



RESVERLOGIX CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED JULY 31, 2010 AND 2009**

September 10, 2010

This Management's Discussion and Analysis ("MD&A") of the Company's operations and financial position should be read in conjunction with Resverlogix Corp.'s (herein "Resverlogix" or the "Company") cautionary statement regarding forward-looking statements below as well as the unaudited interim consolidated financial statements for the three months ended July 31, 2010 and 2009 and the notes thereto and the audited consolidated financial statements and Management's Discussion and Analysis for the year ended April 30, 2010. The Company's financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts in the following MD&A are stated in Canadian dollars unless otherwise stated. References to "Resverlogix", "we", "us", or "our" mean Resverlogix Corp. and its subsidiaries unless the context otherwise requires. An additional advisory with respect to the use of non-GAAP measures is set out in this MD&A under "NON-GAAP MEASURES".

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains which provide forward-looking information within the meaning of applicable Canadian securities legislation, including without limitation statements containing the words "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 vision to be a leader in the research, development and commercialization of novel therapeutics that reduce the risk of cardiovascular disease referred to under "Overview"; our core strategy to either license or sell our technology prior to late stage trials referred to under "Overview"; our belief that our know-how related to our intellectual property will provide the Company with a significant competitive advantage referred to under "Intellectual Property"; our belief that RVX-208 is the only known orally-available novel small molecule that increases ApoA-I production and HDL functionality referred to under "Scientific Developments"; our plans to establish RVX-208 dose response for ApoA-I, HDL-c and regression of atherosclerosis with the evaluation of intravascular ultrasound ("IVUS") referred to under "Scientific Developments"; the exploration of various alternatives to generate positive cash flow through the raising of additional equity, licensing or partnering of the core NexVas™ PR technology referred to under "Liquidity and Capital Resources"; our belief that the Company's Phase 2 trials will provide an understanding of the drug properties in humans through analysis of coronary plaque atheroma, safety, pharmacokinetics and reverse cholesterol transport markers referred to under the "Outlook"; our plans to perform future clinical trial referred to under "Outlook"; our intention to develop of follow-on compounds to build a pipeline of novel small molecules that raise ApoA-I referred to under "Outlook"; our intention to expand our Alzheimer's disease research referred to under "Outlook"; our goal of securing a partner prior to the completion of Phase 2b trials referred to under "Outlook"; and our strategy of expanding the product life cycle referred to under "Outlook".

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:

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

- Our patent and patent applications will protect our ideas and inventions related to composition of matter, methods and treatments in our core areas of science and business; and
- We will be able to raise additional capital through external financing or partnering that provide additional funds for clinical programs including the execution of the Company's Phase 2 programs and planning of the Phase 3 programs.

Our actual results, events or developments could be materially different from those expressed or implied by these forward-looking statements. We can give no assurance that any of the events or expectations will occur or be realized. By their nature, forward-looking statements are subject to numerous known and unknown risks and uncertainties including but not limited to those associated with the success of research and development programs, clinical trial programs, the regulatory approval process, competition, securing and maintaining corporate alliances, market acceptance of the Company's products, the availability of government and insurance reimbursements for the Company's products, the strength of intellectual property, financing capability, the potential dilutive effects of any financing, reliance on subcontractors and key personnel and additional risk factors discussed in our AIF and other documents we file from time to time with securities authorities, which are available through SEDAR at www.sedar.com. Additionally, risks and uncertainties are discussed on page 17 of this MD&A.

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

Non-GAAP Measures

To supplement the Company's consolidated financial statements presented in accordance with Canadian GAAP, the Company uses non-GAAP measures such as average monthly cash burn rate. This measure is provided to enhance readers' overall understanding of the Company's current use of cash resources and is included to provide investors and management with an alternative measure for assessing the Company's 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. The average monthly amount is determined using the applicable period total divided by the number of months in the period. These measures are not in accordance with or an alternative to GAAP and may differ from measures used by other entities.

OVERVIEW

Resverlogix is a leading biotechnology company engaged in the discovery and development of novel therapies for important global medical markets with significant unmet needs. Resverlogix is committed to applying the qualities of innovation, integrity and sound business principles. The Company's primary focus is the research, development and commercialization of novel therapeutics that reduce the risk of cardiovascular disease ("CVD"). The Company also conducts research on inflammation, Alzheimer's disease, fibrotic disorders and cancer.

