



Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2011 and 2010

RESVERLOGIX CORP.

Condensed Interim Consolidated Statement of Financial Position

(unaudited)

<i>In thousands of US dollars</i>	July 31, 2011	April 30, 2011	May 1, 2010
Assets			
Current assets:			
Cash and cash equivalents	\$ 7,401	\$ 4,785	\$ 4,511
Clinical supplies	1,552	936	554
Prepaid expenses and deposits	2,327	156	166
Investment tax credit receivable	535	421	525
Total current assets	11,815	6,298	5,756
Non-current assets:			
Property and equipment	664	637	647
Intangible assets	1,002	965	858
Clinical supplies	277	278	541
Deferred financing costs	227	26	568
Total non-current assets	2,170	1,906	2,614
Total assets	\$ 13,985	\$ 8,204	\$ 8,370
Liabilities			
Current liabilities:			
Trade and other payables	\$ 2,757	\$ 4,110	\$ 3,939
Warrant liability	7,660	8,097	28,246
Total current liabilities	10,417	12,207	32,185
Equity (note 5):			
Share capital	108,375	100,390	85,259
Contributed surplus	21,834	21,336	18,700
Warrants	-	-	36
Deficit	(126,641)	(125,729)	(127,810)
Total equity	3,568	(4,003)	(23,815)
Total liabilities and equity	\$ 13,985	\$ 8,204	\$ 8,370

Signed on behalf of the Board:

Signed: "Dr. Peter Johann" Director

Signed: "Kenneth Zuerblis" Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements

RESVERLOGIX CORP.

Condensed Interim Consolidated Statement of Comprehensive Loss (Income)

For the three months ended July 31

(unaudited)

<i>In thousands of US dollars</i>	2011	2010
Expenses:		
Research and development	\$ 4,185	\$ 3,747
Investment tax credits	(113)	(103)
Net research and development	4,072	3,644
General and administrative	1,233	1,813
	5,305	5,457
Finance (income) costs:		
Change in fair value of warrant liability	(4,445)	(18,852)
Interest	(8)	(1)
Foreign exchange (gain) loss	7	(13)
Net finance (income) costs	(4,446)	(18,866)
Loss (income) before income taxes	859	(13,409)
Income taxes	53	-
Net and comprehensive loss (income)	\$ 912	\$ (13,409)

Net loss (income) per share

Basic	\$ 0.02	\$ (0.27)
Diluted	\$ 0.02	\$ (0.26)

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RESVERLOGIX CORP.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

For the three months ended July 31

(unaudited)

<i>In thousands of US dollars</i>	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Equity (Deficiency)
Balance, May 1, 2010	\$ 85,259	\$ 18,700	\$ 36	\$ (127,810)	\$ (23,815)
Common shares issued in connection with prospectus offerings	14,348	-	-	-	14,348
Common shares issued in connection with Standy Equity Distribution Agreement	194	-	-	-	194
Share issue costs	(1,953)	-	-	-	(1,953)
Common shares issued in connection with warrant exercises	745	-	-	-	745
Share-based payment transactions	-	573	-	-	573
Net and comprehensive income	-	-	-	13,409	13,409
Balance, July 31, 2010	\$ 98,593	\$ 19,273	\$ 36	\$ (114,401)	\$ 3,501
Balance, May 1, 2011	\$ 100,390	\$ 21,336	\$ -	\$ (125,729)	\$ (4,003)
Common shares issued in connection with prospectus offerings	9,000	-	-	-	9,000
Share issue costs	(1,015)	-	-	-	(1,015)
Share-based payment transactions	-	498	-	-	498
Net and comprehensive loss	-	-	-	(912)	(912)
Balance, July 31, 2011	\$ 108,375	\$ 21,834	\$ -	\$ (126,641)	\$ 3,568

The accompanying notes are an integral part of these condensed interim consolidated financial statements

RESVERLOGIX CORP.

