



***Consolidated Financial Statements  
Three and Six Months Ended October 31,  
2010 and 2009***

**CORPORATE OFFICE:**

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**TRADING SYMBOL:**

TSX: RVX

# RESVERLOGIX CORP.

Interim Consolidated Balance Sheets  
(Unaudited)

	October 31, 2010	April 30, 2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 11,578,458	\$ 4,562,763
Investment tax credit receivable	561,786	531,507
Clinical supplies	1,338,110	1,107,935
Prepaid expenses and deposits	56,763	167,795
	<u>13,535,117</u>	<u>6,370,000</u>
Property and equipment	623,580	654,707
Intellectual property and patents	926,890	868,325
Deferred financing costs	166,340	574,490
	<u>\$ 15,251,927</u>	<u>\$ 8,467,522</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,302,452	\$ 3,985,845
Shareholders' equity (note 3):		
Common shares	108,046,271	91,253,812
Contributed surplus	21,233,826	19,933,794
Warrants	23,962,887	22,712,022
Deficit	(140,293,509)	(129,417,951)
	<u>12,949,475</u>	<u>4,481,677</u>
	<u>\$ 15,251,927</u>	<u>\$ 8,467,522</u>

Future operations (note 1)  
Commitments (note 3)

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 October 31,		Six months ended October 31,	
	2010	2009	2010	2009
Interest income	\$ 24,930	\$ 1,743	\$ 25,586	\$ 2,467
Expenses:				
Research and development	3,623,819	3,076,140	7,300,359	5,993,296
Investment tax credits	(54,605)	-	(161,786)	-
Net research and development	3,569,214	3,076,140	7,138,573	5,993,296
General and administrative	908,985	922,934	2,357,993	1,572,420
Stock-based compensation	930,743	174,534	1,300,031	940,464
Interest and accretion on convertible debentures	-	450,906	-	918,042
Depreciation and amortization	61,045	56,148	122,237	113,130
Foreign currency loss (gain)	(30,056)	(11,444)	(17,690)	580,586
	5,439,931	4,669,218	10,901,144	10,117,938
Net loss and comprehensive loss	5,415,001	4,667,475	10,875,558	10,115,471
Deficit, beginning of period	134,878,508	121,293,378	129,417,951	115,845,382
Deficit, end of period	140,293,509	125,960,853	140,293,509	125,960,853
Net loss per common share – basic and diluted	\$ 0.10	\$ 0.12	\$ 0.22	\$ 0.26
Weighted average number of common shares (note 2)	51,962,528	39,388,025	50,440,573	39,349,766

See accompanying notes to the interim consolidated financial statements.

# RESVERLOGIX CORP.

Interim Consolidated Statements of Cash Flows  
(Unaudited)

	Three months ended October 31,		Six months ended October 31,	
	2010	2009	2010	2009
Cash provided by (used in):				
Operations:				
Net loss	\$(5,415,001)	\$(4,667,475)	\$ (10,875,558)	\$ (10,115,471)
Items not involving cash:				
Stock-based compensation	930,743	174,534	1,300,031	940,464
Depreciation and amortization	61,045	56,148	122,237	113,130
Accretion on convertible debentures	-	133,211	-	245,811
Interest paid in common shares	-	2,742	-	154,926
Services paid in common shares	-	122,500	-	122,500
Unrealized foreign currency gain	(18,394)	(90,972)	(68,754)	(205,685)
	(4,441,607)	(4,269,312)	(9,522,044)	(8,744,325)
Changes in non-cash working capital:				
Investment tax credit receivable	(54,605)	-	(30,279)	-
Clinical supplies	(182,328)	248,856	(230,175)	279,553
Prepaid expenses and deposits	56,836	54,049	111,032	78,834
Accounts payable and accrued liabilities	187,117	(466,233)	(1,540,918)	(1,081,678)
Accrued interest on debentures	-	333,231	-	84,925
	(4,434,587)	(4,099,409)	(11,212,384)	(9,382,691)
Financing:				
Proceeds from the issuance of common shares and warrants	-	-	19,240,000	-
Share issuance costs recovery (paid)	(33,425)	113	(1,511,491)	6,179
Proceeds from Standby Equity Distribution Agreement	-	-	200,010	-
Proceed from exercise of options and warrants	580,847	-	648,846	-
Deferred financing costs	(107,420)	-	(125,892)	-
Non-cash financing working capital	146	-	(128,641)	-
	440,148	113	18,322,832	6,179
Investing:				
Property and equipment additions	(20,062)	(41,651)	(50,535)	(47,188)
Patent additions	(50,699)	(51,532)	(99,140)	(136,949)
Non-cash investing working capital	5,584	52,218	(11,689)	119,945
Restricted cash	-	8,128	-	1,103,623
	(65,177)	(32,837)	(161,364)	1,039,431
Effect of foreign currency translation on cash and cash equivalents	16,773	71,477	66,611	(457,818)
Increase (decrease) in cash and cash equivalents	(4,042,843)	(4,060,656)	7,015,695	(8,794,899)
Cash and cash equivalents, beginning of period	15,621,301	7,830,024	4,562,763	12,564,267
Cash and cash equivalents, end of period	\$ 11,578,458	\$ 3,769,368	\$ 11,578,458	\$ 3,769,368

See accompanying notes to the interim consolidated financial statements.

# RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements

Three and six months ended October 31, 2010 and 2009  
(Unaudited)

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Resverlogix Corp. and a wholly owned subsidiary, RVX Therapeutics Inc., are incorporated under the laws of Alberta. Resverlogix Inc., a wholly owned subsidiary of Resverlogix Corp., is incorporated under the laws of Delaware.

## **Basis of presentation**

The unaudited interim consolidated financial statements of Resverlogix Corp. (the "Company") have been prepared by Management in accordance with Canadian generally accepted accounting principles ("GAAP"), following the same accounting policies and using the same methods of computation as those used in the Company's audited consolidated financial statements for the year ended April 30, 2010. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures which are normally required to be included in the notes to the annual consolidated financial statements have been condensed or omitted. Accordingly, 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, 2010. Amounts are stated in Canadian dollars unless otherwise indicated. Certain comparative figures have been reclassified to conform with the current year's presentation.

## **Use of estimates**

The preparation of financial statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results may differ from these estimates and assumptions.

## **1. Future 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.

# RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements, page 2

Three and six months ended October 31, 2010 and 2009  
(Unaudited)

## 1. Future operations (continued)

Research and development expenditures on these projects are as follows:

	Three months ended		Six months ended		Cumulative since inception
	October 31,		October 31,		
	2010	2009	2010	2009	
NexVas PR	\$3,606,024	\$3,037,805	\$7,279,443	\$5,950,766	\$65,154,968
NexVas VI / ReVas	3,545	9,372	6,666	13,567	1,897,319
TGF- $\beta$ Shield	-	-	-	-	735,221
NexVas AD	14,250	28,963	14,250	28,963	73,156
	\$3,623,819	\$3,076,140	\$7,300,359	\$5,993,296	\$67,860,664

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 October 31, 2010, the Company had \$11.6 million of cash and cash equivalents. During the three months ended July 31, 2010, the Company raised \$19.2 million by way of prospectus offerings, as described in Note 3 "Shareholders' Equity". The Company's cash and cash equivalents are expected to be sufficient to satisfy the Company's cash obligations. Further, the Company's cash and cash equivalents, together with the funds available from the Company's Standby Equity Distribution Agreement ("SEDA") as described in Note 3 "Shareholders' Equity", are expected to be sufficient to fund anticipated cash requirements over the next year. If the Company does not draw on the SEDA, and if it is not otherwise able to raise additional capital, the Company may not have sufficient capital to fund anticipated cash requirements over the next year. The Company could reduce its cash requirements by eliminating or deferring discretionary spending. The Company expects to be able to raise additional capital.

The Company will require additional capital to manage its planned research, development and corporate activities. The Company will continue to explore alternatives to generate positive cash flow including raising additional equity and product licensing; however there is no assurance that these initiatives will be successful.

# RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements, page 3

Three and six months ended October 31, 2010 and 2009  
(Unaudited)

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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. 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 March 2010, the Company entered into a Standby Equity Distribution Agreement ("SEDA") entitling the Company to issue a maximum of \$25 million of the Company's common shares to the investor over a maximum of 24 months. On June 11, 2010, the Company issued a total of 51,290 common shares pursuant to a prospectus offering, under its SEDA, for gross proceeds of \$200,010.

On June 8, 2010, the Company issued a total of 2,800,000 units, representing 2,800,000 common shares and 1,120,000 warrants, at \$3.30 per unit pursuant to a prospectus offering for gross proceeds of \$9.2 million. The warrants have an exercise price of \$4.00 per common share and expire on June 8, 2014. The warrants were valued at \$1.9 million using a Black-Scholes option pricing model and are further described in Note 3(c). Share issue costs of \$0.8 million included legal costs of \$0.1 million and broker and agent commissions of \$0.7 million.

On June 22, 2010, the Company issued a total of 3,095,975 units, representing 3,095,975 common shares and 1,238,390 warrants, at \$3.23 per unit pursuant to a prospectus offering for gross proceeds of \$10.0 million. The warrants have an exercise price of \$4.00 per common share and expire of June 22, 2014. The warrants were valued at \$1.9 million using a Black-Scholes option pricing model and are further described in Note 3(c). Share issue costs of \$0.6 million included broker and agent commissions of \$0.6 million.