Resverlogix has three separate CVD research programs. The Company's primary CVD program is NexVas™ Plaque Regression ("NexVas™ PR") which targets ApoA-I enhancement via novel small molecules for plaque stabilization and regression. ApoA-I is the key building block of HDL, the "good cholesterol". Top line results from the Company's Phase 1b/2a clinical trial which focused on safety, tolerability and early analysis of pharmacodynamic effects on reverse cholesterol transport ("RCT") in our lead drug, RVX-208, were announced in September 2009.

The Company's second CVD program, NexVas™ Vascular Inflammation ("NexVas™ VI"), is a research stage technology focused on molecular targets of vascular inflammation. The development of anti-inflammatory agents is believed to play a potentially significant role in the prevention of cardiovascular risk.

The Company's third cardiovascular program - ReVas - is dedicated to the research and development of therapeutic compounds to be used with medical devices and biomaterials for the local non-systemic treatment of CVD, in particular restenosis.

The Company has also initiated a program in the area of cognitive disorders based on its NexVas™ technology platform. NexVas™ Alzheimer's disease ("NexVas™ AD") is a discovery stage technology for the development of drugs that enhance ApoA-I for stabilization and regression of Beta Amyloid Plaque. Epidemiological and mechanistic evidence indicates a link between low ApoA-I/HDL and neurodegenerative disease such as Alzheimer's disease.

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

The Company is currently focused on mid-stage clinical studies. A core strategy of the Company is to avoid the significant costs associated with large clinical trials associated with the final phases of the drug development process. A goal of the Company is to either license or sell its technology prior to late stage trials, allowing the Company to mitigate a significant component of biotechnology investment risk.

Resverlogix's common shares trade on the Toronto Stock Exchange under the symbol "RVX".

HIGHLIGHTS AND CURRENT DEVELOPMENTS

The Company is encouraged by the scientific developments of the NexVas™ CVD programs. The Company's science has progressed from a drug discovery stage of biotechnology research to completing Phase 1a, Phase 1b/2a and Phase 2 clinical studies for its NexVas™ PR technology, with a second upcoming Phase 2 clinical study. The hiring of world renowned experts and dedicated staff has made a significant contribution to the rapid progression in furthering the development of the Company's programs.

Scientific Developments

In May 2009, the Company announced that it had filed two new patent applications for compounds and their use in regulating inflammatory markers. Inflammatory markers are proteins generated by the body during periods of inflammation. These patent applications were filed based on the successful results demonstrated in numerous preclinical studies across several disease areas. The particular results achieved in the collagen induced arthritis ("CIA") model in rats demonstrated that Resverlogix's proprietary molecules markedly reduced inflammation while improving mobility of arthritic animals.

In August 2009, Resverlogix announced that initial results from its Phase 1b/2a trial met the study's primary endpoint to increase plasma ApoA-I in a safe and tolerable manner.

In August 2009, the Company also announced that it had successfully completed two arms of a Phase 1 BE (bio-equivalency) study for RVX-208. The Phase 1 BE trial was designed to show that the newly formed capsule version of RVX-208 is equivalent to the earlier powder in a bottle version that has been used in all trials to date.

In August 2009, Resverlogix also announced the development of two new important papers by it and a third party. The first paper was a detailed White Paper describing Resverlogix's understanding of the Reverse Cholesterol Transport system and the Company's targeted goal of reducing the Percent Atheroma Volume ("PAV") plaque build up in the arterial wall. The second paper was an abstract of a recently completed Pharmacoeconomics study showing the potential economic impact of being able to reduce the PAV as it relates to the impact on the United States' overburdened health system. These articles can be found at http://www.resverlogix.com/media/fact_sheets.html.

In September 2009, Resverlogix announced top line results from its Phase 1b/2a study which tested RVX-208 for 28 days in three different dosing arms. The most pronounced results were demonstrated among those subjects with low HDL cholesterol levels. Highlights from the study included:

- the primary endpoint, plasma ApoA-I increase compared to placebo, achieved a range in all subjects of 5.1% - 10.4% in all doses at days 8 and 28 respectively;
- at the lowest dose of 1mg/kg b.i.d. in subjects with low levels of HDL-c, plasma ApoA-I increases reached statistical significance of 5.7% (p<0.05) at day 8 and 7.8% (p<0.05) at day 28;
- a critical RCT functionality marker, alpha-1 HDL particles, illustrated highly statistical significance with an increase of 46.7% (p<0.004), in all subjects and 57.2% (p<0.02) in the low dose arm over placebo at day 28;
- pharmacokinetic parameters of RVX-208 were dose dependant with oral administration; RVX-208 was shown to be compatible with simvastatin (40mg); and

- seventy out of seventy two subjects completed the trial; one subject did not complete the trial due to personal reasons and one other subject did not complete the trial due to a serious adverse event, specifically cholecystitis (gall stones), which was judged not related to the study drug.

