,752,010	\$11,652,043	\$ 54,613,584

The success of the Company is dependent on the continuation of the research and development activities, progressing the core technologies through clinical trials to commercialization and its ability to finance its cash requirements. It is not possible to predict either the outcome of future research and development programs or the Company's ability to fund these programs going forward.

The accompanying financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company has incurred significant losses to date, and with no assumption of revenues, is dependent on its ability to raise additional financial capital by continuing to demonstrate the successful progression of its research and development activities if it is to remain as a going concern. At January 31, 2010, the Company had \$8.5 million of cash and cash equivalents.

RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements, page 2

Three and nine months ended January 31, 2010 and 2009
(Unaudited)

1. Nature of operations (continued)

The Company will require additional capital to provide the Company with sufficient resources to manage its planned research, development and corporate activities. Note 6 (g) describes the Company's current initiatives to raise additional capital.

The Company will continue to explore various alternatives to generate positive cash flow including raising additional equity, product licensing, as well as continuing its partnering discussions concerning the Company's core NexVas™ PR technology; however given the large uncertainty in the capital markets and the general business climate in the healthcare sector for potential business partners, there is no assurance that these initiatives will be successful.

These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities, and the reported revenues and expenses that might be necessary should the company be unable to continue as a going concern.

2. Change in accounting policies

Effective January 1, 2009, the Company adopted CICA Handbook Section 3064 "Goodwill and Intangible Assets", which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The adoption of this standard did not have any impact on the Company's interim financial results.

3. Property and equipment

January 31, 2010	Cost	Accumulated depreciation	Net book value
Laboratory equipment	\$ 1,407,549	\$ 824,476	\$ 583,073
Office furniture and equipment	70,071	59,465	10,606
Computer equipment	279,279	207,319	71,960
Computer software	77,927	77,698	229
Leasehold improvements	463,315	463,315	-
	<u>\$ 2,298,141</u>	<u>\$ 1,632,273</u>	<u>\$ 665,868</u>

April 30, 2009

Laboratory equipment	\$ 1,390,617	\$ 731,694	\$ 658,923
Office furniture and equipment	70,071	53,915	16,156
Computer equipment	216,396	184,550	31,846
Computer software	77,927	76,840	1,087
Leasehold improvements	463,315	462,829	486
	<u>\$ 2,218,326</u>	<u>\$ 1,509,828</u>	<u>\$ 708,498</u>

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Notes to Interim Consolidated Financial Statements, page 3

Three and nine months ended January 31, 2010 and 2009
(Unaudited)

4. Intellectual property and patents

January 31, 2010	Cost	Accumulated amortization	Net book value
Patents	\$ 1,046,895	\$ 180,325	\$ 866,570
Intellectual property	818	261	557
	<u>\$ 1,047,713</u>	<u>\$ 180,586</u>	<u>\$ 867,127</u>

April 30, 2009	Cost	Accumulated amortization	Net book value
Patents	\$ 834,743	\$ 131,782	\$ 702,961
Intellectual property	818	227	591
	<u>\$ 835,561</u>	<u>\$ 132,009</u>	<u>\$ 703,552</u>

In October 2004, the Company entered into an exclusive license agreement that expands the number of proprietary compounds that the Company can test, manufacture, market, sell or sublicense. The agreement expires on the later of 20 years or the expiration of the last patent covered under the license agreement. As consideration the Company paid an initial license fee of US\$25,000. In addition, the Company is required to make additional payments of US\$50,000 upon the discovery of each nutraceutical which contains a compound protected by the patent which will be used in a commercial context and a payment of US\$300,000 upon the first enrolment of a patient into a regulatory approved Phase 1 Clinical Trial for a pharmaceutical compound protected by the patent.

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Notes to Interim Consolidated Financial Statements, page 4

Three and nine months ended January 31, 2010 and 2009
(Unaudited)

5. Convertible debentures

Convertible debentures and its equity components consist of the following:

(Canadian dollars)	US\$17 million Face Value	US\$25 million Face Value	Total
Balance, April 30, 2008	\$ 242,654	\$ 11,967,618	\$ 12,210,272
Conversions to common shares	-	(1,928,579)	(1,928,579)
Accretion	2,820	821,536	824,356
Debt issue costs	-	(40,600)	(40,600)
Redemption of debentures	(283,123)	(7,932,561)	(8,215,684)
October 2008 amendment – accrued interest	-	684,507	684,507
October 2008 amendment – January 2007 debenture transfer	-	322,867	322,867
Foreign exchange loss	37,649	1,874,440	1,912,089
Balance, April 30, 2009	-	5,769,228	5,769,228
Conversions to common shares	-	(228,706)	(228,706)
Accretion	-	324,453	324,453
Foreign exchange gain	-	(646,382)	(646,382)
Redemption of debentures	-	(5,218,593)	(5,218,593)
Balance, January 31, 2010	\$ -	\$ -	\$ -

The Company issued US\$42 million of senior secured convertible debentures in two separate issuances of US\$17 million and US\$25 million on January 4, 2007 and June 6, 2007, respectively. On August 31, 2007, the Company amended the US\$25 million issuance of convertible debentures to eliminate certain Interest to Maturity provisions contained in the financing and reduce the then in effect adjusted interest rate of 14% to a fixed rate of 12% per annum.