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended July 31

(unaudited)

<i>In thousands of US dollars</i>	2011	2010
Cash provided by (used in):		
Cash flows used in operating activities:		
Net (loss) income	\$ (912)	\$ 13,409
Items not involving cash:		
Equity-settled share-based payment transactions	498	573
Depreciation and amortization	74	58
Change in fair value of warrant liability	(4,445)	(18,852)
Interest income	(8)	(1)
Income taxes	53	-
	(4,740)	(4,813)
Changes in non-cash working capital:		
Investment tax credit receivable	(114)	32
Clinical supplies	(901)	(42)
Prepaid expenses and deposits	(2,171)	54
Trade and other payables	(1,155)	(1,463)
Cash used in operating activities	(9,081)	(6,232)
Interest received	8	1
Income tax paid	(53)	-
Net cash used in operating activities	(9,126)	(6,231)
Cash flows from (used in) financing activities:		
Proceeds from the issuance of share capital and warrants	13,008	17,163
Share issuance costs	(1,015)	47
Proceeds from Standby Equity Distribution Agreement	-	193
Proceeds from exercise of warrants	-	67
Deferred financing costs	(22)	(191)
Net cash generated from financing activities	11,971	17,279
Cash flows used in investing activities:		
Acquisition of property and equipment	(55)	(31)
Acquisition of intangible assets	(121)	(62)
Net cash used in investing activities	(176)	(93)
Effect of foreign currency translation on cash and cash equivalents	(53)	(286)
Increase in cash and cash equivalents	2,616	10,669
Cash and cash equivalents, beginning of period	4,785	4,511
Cash and cash equivalents, end of period	\$ 7,401	\$ 15,180

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RESVERLOGIX CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2011 and 2010

(unaudited)

(amounts in thousands of US dollars, except for number of shares)

1. General information

Resverlogix Corp. (the "Company") is a company domiciled in Canada. The condensed interim consolidated financial statements comprise the Company and its wholly-owned subsidiaries RVX Therapeutics Inc. and Resverlogix Inc. (together referred to as the "Group"). Resverlogix Corp. and RVX Therapeutics Inc. are incorporated under the laws of Alberta. Resverlogix Inc. is incorporated under the laws of Delaware.

The Company's head office is located at Suite 202, 279 Midpark Way S.E., Calgary, Alberta, T2X 1M2. The registered and records office is located at Suite 600, 815 - 8th Avenue S.W., Calgary, Alberta, T2P 3P2.

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.

2. Future operations

The success of the Company is dependent on the continuation of its 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 the outcome of future research and development programs, the Company's ability to fund these programs in the future, or the commercialization of products by the Company.

The accompanying financial statements have been prepared pursuant to International Financing Reporting Standards 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 July 31, 2011, the Company had \$7.4 million of cash and cash equivalents. The Company is committed to pay \$11.4 million for research and development and \$0.3 million of lease obligations over the next twelve months, as described further in Note 6 "Commitments". The Company's cash and cash equivalents are not expected to be sufficient to fund planned business operations over the next year. The Company will have to raise additional capital in order to fund planned business operations over the next year. If the Company is not able to raise additional capital, the Company would have to reduce its cash requirements by eliminating or deferring discretionary spending on research, development and corporate activities. The Company plans to raise additional capital. These conditions result in a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

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2. Future operations (continued)

The Company will also require additional capital to fund its planned research, development and corporate activities beyond the next year. 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.

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.

3. Basis of preparation and adoption of International Financing Reporting Standards ("IFRS")

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting." These are the Company's first IFRS condensed interim consolidated financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1, "First-time Adoption of IFRS" has been applied. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 7. This note includes reconciliations of equity and total comprehensive loss (income) for comparative periods at the date of transition reported under previous Canadian GAAP to those reported for those periods and at the date of transition under IFRSs.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of September 27, 2011, the date the Board of Directors approved the statements.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended April 30, 2011.

(b) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for the revaluation of the liability classified warrants, which are measured at fair value.