In October 2009, Resverlogix announced that it was undertaking two parallel Phase 2 clinical studies, described further below. The studies were to include a Phase 2 Pilot IVUS trial to examine early lipid effects and atheroma plaque characterization of the coronary vessel wall in 120 acute coronary syndrome patients. In parallel to this, a Phase 2 dose ranging trial was to be conducted in 280 stable cardiovascular patients on standard of care therapy, including statins, examining lipid changes. Both of these clinical trials were to dose patients with coronary disease on standard treatment for 13 weeks. Start-up activities for these trials, including screening, randomization and dosing, had begun for the dose ranging study.

In December 2009, Resverlogix announced that it had begun dosing patients in ASSERT, its previously announced Phase 2 clinical trial being led by the Cleveland Clinic. ASSERT, which stands for ApoA-I Synthesis Stimulation Evaluation in Patients Requiring Treatment for Coronary Artery Disease, examines RVX-208, Resverlogix's oral small molecule therapy for the treatment of atherosclerosis, in patients with stable coronary artery disease (CAD). This study is chaired by Dr. Steven Nissen, MD, Chairman of the Cleveland Clinic Department of Cardiovascular Medicine; the principal investigator is Dr. Stephen Nicholls, Medical Director of Intravascular Ultrasound at Cleveland Clinic. A total of 40 investigator sites across the US are participating in the study.

In February 2010, Resverlogix announced the completion of patient enrollment in ASSERT, a full five months ahead of the original schedule. RVX-208 was to be administered to approximately 280 patients with stable coronary artery disease for a period of 13 weeks under the randomized, double-blind, placebo-controlled, multi-centered US study. The primary objective of ASSERT was to determine if RVX-208 produces an increase in plasma apolipoprotein A-I (ApoA-I) levels compared to placebo group after three months of dosing. The secondary objectives were to examine the safety and tolerability of RVX-208, to compare the dose and time response relationships for ApoA-I over time, as well as to examine key reverse cholesterol markers involved with HDL functionality.

In February 2010, the Company also announced that it officially activated the first site for ASSURE-1, the Company's second Phase 2 clinical trial, and commenced enrollment of patients for dosing of RVX-208. ASSURE-1 is also being led by the Cleveland Clinic and examines RVX-208 in patients with acute coronary syndrome (ACS). This preparatory acute coronary syndrome study will ensure that at least 50 percent of the enrolled patients receive the IVUS (intravascular ultrasound) assessment.

In May 2010, the Company announced that ASSERT had completed dosing. Also, as a result of receiving data from the ASSERT trial faster than originally anticipated, the Company intended to apply pertinent findings from ASSERT to ASSURE-1. In order to expedite enrollment in ASSURE-1 while continuing the Company's primary patient safety concerns, ASSURE-1 was being voluntarily halted on a temporary basis in order to modify enrollment procedures.

In June 2010, the Company announced that it has collaborated with the Division of Cardiology at the Research Institute of the McGill University Health Centre (RI of the MUHC), to publish today in the *Journal of American College of Cardiology* (JACC), a report

entitled 'RVX-208 A Small Molecule that Increases Apolipoprotein A-I and High Density Lipoprotein Cholesterol In Vitro and In Vivo'. This peer reviewed manuscript contained data describing the successful results of many studies detailing the actions of RVX-208, an orally active novel small molecule for the treatment of atherosclerosis.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JULY 31, 2010

For the years ended July 31

(\$)	2010	2009
Interest income	657	724
Expenses	5,461,214	5,448,720
Net loss	(5,460,557)	(5,447,996)
Net loss per share (basic and diluted)	(0.11)	(0.14)

Resverlogix recognized a net loss for the three months ended July 31, 2010 of \$5.5 million (2009 - \$5.4 million), or \$0.11 per share (2009 - \$0.14 per share). As described further herein, a \$0.7 million increase in research and development and a \$0.8 million increase in general and administrative expenses were offset by a \$0.5 million decrease in interest and accretion on convertible debentures, a \$0.4 million decrease in stock-based compensation, and a \$0.6 million decrease in foreign currency loss.