On October 15, 2008, the Company redeemed US\$10 million of the US\$17.3 million outstanding January and June 2007 debentures and amended the terms of the remaining debt. The Company redeemed the debentures with \$5.3 million (US\$4.5 million) in cash and \$6.4 million (US\$5.5 million) by way of issuance of 2,444,445 common shares at a price of \$2.61 per share. As a result of the US\$10 million debenture redemption and amendment of the terms of the remaining debentures, the Company recognized a \$1.9 million gain on redemption of convertible debentures, a \$8.2 million decrease in the liability component of the convertible debentures, a \$6.8 million net increase in the convertible debenture equity component, a \$7.5 million increase to share capital and a \$13.2 million in deficit. In addition, the amendment to the warrants resulted in a change to the fair value of the warrants, increasing warrants, included in shareholders' equity, by \$1.2 million; a deemed dividend resulted in a corresponding \$1.2 million increase in deficit. The transfer and amendment to the terms of the remaining January 2007 debentures resulted in a settlement and an \$80,000 gain on settlement of convertible debentures, a \$283,000 decrease in the liability component of the convertible debenture, and a \$120,000 increase in deficit. The interim financial statements as of January 31, 2009 and the nine month period then ended reflect an adjustment to increase the equity component of the convertible debenture and deficit at January 31, 2009 for an understatement of the charge to deficit of \$6.4 million due to the amendment to the convertible debenture on October 15, 2008.

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Notes to Interim Consolidated Financial Statements, page 5

Three and nine months ended January 31, 2010 and 2009
(Unaudited)

5. Convertible debentures (continued)

On April 9, 2009, the Company amended the terms of the outstanding US\$7.2 million of convertible debentures to: (1) amend the interest rate thereon from 12% to 18% per annum; (2) defer the convertible debenture holders' cumulative put rights permitting the holders to request repayment of principal and accrued interest in cash, which became exercisable on March 31, 2009 to October 9, 2009; (3) defer the Company's call option permitting it to redeem the debentures which became exercisable on March 31, 2009 to October 9, 2009; and (4) permit the debenture holders to become party to an escrow agreement.

In December 2009 and January 2010, the Company redeemed the outstanding face value of US\$6.7 million of convertible debentures at 125% of par value, or \$8.9 million (US\$8.4 million), plus accrued interest of \$0.3 million. The consideration was allocated between the liability component of \$8.6 million and the equity component of \$0.4 million which resulted in: (1) the recognition of a \$3.3 million loss on redemption of the liability component of convertible debentures, included in the statement of net loss, comprehensive loss and deficit; and (2) the recognition of a \$14.0 million discount on redemption of the equity component of convertible debentures to deficit.

During the three months ended January 31, 2010, \$0.4 million was paid from restricted cash to pay interest on convertible debentures and the remaining \$5.6 million was released from escrow.

6. Shareholders' equity

(a) Common shares

(i) Authorized:

Unlimited number of common shares

Unlimited number of preferred shares issuable in series with rights as determined by the Board of Directors at the time of issue.

(ii) Issued and outstanding:

In December 2009 and January 2010, the Company issued a total of 5,141,270 units, representing 5,141,270 common shares and 1,785,318 warrants, at \$2.50 per unit for gross proceeds of \$12.9 million pursuant to a private placement. 1,285,318 of the warrants have an exercise price of \$2.50 per common share; the remaining 500,000 warrants have an exercise price of and \$2.88 per common share; and the warrants expire on December 18, 2011. The warrants were valued at \$2.2 million using a Black-Scholes option pricing model and are further described in Note 6(c). Share issue costs of \$0.7 million include agent commissions of \$0.6 million and legal costs of \$0.1 million.

RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements, page 6

Three and nine months ended January 31, 2010 and 2009
(Unaudited)

6. Shareholders' equity (continued)

(a) Common shares (continued)

In March and April 2009, the Company issued a total of 8,916,845 units, representing 8,916,845 common shares and 3,566,738 warrants, at \$2.72 per unit for gross proceeds of \$24.3 million pursuant to a private placement. The warrants, as well as 608,491 broker warrants, have an exercise price of \$2.72 per common share and expire on April 16, 2014. The warrants and broker warrants were valued at \$7.8 million and \$1.3 million, respectively, using a Black-Scholes option pricing model and are further described in Note 6(c). Share issue costs of \$3.2 million included legal costs of \$0.6 million and broker and agent commissions of \$2.6 million (including \$1.3 million of broker warrants).

Common shares	Number of shares	Amount
Balance, April 30, 2008	26,900,160	\$ 44,840,422
Conversion of debentures	660,990	1,928,579
Interest costs paid in common shares	124,966	1,189,565
Issued on exercise of stock options	155,300	539,600
Redemption of convertible debentures	2,444,445	7,452,765
Issued on private placement financing	8,916,845	16,486,661
Share issue costs		(3,248,752)
Transfer from equity component on conversion of debentures		3,048,284
Balance, April 30, 2009	39,202,706	72,237,124
Conversion of debentures	119,370	228,706
Interest costs paid in common shares	61,064	154,926
Issued in exchange for services	35,000	122,500
Issued on private placement financing	5,141,270	10,614,691
Share issue costs		(709,940)
Transfer from equity component on conversion of debentures		591,482
Balance, January 31, 2010	44,559,410	\$ 83,239,489

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Notes to Interim Consolidated Financial Statements, page 7

Three and nine months ended January 31, 2010 and 2009
(Unaudited)

6. Shareholders' equity (continued)

(b) Stock options

The Company's amended stock option plan has been approved as a rolling 10% plan that allows for reservation of a number of Common Shares under the plan equal to 10% of the Company's issued and outstanding Common Shares on an undiluted basis. Additionally, the plan is a reloading plan, which allows any options under the plan that expire, are cancelled or are exercised, the number of Common Shares reserved for issuance related to these options automatically become eligible to be reallocated pursuant to stock option based grants. The Company may grant options to its directors, officers, employees and consultants. The majority of options fully vest over two to three years and have a two to five year term.

	January 31, 2010		January 31, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	3,725,000	\$ 6.99	3,994,200	\$ 6.96
Granted	160,000	2.92	105,000	3.07
Exercised	-	-	(116,200)	2.57
Expired	(245,000)	10.83	(1,173,000)	3.01
Outstanding, end of period	3,640,000	\$ 6.55	2,810,000	\$ 8.64

The following table summarized information about the options outstanding and exercisable at January 31, 2010.

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable
\$2.25 - \$4.00	1,685,000	2.8	\$ 2.88	483,750
\$5.27 - \$7.96	1,225,000	1.6	7.23	1,225,000
\$12.07 - \$12.95	330,000	2.0	12.47	196,250
\$14.16 - \$15.90	400,000	1.6	15.03	400,000
	3,640,000	2.1	\$ 6.55	2,305,000

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Notes to Interim Consolidated Financial Statements, page 8

Three and nine months ended January 31, 2010 and 2009
(Unaudited)

6. Shareholders' equity (continued)

(b) Stock options (continued)

The fair value of each option granted is estimated as of the grant date using the Black-Scholes option pricing model. The following weighted average assumptions were used in arriving at the fair values of \$1.32 per option and \$1.23 per option associated with stock options for which compensation was recognized during the nine months ended January 31, 2010 and 2009, respectively:

	Nine months ended January 31,	
	2010	2009
Risk free interest rate	2.2%	2.0%
Expected life	3.5 years	4 years
Expected volatility	73%	109%

(c) Warrants

The following table summarizes the changes in common share purchase warrants outstanding:

	Number of warrants	Amount	Weighted average exercise price
Outstanding, April 30, 2008	1,467,349	\$ 14,428,170	\$ 10.25
Cancelled	(1,467,349)	(14,428,170)	10.25
Amended in connection with amendment of convertible debenture	1,268,191	13,715,325	3.07
Amended in connection with anti-dilution provisions	913,688	3,209,268	2.98
Issued on private placement	4,175,229	9,092,778	2.72
Outstanding, April 30, 2009	6,357,108	26,017,371	2.72
Issued on private placement	1,785,318	2,238,484	2.67
Outstanding, January 31, 2010	8,142,426	\$ 28,255,855	\$ 2.70

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Three and nine months ended January 31, 2010 and 2009
(Unaudited)

6. Shareholders' equity (continued)

(c) Warrants (continued)

On October 15, 2008, 1,268,191 of the 1,467,349 outstanding warrants that were re-priced in August 2007 were cancelled and the exercise price was amended to \$3.07 from \$10.25 as part of the US\$10 million debt redemption and amendment as described in Note 5. The expiry date of the warrants was also extended to October 14, 2013 from the original expiry dates of January 4, 2011 and June 6, 2012. The effect of the modification was a \$1.2 million increase in the carrying value of warrants. The warrants carry anti-dilution provisions which would, subject to regulatory or shareholder approval, reduce the then in effect exercise price in the event the Company issues additional common shares, or securities exchangeable into common shares, at a price below the exercise price of the warrants. In addition, if such an adjustment occurs, the number of warrants shall be adjusted proportionately so the number of warrants will have the same aggregate exercise value in effect prior to such adjustment.