Historical cost is based on the fair value of the consideration given in exchange for assets recorded on the date of the transaction. The condensed interim consolidated financial statements have been prepared on a going concern basis.

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3. Basis of preparation and adoption of IFRS (continued)

(c) Functional and presentation currency

The functional currency of all entities within the Group is the US dollar, which is also the presentation currency. These consolidated financial statements are presented in US dollars. All financial information presented in dollars has been rounded to the nearest thousand except for per share amounts.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates made by management affecting our consolidated financial statements include:

Share-based payment transactions

The Company measures share-based payment transactions by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 5.

Warrant liability

The Company measured the initial warrant liability and subsequent revaluations of the warrant liability by reference to the fair value of the warrants at the date at which they were granted and subsequently revalued at each reporting date. Estimating fair value for these warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield and making assumptions about them.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Currently, the Company is accumulating tax loss carry forward balances, creating a deferred tax asset. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of

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3. Basis of preparation and adoption of IFRS (continued)

(d) Use of estimates and judgments (continued)

deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

To date the Company has determined that none of the deferred tax assets should be recognized. The deferred tax assets are mainly comprised of the net operating losses from prior years, prior year research and development expenses, and investment tax credits. These tax pools relate to entities within the Group that have a history of losses, have varying expiry dates, and may not be used to offset taxable income of other entities within the Group. As well, there are no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements and in preparing the opening IFRS statement of financial position as at May 1, 2010 for the purpose of the transition to IFRS, unless otherwise indicated. The accounting policies have been applied consistently by the Company's subsidiaries.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Consolidation

The consolidated financial statements include the accounts of Resverlogix Corp. and its wholly-owned subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

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4. Significant accounting policies (continued)

Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

Financial instruments

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets

Financial assets are comprised of cash and cash equivalents and accounts receivable. Financial assets are classified as follows:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and interest bearing deposits with the Company's bank and have been designated as held for trading. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Investment Tax Credit Receivable

Investment Tax Credit Receivable has been classified as loans and receivables.

Financial liabilities

Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

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(amounts in thousands of US dollars, except for number of shares)

4. Significant accounting policies (continued)

Financial instruments (continued)

Trade and other payables

Trade and other payables are non interest-bearing and are initially recorded at fair market value. They are classified as other financial liabilities and are subsequently measured at amortized cost using the effective interest rate method.

Warrant liability

Warrants with an exercise price denominated in a foreign currency are recorded as a Warrant Liability and classified as fair value through profit and loss. The Warrant Liability is initially measured at estimated fair value with subsequent changes in fair value recorded as finance income or cost in the consolidated statement of comprehensive loss. These warrants have not been listed on an exchange and therefore do not trade on an active market.

Fair Value Measurement

The accounting guidance for fair value measurements prioritizes the inputs used in measuring fair value into the following hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;

Level 3 - Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The fair value of our Warrant Liability is based on level 2 (significant observable inputs).

Transaction Costs

Transaction costs are expensed as incurred for financial instruments designated as held for trading. Transaction costs for other financial instruments are recognized as part of the financial instrument's carrying value.

Clinical supplies

Clinical supplies are recognized in the statement of comprehensive loss as they are consumed in research and development activities.

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(unaudited)

(amounts in thousands of US dollars, except for number of shares)

4. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of comprehensive loss during the period in which they are incurred.

The major categories of property, plant and equipment are depreciated on a straight-line basis as follows:

Asset	Method	Rate
Robotic laboratory equipment	Straight line	8 years
Non-robotic laboratory equipment	Straight line	10 years
Office furniture and equipment	Straight line	5 years
Computer equipment	Straight line	3 years
Computer software	Straight line	3 years
Leasehold improvements	Straight line	Term of lease

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive loss.

Intangible assets

(i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are charged as an expense in the period in which they are incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

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(amounts in thousands of US dollars, except for number of shares)

4. Significant accounting policies (continued)

Intangible assets (continued)

(ii) Other intangible assets, subsequent expenditure, and amortization

Separately acquired patents have a finite useful life and are carried at cost less accumulated amortization.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Patented intellectual property	18 years
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Impairment

Impairment of financial assets

We assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables.