The average monthly Cash Burn Rate for the three months ended July 31, 2010 was \$1.7 million (2009 - \$1.3 million), reflecting the year-over-year increase in research and development and general and administrative expenditures. 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. The average monthly Cash Burn Rate is determined using the applicable period total divided by the number of months in the period.

For the three months ended July 31

(\$, except as otherwise noted)	2010	2009
Cash flow used in operations	(6,777,803)	(4,661,728)
Changes in non-cash working capital	1,697,366	873,554
	(5,080,437)	(3,788,174)
Number of months	3	3
Average Monthly Cash Burn Rate	(1,693,479)	(1,262,725)

Interest Income

The Company's interest income consisted primarily of interest earned on invested funds. Interest income was nominal for the three months ended July 31, 2010 and 2009. During the three months ended July 31, 2010, Resverlogix invested its cash in accounts and GICs that generated modest interest.

Research and Development

During the three months ended July 31, 2010, research and development (“R&D”) expenditures totaled \$3.6 million (2009 - \$2.9 million). R&D expenditures for the three months ended July 31, 2010 included costs associated with the Company’s Phase 2 ASSERT clinical trial; dosing for the ASSERT trial was completed in early May 2010, five months ahead of schedule.

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

During the three months ended July 31, 2009, R&D expenditures were largely related to the completion of the Company’s Phase 1b/2a clinical trial. Other key components included chemical synthesis and pharmacokinetics analysis of the Phase 1b/2a clinical data.

General and Administrative

During the three months ended July 31, 2010, general and administrative expenditures totaled \$1.4 million (2009 - \$0.6 million). General and administrative expenses includes salaries and benefits, directors’ fees and other operating costs not directly involved in research and development, as well as professional fees for services, such as legal, audit, tax, investor relations and business development. The increase in general and administrative expenditures is attributable mostly to the inclusion, during the three months ended July 31, 2010, of \$0.3 million of employee bonuses and other human resources costs, and \$0.2 million of costs associated with a planned financing that was not completed.

Stock-based Compensation

During the three months ended July 31, 2010, the Company recognized \$0.4 million of stock-based compensation (2009 - \$0.8 million). During the three months ended July 31, 2010, the Company issued 62,400 stock options (2009 - 160,000 stock options). The weighted average fair value of stock options granted during the three months ended July 31, 2010 was \$2.17 per option (2009 - \$2.05 per option), due, in part, to the increase in the Company’s stock price. Because employee options are valued at fair value at the grant date and consultants’ options are remeasured quarterly until vested, volatility in the price of the Company’s shares impacts stock-based compensation expense. Stock-based compensation is a non-cash expense.

Interest and Accretion on Convertible Debentures

As a result of the redemption of the Company's remaining convertible debentures in December 2009 and January 2010, the Company did not recognize any interest and accretion on convertible debentures during the three months ended July 31, 2010 (2009 - \$0.5 million).

Foreign Currency Loss

During the three months ended July 31, 2010, the Company recognized a foreign currency loss of \$12,000 (2009 - \$0.6 million). The Company's foreign currency loss for the three months ended July 31, 2010 was attributable to US denominated cash and cash equivalents and accounts payable. During the three months ended July 31, 2010, the Company's US denominated cash and cash equivalents declined to US\$1.2 million (April 30, 2010 - US\$2.7 million). Similarly, its US denominated accounts payable decreased to US\$1.0 million (April 30, 2010 - US\$3.3 million). During the three months ended July 31, 2010, the US dollar strengthened modestly.

The Company's foreign currency loss for the three months ended July 31, 2009 was attributable to the Company's US denominated cash and cash equivalents and accounts payable, as well as the Company's restricted cash and convertible debentures (prior to the maturity of the Company's debentures in December 2009 and January 2010). The Company's net US-denominated assets increased, and the US dollar weakened, during the quarter.

LIQUIDITY AND CAPITAL RESOURCES

Resverlogix is a development stage company whose operations have been financed since inception primarily through the sale of common shares and convertible debentures. The Company's primary capital requirements relate to funding research and development activities, including pre-clinical and clinical trials, and for general working capital purposes.

The Company's objective when managing capital is to ensure there are sufficient funds available to carry out its research, development and commercialization programs. Once funds have been raised, the Company manages its liquidity risk by investing in highly liquid, debt securities with maturities which provide required cash flow required for current operations. The Company invests only in securities issued by entities possessing high credit quality. 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.

As at July 31, 2010, cash and cash equivalents totaled \$15.6 million, compared to \$4.6 million at April 30, 2010 and \$7.8 million at July 31, 2009, reflecting: \$6.7 million of cash used by operations and \$17.8 million provided from prospectus offerings and other financing activities.