In December 2008, the issuance of stock options triggered the anti-dilution provisions described above and the remaining 199,158 warrants not amended on October 15, 2008 were cancelled and amended. The exercise price of the warrants was adjusted to \$3.07 per share from \$10.25 and an additional 465,783 warrants were issued to proportionately provide the same aggregate exercise value under the provisions of the warrants. The effect of the modification was a \$625,006 increase in the carrying value of warrants.

On March 23, 2009, upon the initial closing of the private placement of common shares and warrants at \$2.72 per unit, the anti-dilution provisions described above for warrants resulted in a further adjustment. The exercise price of the warrants was amended to \$2.72 from \$3.07 and an additional 248,747 warrants were issued to proportionately provide the same aggregate exercise value under the provisions of the warrants. The effect of the modification was a \$625,978 increase in the carrying value of warrants.

In connection with the closing of an offering of units representing common shares and warrants on April 15, 2009, the Company issued 4,175,229 warrants with an exercise price of \$2.72 per share, and including 608,491 broker warrants. The warrants expire on April 16, 2014 and contain anti-dilution provisions which reduce the exercise price then in effect on a weighted average basis if any common shares, or securities exchangeable to common shares, are issued or sold at a price below the exercise price of the warrants.

In connection with the closing of an offering of units representing common shares and warrants on December 2009 and January 2010, the Company issued 1,785,318 warrants with an exercise price of \$2.50 per share. The warrants expire on December 19, 2011.

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Notes to Interim Consolidated Financial Statements, page 10

Three and nine months ended January 31, 2010 and 2009
(Unaudited)

6. Shareholders' equity (continued)

(c) Warrants (continued)

The weighted average fair value of the warrants granted during the nine months ended January 31, 2010 and 2009 was \$1.25 and \$2.19 per warrant, respectively, using the Black-Scholes option pricing model with the following weighted average assumptions:

	Nine months ended January 31,	
	2010	2009
Risk-free interest rate	2.5%	1.3-3.0%
Expected life	2 years	2-5 years
Expected volatility	92%	91-107%

The following table summarized information about the warrants outstanding at January 31, 2010.

Weighted Average Price	Number Outstanding	Weighted Average Remaining Life (years)
\$2.67	8,142,426	3.3

(d) Contributed surplus

The changes in contributed surplus balance are as follows:

	Amount
Balance, April 30, 2008	\$13,545,093
Options exercised	(182,695)
Stock-based compensation expense	3,134,139
Balance, April 30, 2009	16,496,537
Stock-based compensation expense	1,303,464
Balance, January 31, 2010	\$17,800,000

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Notes to Interim Consolidated Financial Statements, page 11

Three and nine months ended January 31, 2010 and 2009
(Unaudited)

6. Shareholders' equity (continued)

(e) Convertible debentures equity component

The changes in convertible debentures equity component balance are as follows:

	Amount
Balance, April 30, 2008	\$11,229,884
October 15, 2008 amendment and share-for-debenture redemption (note 6)	9,454,566
October 15, 2008 cash redemption (note 6)	(2,683,545)
Reclassified to common shares upon conversions of debentures (note 7)	(3,048,284)
Balance, April 30, 2009	14,952,621
Reclassified to common shares upon conversions of debentures (note 7)	(591,482)
Redemption of convertible debentures (note 6)	(14,361,139)
Balance, January 31, 2010	\$ -

These non-cash amounts are transferred on a pro-rata basis to common shares as the Company's debentures are converted, as further described in the notes of the Company's audited consolidated financial statements for the year ended April 30, 2008.

(f) Per share amounts

The loss per share has been calculated based on the weighted average shares outstanding during the three and nine months ended January 31, 2010 and 2009 of 40,716,103 (2009 - 25,204,291) and 39,805,211 (2009 - 28,314,826) respectively. The exercise of stock options and warrants and conversion of the convertible debentures are anti-dilutive.