Impairment of long lived assets

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant assets or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company re-evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

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4. Significant accounting policies (continued)

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees, officers, and directors is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

The fair value of the Company's share-based payment awards is measured using the Black-Scholes option pricing model. Any consideration received upon exercise of the options and similar instruments together with the amount of non-cash compensation cost recognized in contributed surplus is recorded as an increase in common shares.

Government grants

Grants resulting from government assistance programs, including investment tax credits for research and development expenditures, are reflected as reductions of the cost of the assets or expenditures to which they relate at the time the assistance becomes receivable.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax

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4. Significant accounting policies (continued)

Income tax (continued)

asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares or options are recognized as a deduction from equity.

Earnings per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the net earnings (loss) for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company uses the treasury stock method to determine the dilutive effect of issued instruments (stock options and warrants). This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the period.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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5. 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:

Common shares	Number of shares	Amount
Balance, April 30, 2010	45,874,074	\$ 85,259
Issued in connection with prospectus offerings	5,895,975	14,348
Issued in connection with Standby Equity Distribution Agreement	51,290	194
Share issue costs	-	(1,990)
Issued in connection with warrant exercises	456,568	2,579
Balance, April 30, 2011	52,277,907	100,390
Issued in connection with prospectus offerings	7,000,000	9,000
Share issue costs	-	(1,015)
Balance, July 31, 2011	59,277,907	\$ 108,375

Unit offerings

On June 14, 2011, the Company issued a total of 7,000,000 units, representing 7,000,000 common shares and 3,500,000 warrants, at \$1.80 CAD per unit pursuant to a prospectus offering for gross proceeds of \$13.0 million. The warrants have an exercise price of \$2.25 CAD per common share and expire on June 14, 2016. The warrants were valued at \$4.0 million using a Black-Scholes option pricing model; the residual \$9.0 million of proceeds was assigned to share capital. Share issue costs of \$1.0 million included broker and agent commissions of \$0.9 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 CAD per unit pursuant to a prospectus offering for gross proceeds of \$9.8 million. The warrants have an exercise price of \$4.00 CAD per common share and expire on June 22, 2014. The warrants were valued at \$2.0 million using a Black-Scholes option pricing model; the residual \$7.8 million of proceeds was assigned to share capital. Share issue costs of \$0.7 million included broker and agent commissions of \$0.6 million.

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5. Shareholders' equity (continued)

(a) Common shares (continued)

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 CAD per unit pursuant to a prospectus offering for gross proceeds of \$8.8 million. The warrants have an exercise price of \$4.00 CAD per common share and expire on June 8, 2014. The warrants were valued at \$2.2 million using a Black-Scholes option pricing model; the residual \$6.6 million of proceeds was assigned to share capital. Share issue costs of \$0.8 million included legal costs of \$0.1 million and broker and agent commissions of \$0.7 million.

Standby equity distribution agreement

In March 2010, the Company entered into a Standby Equity Distribution Agreement ("SEDA") entitling the Company to issue a maximum of \$25 million CAD 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 \$0.2 million. The number of shares distributed by the Company pursuant to the SEDA cannot exceed: (1) in any twelve month period, 10% of the aggregate number of shares outstanding at the beginning of such period, and (2) during the term of the SEDA, 19.9% of the aggregate number of shares outstanding on March 26, 2010.

Base shelf prospectus

On September 15, 2011, we filed a preliminary short-form base shelf prospectus (the "Base Shelf Prospectus") with the securities commissions in each of the provinces of Canada. Subject to securities regulatory requirements, the Base Shelf Prospectus allows us to make offerings of common shares, preferred shares, debt securities, warrants, units, or any combination of such securities up to an aggregate offering price of \$125 million CAD during the 25 month period that the Base Shelf Prospectus remains effective.