During June 2010, the Company completed two public equity offerings; the first for gross proceeds of \$9.2 million and the second for gross proceeds of \$10.0 million, as described below.

During June 2010, YA Global Master SPV Ltd. ("YA") subscribed for \$0.2 million of the Company's common shares under its Standby Equity Distribution Agreement, as described below.

At July 31, 2010, the Company had working capital of \$15.3 million. The Company's cash and cash equivalents, together with the funds available from the Company's Standby Equity Distribution Agreement as described below, are expected to be sufficient to fund anticipated cash requirements over the next year.

The Company's anticipated clinical trials and regulatory approvals will require several years to complete. As such, the Company does not anticipate generating operating cash inflows in the foreseeable future, and the Company will require additional sources of financial resources to ensure that it has sufficient capital to fund its long-term research development and corporate activities. The Company's long-term capital requirements will depend on, among other considerations, whether subsequent to ASSERT and ASSURE, it proceeds with Phase 2b clinical trials or commences a Phase 3 clinical trial, the size of any trials, and whether the trials are funded entirely by the Company or, partially or entirely, by a strategic partner. The Company continues to actively pursue opportunities to raise conventional capital. Notwithstanding very challenging capital markets, the Company has engaged in discussions with certain potential agents concerning sourcing capital and intends to raise additional capital within the next year.

The Company also continues to actively pursue product out-licensing and engage in partnering discussions concerning the Company's core NexVasPR™ technology.

There is no assurance that these initiatives will be successful. If the Company is unable to raise additional capital, it may need to defer or discontinue some or all of its research and development activities.

Cash Flows from Operating Activities

Cash flows used in operating activities for the three months ended July 31, 2010 totaled \$6.8 million (2009 - \$4.7 million). The year-over-year change is a result of a combination of factors: a \$0.7 million increase in research and development, a \$0.8 million increase in general and administrative expenditures; a \$0.4 million decrease in interest on convertible debentures; the recognition of realized foreign exchange gains/losses; and changes in non-cash working capital, in particular accounts payable and accrued interest.

Cash Flows from Financing Activities

Common Shares

The Company's financing activities during the three months ended July 31, 2010 provided a net \$17.8 million of cash to the Company. During the three months ended July 31, 2010, the Company completed two prospectus offerings. On June 8, 2010, the Company completed a public offering of 2.8 million units of the Corporation at a price of \$3.30 per unit for gross proceeds of \$9.2 million. Each unit was comprised of one common share and 0.4 of one common share purchase warrant. Each warrant was exercisable at a price of \$4.00 per share for a period of four years from the closing date. On June 22, 2010, the Company completed a public offering of 3.1 million units of the Corporation at a price of \$3.23 per unit for gross proceeds of \$10.0 million. Each unit was comprised of one common share and 0.4

of one common share purchase warrant. Each warrant was exercisable at a price of \$4.00 per share for a period of four years from the closing date.

On March 26, 2010, the Company entered into a Standby Equity Distribution Agreement (“SEDA”). The SEDA entitles the Company, at its sole discretion, to issue, and YA Global Master SPV Ltd., a fund managed by Yorkville Advisors, LLC, is obligated to purchase, up to a maximum of \$25 million of the Company’s common shares over a maximum of 24 months, up to \$500,000 of Resverlogix Common Shares in any ten-day period. The Common Shares sold under the SEDA will be purchased at a 5% discount to the prevailing market price. The Company specifies a minimum price for each drawdown, below which YA is not required to subscribe.

On May 26, 2010, the Company submitted a notice of intention to draw down \$1.0 million under its Standby Equity Distribution Agreement. The drawdown and issuance of shares was subject to a minimum share price of \$4.00 per share, applicable only to this drawdown, below which YA was not required to subscribe. YA Global Master SPV Ltd. (“YA”) subscribed for \$0.2 million of the Company’s common shares, reflecting a share price in excess of \$4.00 per share for two of ten days.

Cash Flows from Investing Activities

During the three months ended July 31, 2010, cash flows related to investing activities were modest; comprised of modest additions to property and equipment and patents.

During the three months ended July 31, 2009, the Company’s restricted cash, previously held in connection with the Company’s convertible debentures, declined by \$0.4 million.