(g) The Company has entered into a non-binding Standby Equity Distribution Agreement ("SEDA") dated September 25, 2009. The SEDA would entitle the Company to issue a maximum of \$25 million of the Company's common shares to the investor over a maximum of 24 months. The SEDA is subject to regulatory approval; upon receipt of regulatory approval, the Company anticipates entering into final, binding definitive agreements.

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Three and nine months ended January 31, 2010 and 2009
(Unaudited)

7. Commitments

The Company has entered into various research contracts. The Company is committed to pay \$12,218,625 for completion of the research, and all payments are anticipated to be incurred by December 2011 as follows:

2011	\$ 8,042,899
2012	4,175,726

As at January 31, 2010, the Company was committed to operating lease payments for office and laboratory premises as follows:

2011	\$ 297,977
2012	243,738
2013	139,662
2014	85,697
2015	64,273

8. Financial instruments risks

As at January 31, 2010, the Company's financial instruments consist of cash and cash equivalents and accounts payable and accrued liabilities. As at January 31, 2010, there was no significant difference between the carrying values of the outstanding financial instruments and their estimated fair values due to their short term nature. The Company manages its cash and cash equivalents in accordance with an investment policy that established guidelines for investment eligibility, credit quality, liquidity and foreign currency exposure.

(a) Credit Risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents. The Company manages its exposure to credit loss by depositing its cash with major financial institutions and investing in high-quality government and corporate issuers with low credit risk. The Company invests in commercial paper with a Dominion Bond Rating Service (DBRS) rating of R-1 Low or higher, or equivalent Standard & Poor's (S&P) or Moody's Investor Service (Moody's) rating. The Company may invest in government and corporate bonds with a DBRS rating of A- or higher or equivalent S&P or Moody's rating. The cash and cash equivalents held by the Company is not subject to any external restrictions.

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Three and nine months ended January 31, 2010 and 2009
(Unaudited)

8. Financial instruments risks (continued)

(b) Liquidity Risk

The Company's exposure to liquidity risk is dependent on purchasing commitments and obligations and the raising of funds to satisfy commitments and fund continued operations. The Company is a development stage company, and relies on external financing to support its operations. Once funds have been raised, the company manages its liquidity risk by investing in highly liquid corporate and government bonds with maturities which provide cash flow for current operations. The Company also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions not in the ordinary course of business.

The table below presents a maturity analysis of the Company's financial liabilities on the expected cash flows from January 31, 2010 to the contractual maturity date. The amounts are the contractual undiscounted cash flows.

	Carrying Amount	Contractual Cash Flows	Within 1 Year
Accounts payable and accrued liabilities	\$2,246,031	\$2,246,031	\$2,246,031

(c) Market Risk

The Company is exposed to interest rate risk arising from fluctuations in interest rates on its cash and cash equivalents. Fluctuations in market interest rates on interest bearing cash and cash equivalents rates do not have a significant impact on the Company's results of operations. A change of 1% in interest rates would result in \$7,000 change in monthly interest income on its cash and cash equivalents as measured on January 31, 2010.

The Company is also exposed to foreign exchange risk on its US dollar denominated cash and cash equivalents. The Company manages its exposure to currency fluctuations by holding cash and cash equivalents denominated in US dollars in a certain ratio equivalent to current and anticipated U.S. dollar financial liabilities.

The Company had no forward exchange contract to manage its foreign currency risk. As at January 31, 2010, the Company had US denominated assets and liabilities of: cash and cash equivalents in the amount of US\$5.2 million and accounts payable in the amount of US\$1.6 million. A change of \$0.01 in exchange rate as measured on January 31, 2010 would result in a foreign currency gain or loss of US\$36,000.

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Three and nine months ended January 31, 2010 and 2009
(Unaudited)

9. Management of capital

The Company's objectives when managing capital is to ensure there are sufficient funds available to carry out its research, development and commercialization programs. To date, the programs have been funded primarily through the sale of common shares and convertible debentures and the exercise of common share purchase warrants and stock options. The Company also sources funding by accessing grants, government assistance, and through partnerships with corporations and research institutions.

In managing capital, the Company estimates its future cash requirements by preparing a budget and multi-year plan annually for review and approval by the Company's Board of Directors. The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities. The multi-year plan estimates future activity along with the potential cash requirements and is based on the Company's assessment of its current clinical trial progress along with the expected results from the coming year's activity. Budget to actual variances are prepared quarterly and reviewed by the Company's management and the Board of Directors. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, convertible debt and common share purchase warrants. Management regularly monitors the capital markets, attempting to balance the timing of issuing additional equity with the Company's progress through its clinical trial program, general market conditions, and the availability of capital. There are no assurances that funds will be available to the Company when required.