(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. The options are settled by way of the issuance of equity instruments of the Company ("equity-settled").

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5. Shareholders' equity (continued)

(b) Stock options (continued)

	July 31, 2011		July 31, 2010	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Outstanding, beginning of period	3,850,900	\$ 5.22	4,542,000	\$ 6.11
Granted	1,386,000	1.61	62,400	3.26
Expired	(3,033)	2.70	(260,000)	6.69
Outstanding, end of period	5,233,867	\$ 4.27	4,344,400	\$ 6.03

The following table summarizes information about the options outstanding and exercisable at July 31, 2011.

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
\$1.61	1,385,300	4.8	\$ 1.61	-
\$2.30 - \$3.26	2,266,567	2.4	2.88	1,622,134
\$4.00 - \$4.37	200,000	3.2	4.28	50,000
\$5.59 - \$7.60	872,000	2.7	6.51	594,833
\$12.07 - \$15.90	510,000	0.5	13.83	510,000
	5,233,867	2.9	\$ 4.27	2,776,967

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 weighted average fair values of \$1.17 per option and \$2.17 per option associated with stock options granted during the three month period ended July 31, 2011 and 2010, respectively:

	2011	2010
Risk-free interest rate	2.1%	2.5%
Expected life	4.2 years	5 years
Expected volatility	97%	86%

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5. Shareholders' equity (continued)

(c) Restricted stock units

The Company's long term incentive plan allows for the reservation of a number of common shares not to exceed 10% of the Company's issued and outstanding common shares on an undiluted basis less the number of common shares reserved under the Company's amended stock option plan. The Company may grant restricted stock units ("RSUs") to directors, officers, employees, and consultants. The majority of restricted stock units fully vest over two or three years.

During the three months ended July 31, 2011, the Company granted 252,900 (2010 - nil) RSUs to employees. The RSUs vest over a period of two or three years. The Company estimates the fair value of RSUs based on the market price of the underlying stock on the date of grant.

	July 31, 2011	
	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, beginning of period	-	\$ -
Granted	252,900	1.68
Forfeited	(600)	1.68
Outstanding, end of period	252,300	\$ 1.68

(d) Warrants

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

	Number of warrants	Weighted Average Exercise Price (CAD)	Liability Amount	Equity Amount
Outstanding, April 30, 2010	6,559,167	\$ 2.69	\$ 28,246	\$ 36
Issued on prospectus offerings	2,358,390	4.00	4,240	-
Exercised for common shares	(575,398)	2.71	(1,677)	(36)
Expired	(33,970)	2.72	(91)	-
Revaluation of warrant liability	-	-	(22,621)	-
Outstanding, April 30, 2011	8,308,189	3.06	8,097	-
Issued on prospectus offerings	3,500,000	2.25	4,008	-
Revaluation of warrant liability	-	-	(4,445)	-
Outstanding, July 31, 2011	11,808,189	\$ 2.82	\$ 7,660	\$ -

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5. Shareholders' equity (continued)

(d) Warrants (continued)

(i) Warrants - liability:

Under IFRS, the prescribed accounting treatment for warrants issued as part of an equity financing unit with an exercise price denominated in a foreign currency is to treat these warrants as a liability measured at fair value with subsequent changes in fair value accounted for through the consolidated statement of loss. The fair value of these warrants is determined using the Black Scholes option pricing model. All of the Company's warrants (except for the broker warrants discussed in Note 5(d)(ii)) meet this liability classification requirement and thus the value of these warrants are presented as a current liability on the consolidated statement of financial position. As these warrants are exercised, the fair value of the recorded warrant liability on date of exercise is included in share capital along with the proceeds from the exercise. If these warrants expire, the related warrant liability is recognized as a gain through the statement of comprehensive loss. There is no cash flow impact as a result of this accounting treatment.