CONTRACTUAL OBLIGATIONS

The table below summarizes the Company’s contractual obligations by due date, as at July 31, 2010:

Twelve months ended July 31

	2011	2012	2013	2014	2015	Total
Research contracts (\$)	4,264,539	-	-	-	-	
Operating leases (\$)	274,086	220,610	85,697	85,697	14,283	644,244

During the three months ended July 31, 2010, the Company has entered into various research contracts. The Company is committed to pay \$4.3 million for completion of research; all payments are anticipated prior to July 2011.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Note 2 of to the Company's consolidated financial statements for the year ended April 30, 2010 includes a summary of the Company's significant accounting policies.

The application of some of these policies requires management to make certain estimates, judgments and assumptions that they believe are reasonable based upon the information available and are subject to the inherent risk of inaccuracy, particularly where they relate to events that are expected to take place well into the future. These estimates and assumptions affect the reported amounts of assets at the date of the financial statements and the reported amounts of expenses during the periods presented.

FUTURE CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards

The Accounting Standards Board ("AcSB") has prescribed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, at which time publicly accountable enterprises will be required to prepare financial statements in accordance with IFRS. The conversion to IFRS will be required for the Company for the three months ended July 31, 2011, with comparative data for the three months ended July 31, 2010. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement, presentation and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS.

The Company's IFRS convergence project is led by its Chief Financial Officer and an external resource has been engaged to assist with certain aspects of the project and advise management. The Company's audit committee receives quarterly updates from management.

The Company's IFRS conversion project consists of three phases: diagnostic, solution development, and implementation and execution. The Company has completed the diagnostic phase, which involved a high-level preliminary assessment of the differences between Canadian GAAP and IFRS and the potential effects of IFRS to the Company's financial statements, accounting and reporting processes, information systems, business processes and external disclosures. This assessment provided insight as to the most significant areas of difference applicable to the Company which includes more extensive presentation and disclosure requirements under IFRS. Although many of the differences between IFRS and Canadian GAAP are not expected to have a material impact on the Company's financial results or financial position, the Company has not yet determined the full impact of the Company's convergence to IFRS.

Although the Company has not yet determined the full effect of adopting IFRS, it has identified significant differences between GAAP and IFRS and is in the process of performing an analysis of IFRS accounting policy choices, its control environment, and system and business processes. The Company's view of the key areas where changes in accounting policies are expected that will likely impact the Company's consolidated financial statements are listed below. The list and comments should not be regarded as a complete list of changes that will result from the transition to IFRS.

Share-Based Payments – IFRS 2 “Share-based Payments” is substantially converged with Canadian GAAP. Canadian GAAP allows the use of either the straight-line or the graded vesting methods; the Company uses the straight-line method for equity-classified awards issued to employees. Under IFRS only the graded vesting method are allowed; the Company expects to adopt the graded vesting method. Canadian GAAP permits companies to either estimate forfeitures at the time of grant or as they occur. IFRS 2 requires companies to estimate the forfeiture at the time of grant. These differences are expected to impact the accounting of the Company’s incentive plans.

Property and Equipment – International Accounting Standard (“IAS”) 16 “Property Plant and Equipment” and GAAP contain the same basic principles, however there are some differences. IFRS requires that significant parts of an asset be depreciated separately. IFRS also permits property, plant and equipment to be measured using the fair value model or the historical cost model. The Company expects to use the historical cost model. IFRS 1 contains an elective exemption where an entity may elect to reset as the new cost basis for property, plant and equipment, its fair value at the date of transition. The Company does not expect to adopt this election.

Impairment of Assets – Impairments under IAS 36 “Impairment of Assets” are based on discounted cash flows. Under GAAP, if an asset’s estimated undiscounted future cash flows are below its carrying amount a writedown is required and is determined by the amount which the carrying amount exceeds fair value. IFRS does not have an undiscounted impairment test. In the event of an impairment trigger, this may result in write-downs where carrying values of assets were previously supported under GAAP on an undiscounted cash flow basis, but are not supported on a discounted cash flow basis.

Under GAAP, impairments are not reversed. Under IAS 36, a change in circumstances that results in an impairment of property, plant and equipment would require a redetermination of the amount of the impairment, with any reversal being recognized into income to the extent that the asset had been previously impaired.

The Company prepared detailed evaluations of significant accounting components during the three months ended April 30, 2010. The Company is continuing to identify additional data that management will require from the Company’s systems and is progressing with the implementation of a new financial management system and an expanded chart of accounts that will better allow the Company to supply the data required to prepare IFRS-compliant financial statements, including the preparation of comparative figures. The preparation of IFRS-compliant financial statements is not anticipated to require running a parallel general ledger.