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Notes to Interim Consolidated Financial Statements, page 4

Three and six months ended October 31, 2010 and 2009  
(Unaudited)

## 2. Shareholders' equity (continued)

### (a) Common shares (continued)

Common shares	Number of shares	Amount
Balance, April 30, 2009	39,202,706	\$ 72,237,124
Issued in connection with private placement	5,141,270	10,614,691
Share issue costs		(712,548)
Standby Equity Distribution Agreement commitment fee paid in common shares	43,877	250,000
Issued in connection with exercise of warrants and options	1,270,787	7,783,773
Issued in connection with conversion of debentures	119,370	211,864
Reclassification from equity component in connection with conversion of debentures		591,482
Interest paid in common shares	61,064	154,926
Issued in exchange for services	35,000	122,500
Balance, April 30, 2010	45,874,074	91,253,812
Issued in connection with prospectus offerings	5,895,975	15,459,128
Issued in connection with Standby Equity Distribution Agreement	51,290	200,010
Share issue costs		(2,045,532)
Issued in connection with warrant exercises	318,582	3,178,853
Balance, October 31, 2010	52,139,921	\$108,046,271

### (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 for the number of Common Shares reserved for issuance related to the options under the plan to automatically become eligible to be reallocated pursuant to stock option based grants upon option expiry, cancellation or exercise. 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.

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Three and six months ended October 31, 2010 and 2009  
(Unaudited)

## 2. Shareholders' equity (continued)

### (b) Stock options (continued)

	October 31, 2010		April 30, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	4,542,000	\$ 6.11	3,725,000	\$ 6.99
Granted	457,400	3.43	1,082,000	4.08
Exercised	-	-	(20,000)	2.92
Expired	(260,000)	6.69	(245,000)	10.83
Outstanding, end of period	4,739,400	\$ 5.81	4,542,000	\$ 6.11

The following table summarizes information about the options outstanding and exercisable at October 31, 2010.

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable
\$2.25 - \$3.26	2,342,400	2.8	\$ 2.86	1,040,000
\$4.00 - \$4.49	230,000	3.8	4.31	50,000
\$5.59 - \$7.60	1,437,000	2.2	6.78	965,000
\$12.07 - \$12.95	330,000	1.0	12.47	330,000
\$14.16 - \$15.90	400,000	0.9	15.03	400,000
	4,739,400	2.4	\$ 5.81	2,785,000

# RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements, page 6

Three and six months ended October 31, 2010 and 2009  
(Unaudited)

## 2. 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 \$2.29 per option and \$2.05 per option associated with stock options granted during the six months ended October 31, 2010 and 2009, respectively:

	2010	2009
Risk free interest rate	1.7% - 2.1%	2.4%
Expected life	1-3 years	1-2 years
Expected volatility	86% - 90%	114%

### (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, 2009	6,357,108	\$ 26,017,371	\$ 2.72
Issued on private placement	1,785,318	2,238,484	2.61
Exercised for common shares	(1,583,259)	(5,543,833)	2.72
Outstanding, April 30, 2010	6,559,167	22,712,022	2.69
Issued on prospectus offerings	2,358,390	3,780,872	4.00
Exercised for common shares	(388,090)	(2,530,007)	2.71
Outstanding, October 31, 2010	8,529,467	\$23,962,887	\$ 3.05

# RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements, page 7

Three and six months ended October 31, 2010 and 2009  
(Unaudited)

## 2. Shareholders' equity (continued)

### (c) Warrants (continued)

The weighted average fair value of the warrants granted during the six months ended October 31, 2010 and 2009 was \$1.60 and \$1.14 per warrant, respectively, using the Black-Scholes option pricing model with the following assumptions:

	Six months ended October 31,	
	2010	2009
Risk-free interest rate	2.3%-2.4%	1.6%-3.3%
Expected life	4 years	5 years
Expected volatility	92%	69%-113%

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

Weighted Average Price	Number Outstanding	Weighted Average Remaining Life (years)
\$3.05	8,529,467	2.75

### (d) Contributed surplus

The changes in contributed surplus balance are as follows:

	Amount
Balance, April 30, 2009	\$16,496,537
Options exercised	(43,794)
Stock-based compensation expense	3,481,051
Balance, April 30, 2010	19,933,794
Stock-based compensation expense	1,300,031
Balance, October 31, 2010	\$21,233,826

# RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements, page 8

Three and six months ended October 31, 2010 and 2009  
(Unaudited)

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## 2. Shareholders' equity (continued)

(e) Per share amounts

The loss per share has been calculated based on the basic and diluted weighted average shares outstanding during the three and six months ended October 31, 2010 and 2009 of 51,962,528 and 50,440,573 respectively (2009 - 39,388,025 and 39,349,766). The exercise of stock options and warrants and conversion of the convertible debentures are anti-dilutive.

## 3. Commitments

The Company has entered into various research contracts. The Company is committed to pay \$2,875,709 for completion of the research, and all payments are anticipated to be incurred by July 2011 as follows:

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2011	\$ 2,875,709
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As at October 31, 2010, the Company was committed to operating lease payments for office and laboratory premises as follows:

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2011	\$ 261,493
2012	180,136
2013	85,697
2014	78,556

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