The weighted average fair value of the warrants granted during the three month period ended July 31, 2011 and 2010 was \$1.15 and \$1.80 per warrant, respectively, using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011	2010
Risk-free interest rate	2.1%	2.3%
Expected life	5 years	4 years
Expected volatility	95%	92%

As at July 31, 2011, the Company had 11,808,189 outstanding warrants with a weighted average price of \$2.82 CAD and a weighted average remaining life of 2.9 years.

(ii) Warrants - equity:

Of the total warrants outstanding at July 31, 2011, the Company had no broker warrants outstanding (July 31, 2010 – 20,040 outstanding at an average exercise price of \$2.72 CAD). These broker warrants are classified as an equity instrument and are accounted for under IFRS 2 "Share-Based Payments".

(e) Per share amounts

The basic and diluted loss (income) per share has been calculated based on the weighted average shares outstanding during the three months ended July 31, 2011 of 55,853,994 (July 31, 2010 – 48,918,618) and 55,853,994 (July 31, 2010 – 50,857,134), respectively. Anti-dilutive exercises of stock options and warrants have been excluded.

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6. Commitments

The Company has entered into various research contracts. The Company is committed to pay \$21.8 million for completion of the research (primarily clinical trials) as follows:

2012 (payments anticipated to be incurred by July 31, 2012)	\$	11,396
2013		9,409
2014		1,000
2015		-
2016		-

As at July 31, 2011, the Company was committed to operating lease payments for office and laboratory premises as follows:

2012 (payments anticipated to be incurred by July 31, 2012)	\$	270
2013		90
2014		90
2015		15
2016		-

7. Transition to IFRS

The Company's condensed interim consolidated financial statements for the three months ended July 31, 2011 are the first condensed interim consolidated financial statements under IFRS and are prepared in accordance with IAS 34 and IFRS 1, and as such include the application of IFRS 1 "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1"). IFRS 1 requires all first-time adopters to retrospectively apply all effective IFRS standards as of the transition date of May 1, 2010. However, it also provides certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

The Company has applied the following IFRS 1 transition elections and exemptions to full retrospective application of IFRS:

Share based payment transactions

IFRS 2 "Share-based Payments" encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits, by exemption under IFRS 1, the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has equity-settled share-based payment transactions and has elected to take this exemption. For equity settled instruments that were granted and fully vested by May 1, 2010, IFRS 2 does not need to be applied retrospectively. Under IFRS, the Company charges the cost of employees' stock options over the vesting period using the graded method of amortization rather than the straight line method as allowed under Canadian GAAP. The effect of applying graded vesting to the unvested portion is immaterial, therefore no adjustment has been made to the financial statements.

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Notes to the Condensed Interim Consolidated Financial Statements

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7. Transition to IFRS (continued)

Business combinations

In accordance with IFRS transitional provisions, the Company elected to apply IFRS relating to business combinations prospectively from May 1, 2010. As such, Canadian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward without adjustment.

Borrowing costs

In accordance with IFRS transition provisions, the Company elected to adopt IAS 23 "Borrowing Costs" prospectively to projects for which the capitalization commencement date is after May 1, 2010 or any date earlier than May 1, 2010 for transition.

Reconciliations of GAAP to IFRS

IFRS 1 requires an entity to reconcile financial position, equity, net earnings, comprehensive income and cash flows for prior periods. The following reconciliations present the adjustments made to the Company's previously reported financial results in compliance with IFRS 1. In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP (its previous GAAP). An explanation of how the transition from previous GAAP to IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company except that under IFRS cash flows relating to interest and taxes are classified as operating, investing or financing in a consistent manner each period. Under Canadian GAAP, cash flows relating to interest payments were classified as operating.