The Company is in the process of preparing an IFRS-compliant opening balance sheet as at May 1, 2010, and plans, by the second half of fiscal 2011, to commence the preparation of IFRS-compliant financial statements for the three months ended July 31, 2010. The Company also intends to perform an evaluation of the impact of the adoption of IFRS on material contracts, compensation arrangements and business activities that rely on financial information during the remainder of 2010.

The Company is continuing to evaluate the impact of the adoption of IFRS on its consolidated financial statements and is monitoring any changes issued by the AcSB that may impact the Company’s adoption of IFRS. It is also important to note that the International Accounting Standards Board have various ongoing projects that may impact

the differences between IFRS and Canadian GAAP accounting policies before and after the date of transition. Further analysis will be ongoing throughout 2010 and early 2011. The Company's IFRS convergence plan may be amended at any time until the reporting date, May 1, 2011.

OFF-BALANCE SHEET ARRANGEMENTS

As of July 31, 2010, the Company has not entered into any off-balance sheet arrangements.

SUMMARY OF QUARTERLY RESULTS

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

(\$)	For the three months ended			
	July 31, 2010	April 30, 2010	January 31, 2010	October 31, 2009
Interest income	657	65	283	1,743
Net loss	(5,460,557)	(8,752,931)	(8,709,697)	(4,667,475)
Net loss per share (basic and diluted)	(0.11)	(0.19)	(0.21)	(0.12)

(\$)	For the three months ended			
	July 31, 2009	April 30, 2009	January 31, 2009	October 31, 2008
Interest income	724	366	9,340	69,510
Net loss	(5,447,996)	(4,414,141)	(6,490,100)	(5,547,865)
Net loss per share (basic and diluted)	(0.14)	(0.13)	(0.26)	(0.20)

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

- Research and development was impacted by the progression of the research and development activity of the Company, specifically the commencement of the Phase 1b/2a trial during the three months ended October 31, 2008 and completion of the Phase 1b/2a trial during the three months ended July 31, 2009; and, similarly, the commencement of ASSERT Phase 2 clinical trial during the three months ended January 31, 2010 and the completion of ASSERT during the three months ended July 31, 2010.
- General and administrative costs were impacted by employee bonuses and financing costs, as described herein.
- The recognition of gains and losses upon the amendment and redemption of the Company's convertible debentures in October 2008 and December 2009/January 2010. Interest and accretion on convertible debentures was also impacted by the conversion of the convertible debentures into common shares and the US\$10 million redemption of

debentures during the three months ended October 31, 2008 and the US\$6.7 million redemption of debentures during the three months ended January 31, 2010.

- Stock options are recognized at fair value on the grant date in the case of employees and directors, and are remeasured at fair value quarterly until vested in the case of consultants. Therefore, stock based compensation fluctuates from quarter to quarter based on the timing of stock option grants and fluctuations in Resverlogix's share price. Stock-based compensation is a non-cash expense.
- The recognition of foreign exchange gains and losses resulting from fluctuations in US denominated assets and liabilities and Canadian / US dollar exchange rates. The Company's US denominated assets and liabilities declined substantially during the three months ended July 31, 2010.

RELATED PARTY TRANSACTIONS

During the three months ended July 31, 2010, the Company did not transact with any related parties.

OUTSTANDING EQUITY INSTRUMENTS

As at September 10, 2010, Resverlogix had authorized an unlimited number of common shares and preferred shares, and had 51,924,351 common shares issued and outstanding. At September 10, 2010, Resverlogix had also 4,559,400 stock options to acquire common shares outstanding, of which 2,761,250 options are vested and exercisable, 8,745,037 warrants to acquire common shares outstanding.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is communicated to Management on a timely basis to allow timely and appropriate decisions regarding required public disclosure.

As of July 31, 2010, the President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") together with the Company's management have evaluated the design of the Company's disclosure controls and procedures. They concluded that the Company's disclosure controls and procedures were not effective as at July 31, 2010 due to weaknesses in internal controls over financial reporting identified below.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and Chief Financial Officer are responsible for designing internal control procedures over financial reporting, or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Management has designed and evaluated the effectiveness of its ICFR. The Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's ICFR are not effective as at July 31, 2010. There are certain material weaknesses in the Company's ICFR due primarily to its inability to achieve effective segregation of duties in certain areas and the lack of internal expertise with regards to complex accounting areas due to limitations in staffing. These weaknesses are mitigated by extensive monitoring of the performance of processes and review by Management. Management and the Board of Directors attempt to mitigate, but not compensate, the risk of a material misstatement in financial reporting. There is a reasonable possibility that a material misstatement in the Company's financial statements would be detected and/or prevented. However, there can be no assurance that the risk of a material misstatement can be reduced to a remote likelihood; a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system are achieved.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in Resverlogix's internal controls over financial reporting during the three months ended July 31, 2010 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTLOOK