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Notes to the Condensed Interim Consolidated Financial Statements

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7. Transition to IFRS (continued)

Effect of IFRS adoption on Consolidated Statements of Financial Position

<i>In thousands of US dollars</i>	May 1, 2010			July 31, 2010			April 30, 2011		
	Previous Canadian GAAP (USD) Notes	Effect of Transition to IFRS	IFRS	Previous Canadian GAAP (USD) Notes	Effect of Transition to IFRS	IFRS	Previous Canadian GAAP (USD) Notes	Effect of Transition to IFRS	IFRS
Assets	Note [A]			Note [A]			Note [A]		
Current assets:									
Cash and cash equivalents	\$ 4,511	\$ -	\$ 4,511	[B] \$ 15,180	\$ -	\$ 15,180	\$ 4,785	\$ -	\$ 4,785
Clinical supplies	554	-	554	[B] 361	5	366	[B] 994	(58)	936
Prepaid expenses and deposits	166	-	166	[B] 112	-	112	[B] 164	(8)	156
Investment tax credit receivable	525	-	525	493	-	493	421	-	421
Total current assets	5,756	-	5,756	16,146	5	16,151	6,364	(66)	6,298
Non-current assets:									
Property and equipment	647	-	647	[B] 626	10	636	[B] 678	(41)	637
Intangible assets	858	-	858	[B] 871	15	886	[B] 1,027	(62)	965
Clinical supplies	541	-	541	[B] 761	10	771	[B] 300	(22)	278
Deferred financing costs	568	-	568	[B] 58	(2)	56	[B] 27	(1)	26
Total non-current assets	2,614	-	2,614	2,316	33	2,349	2,032	(126)	1,906
Total assets	\$ 8,370	\$ -	\$ 8,370	\$ 18,462	\$ 38	\$ 18,500	\$ 8,396	\$ (192)	\$ 8,204
Liabilities									
Current liabilities:									
Trade and other payables	\$ 3,939	\$ -	\$ 3,939	[B] \$ 2,052	\$ (8)	\$ 2,044	[B] \$ 4,112	\$ (2)	\$ 4,110
Warrant liability	[C] -	28,246	28,246	[C] -	12,955	12,955	[C] -	8,097	8,097
	3,939	28,246	32,185	2,052	12,947	14,999	4,112	8,095	12,207
Equity:									
Share capital	[B] 81,411	3,848	85,259	[B] 95,715	2,878	98,593	[B] 99,107	1,283	100,390
Contributed surplus	[B,D] 18,170	530	18,700	[B,D] 18,525	748	19,273	[B,D] 20,600	736	21,336
Warrants	[C] 20,588	(20,552)	36	[C] 23,179	(23,143)	36	[C] 20,306	(20,306)	-
Deficit	(116,600)	(11,210)	(127,810)	(121,850)	7,449	(114,401)	(137,257)	11,528	(125,729)
Accumulated other comprehensive income	[E] 862	(862)	-	[E] 841	(841)	-	[E] 1,528	(1,528)	-
Total equity	4,431	(28,246)	(23,815)	16,410	(12,909)	3,501	4,284	(8,287)	(4,003)
Total liabilities and equity	\$ 8,370	\$ -	\$ 8,370	\$ 18,462	\$ 38	\$ 18,500	\$ 8,396	\$ (192)	\$ 8,204

RESVERLOGIX CORP.

Notes to the Condensed Interim Consolidated Financial Statements

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7. Transition to IFRS (continued)

Effect of IFRS adoption on Consolidated Statements of Comprehensive Loss (Income)

<i>In thousands of US dollars</i>	Three Months Ended July 31, 2010				Year Ended April 30, 2011			
	Notes	Previous Canadian GAAP (USD)	Effect of Transition to IFRS	IFRS	Notes	Previous Canadian GAAP (USD)	Effect of Transition to IFRS	IFRS
		Note [A]				Note [A]		
Expenses:								
Research and development	[B,D]	\$ 3,694	\$ 53	\$ 3,747	[B,D]	\$ 14,689	\$ 188	\$ 14,877
Investment tax credits		(103)	-	(103)	[B]	(351)	(3)	(354)
Net research and development		3,591	53	3,644		14,338	185	14,523
General & administrative	[B]	1,648	165	1,813	[B]	6,424	338	6,762
		5,239	218	5,457		20,762	523	21,285
Finance (income) costs:								
Change in fair value of warrants liability	[C]	-	(18,852)	(18,852)	[C]	-	(22,621)	(22,621)
Interest		(1)	-	(1)		(78)	-	(78)
Gain on expiry of warrants		-	-	-	[C]	-	(91)	(91)
Foreign exchange (gain) loss	[B]	12	(25)	(13)	[B]	(28)	(549)	(577)
Net finance (income) costs		11	(18,877)	(18,866)		(106)	(23,261)	(23,367)
Net and comprehensive loss (income)		\$ 5,250	\$ (18,659)	\$ (13,409)		\$ 20,656	\$ (22,738)	\$ (2,082)