Throughout 2010, Resverlogix has continued to pursue research and clinical development of products in cardiovascular disease, driven by the significant unmet need in the treatment of atherosclerosis. Atherosclerosis is the major underlying cause of premature death and morbidity in cardiovascular disease patients, especially those with low HDL. Renewed interest in the field of HDL therapy continues to reinforce new key findings and the need to develop products that target Reverse Cholesterol Transport via the production of ApoA-I and functional HDL particles. For Resverlogix, this reinforces the importance of demonstrating that our therapeutics indeed influences functional HDL via the ApoA-I pathway.

2010 has been an important year for Resverlogix's science, marked by considerable advancement of its lead drug candidate, RVX-208. Most notably, the Company completed its Phase 2 clinical ASSERT trial, its third set of human trials. ASSERT was a three-month lipid-dose response study in 299 stable cardiovascular disease patients on standard-of-care therapy including statins. Dosing commenced in December 2009 and was completed in May 2010, five months ahead of schedule. Resverlogix's clinical team and collaborators at the Cleveland Clinic are in the process of assessing the trial data.

To date, Resverlogix has completed three clinical trials, with participation by more than 450 subjects. Resverlogix plans to complete a second Phase 2 clinical trial, ASSURE, in ACS

patients. The primary objective of this study is to determine the three month effect of RVX-208 on atherosclerotic plaque regression. The secondary objectives for this study include assessing the safety and tolerability of the drug as well as to evaluate the effect of RVX-208 on lipid parameters and plaque composition. Pertinent findings from ASSERT will be applied to the final design of ASSURE.

ASSERT and ASSURE will enhance our understanding of RVX-208's early properties in humans over 13 weeks by offering extensive analysis of coronary plaque atheroma, safety, pharmacokinetics and markers of reverse cholesterol transport that demonstrate enhanced HDL functionality. This will provide additional information on how best to advance RVX-208 through larger and longer trials in the future.

Future planning, including Phase 3 trials, will be subject to review by management, the Clinical Advisory Board and the Company's IVUS Clinical Steering Committee. The Company continues to work closely with its external expert committees to ensure that future clinical development of RVX-208 has the greatest chance of success. Resverlogix's NexVas™ Plaque Regression program continues to enable Resverlogix to maintain its lead with the development of more robust and accurate screens for further potential follow-on compounds behind RVX-208.

Further development in drug discovery is enabling Resverlogix to continue to build upon its' position in building a pipeline for novel small molecules that raise ApoA-I production.

Resverlogix continues to make progress in its NexVas™ Vascular Inflammation program with many interesting potential therapeutic targets being validated through animal models. We continue to focus on our primary objective of improving the quality and longevity of patients who suffer from cardiovascular disease. Recently, Resverlogix expanded into key research areas with high unmet medical need such as Alzheimer's disease. The Company intends to expand on its collaboration with other potential partners to develop this program further in the near future.

The Company continues to engage in financing discussions, as well as partnering discussions with leading global pharmaceutical organizations that have evidenced an interest in the NexVas™ PR technology platform. The Company also engages in discussions concerning the licensing for cardiovascular indications to single Asian countries. Management facilitates the due diligence process with interested parties with the goal of securing a partner. However, there is no assurance that partnering discussions will result in an agreement.

Resverlogix employs a detailed product life cycle strategy for its NexVas™ platform franchise. The goal of Resverlogix's life cycle strategy is to seek and optimize broad commercial pipeline opportunities for value creation. Moving forward through clinical development, the Company will strive to maximize market potential and create value for both shareholders and a pharmaceutical partner.

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. The risks and uncertainties faced by Resverlogix are substantially the same as those disclosed in the Company's MD&A for the year ended April 30, 2010 filed on SEDAR (www.sedar.com) in the section titled "Risks and Uncertainties"; an investor should carefully consider the risks and uncertainties described therein, as well as other information contained in this Management's Discussion and Analysis.

Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. If any one or more of the following risks occur, the Company's business, financial condition and results of operations could be seriously harmed. Further, if the Company fails to meet the expectations of the public market in any given period, the market price of the Company's common shares could decline.

ADDITIONAL INFORMATION

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