Notes to reconciliations

(A) Previous Canadian GAAP presented in US dollar currency

The Company has changed its reporting currency to the US dollar at the same time that it has transitioned to IFRS. The "Previous Canadian GAAP (USD)" columns in each of the reconciliations are a result of translating the Canadian GAAP balances reported previously in Canadian dollar, to a US dollar presentational currency – equity balances are translated at historical exchange rates; assets and liabilities are translated at spot exchange rates; and expenses are translated at transaction date exchange rates. This translation was performed only for the purposes of deriving the reconciliations in a common currency. Refer to the previously published financial statements for the balances in the Canadian dollar currency.

(B) Change in functional currency

Upon the adoption of IAS 21 "The Effects of Changes in Foreign Exchange Rates", all entities within the Group had a change in functional currency to the US dollar as at May 1, 2008, which change was applied retrospectively. This application of change in functional currency required translating each of the financial statement balances at the spot rate on May 1, 2008 to derive a US dollar functional 'opening balance' at date of functional currency change. Transactions occurring over the period of May 1, 2008 to May 1, 2010 (date of IFRS transition) were translated to the US dollar functional

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7. Transition to IFRS (continued)

Notes to reconciliations (continued)

(B) Change in functional currency (continued)

currency to derive the opening balance sheet for IFRS transition at May 1, 2010. Transactions occurring in the fiscal 2011 comparative year were also translated to the US dollar functional currency.

(C) Warrants

IFRS requires warrants issued as part of an equity financing unit with an exercise price denominated in a currency other than the entity's functional currency to be treated as a liability measured at fair value. Changes in fair value are recorded in the consolidated statement of comprehensive loss. Under Canadian GAAP, the warrants issued were all equity classified. Under IFRS, the liability classified warrants outstanding are presented as a current liability. The broker warrants are still equity classified (pursuant to applicable accounting treatment in IFRS 2).

(D) Change in share-based payment transactions classification

Two of the Company's executives, who were classified as consultants for purposes of stock option calculations under Canadian GAAP, have been classified as employees for purposes of share-based payment transactions under IFRS. The result of this change in classification at IFRS transition, at May 1, 2010, is a decrease of \$359 thousand to contributed surplus and a corresponding increase to retained earnings.

(E) Accumulated Other Comprehensive Income balance

The assessment of the functional currency for IFRS purposes has resulted in transactions and balances for the Company (including its subsidiaries) to be recognized in US dollars. As the functional currency for each entity in the Group is US dollars, and the presentational currency for the consolidated entity is US dollars, there will be no Cumulative Translation Adjustment ("CTA") amount under IFRS. Under Canadian GAAP, the entities in the Group were considered to be integrated and were translated with only monetary assets and liabilities retranslated using year-end rates. The Accumulated Other Comprehensive Income ("AOCI") balance in the "previous Canadian GAAP (USD)" column in the reconciliations arises solely because of the translation of Canadian GAAP amounts in Canadian dollars to US dollar presentational amounts for IFRS reconciliation purposes. The Company did not have an AOCI balance under Canadian GAAP. As the functional currency of each entity in the Company is the US dollar and the presentational currency under IFRS is also the US dollar, there is not an AOCI balance under IFRS, and hence the balance is reversed through the IFRS adjustment column.