



**Condensed Interim Consolidated Financial Statements**

For the three and six months ended October 31, 2011 and 2010

# RESVERLOGIX CORP.

## Condensed Interim Consolidated Statements of Financial Position

(unaudited)

<i>In thousands of US dollars</i>	October 31, 2011	April 30, 2011
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,997	\$ 4,785
Clinical supplies	915	936
Prepaid expenses and deposits	1,892	156
Investment tax credit receivable	597	421
<b>Total current assets</b>	<b>6,401</b>	<b>6,298</b>
<b>Non-current assets:</b>		
Property and equipment	610	637
Intangible assets	1,157	965
Clinical supplies	278	278
Deferred financing costs	233	26
<b>Total non-current assets</b>	<b>2,278</b>	<b>1,906</b>
<b>Total assets</b>	<b>\$ 8,679</b>	<b>\$ 8,204</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade and other payables	\$ 4,502	\$ 4,110
Warrant liability (note 4)	4,698	8,097
<b>Total current liabilities</b>	<b>9,200</b>	<b>12,207</b>
<b>Shareholders' deficit (note 4) :</b>		
Share capital	108,163	100,390
Contributed surplus	22,332	21,336
Deficit	(131,016)	(125,729)
<b>Total shareholders' deficit</b>	<b>(521)</b>	<b>(4,003)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>\$ 8,679</b>	<b>\$ 8,204</b>

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 Statements of Comprehensive Loss

(unaudited)

<i>In thousands of US dollars</i>	Three months ended October 31,		Six months ended October 31,	
	2011	2010	2011	2010
<b>Expenses:</b>				
Research and development	\$ 5,665	\$ 3,772	\$ 9,848	\$ 7,519
Investment tax credits	(81)	(54)	(194)	(156)
Net research and development	5,584	3,718	9,654	7,363
General and administrative	1,387	1,369	2,620	3,181
	6,971	5,087	12,274	10,544
<b>Finance (income) costs:</b>				
Change in fair value of warrant liability	(2,963)	18,691	(7,408)	(162)
Interest	(19)	(24)	(27)	(25)
Foreign exchange loss (gain)	366	(113)	373	(126)
Net finance (income) costs	(2,616)	18,554	(7,062)	(313)
<b>Loss before income taxes</b>	<b>4,355</b>	<b>23,641</b>	<b>5,212</b>	<b>10,231</b>
Income taxes	21	-	75	-
<b>Net and total comprehensive loss</b>	<b>\$ 4,376</b>	<b>\$ 23,641</b>	<b>\$ 5,287</b>	<b>\$ 10,231</b>

### Net loss per share (note 4(e))

Basic	\$ 0.07	\$ 0.45	\$ 0.09	\$ 0.20
Diluted	\$ 0.07	\$ 0.45	\$ 0.09	\$ 0.20

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

# RESVERLOGIX CORP.

## Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit

For the six months ended October 31

(unaudited)

<i>In thousands of US dollars</i>	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Deficit
<b>Balance, May 1, 2010</b>	\$ 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	193	-	-	-	193
Share issue costs	(1,985)	-	-	-	(1,985)
Common shares issued in connection with warrant exercises	2,005	-	(36)	-	1,969
Share-based payment transactions	-	1,244	-	-	1,244
Net and total comprehensive loss	-	-	-	(10,231)	(10,231)
<b>Balance, October 31, 2010</b>	\$ 99,820	\$ 19,944	\$ -	\$ (138,041)	\$ (18,277)
<b>Balance, May 1, 2011</b>	\$ 100,390	\$ 21,336	\$ -	\$ (125,729)	\$ (4,003)
Common shares issued in connection with prospectus offerings	9,000	-	-	-	9,000
Share issue costs	(1,227)	-	-	-	(1,227)
Share-based payment transactions	-	996	-	-	996
Net and total comprehensive loss	-	-	-	(5,287)	(5,287)
<b>Balance, October 31, 2011</b>	\$ 108,163	\$ 22,332	\$ -	\$ (131,016)	\$ (521)

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 six months ended October 31

(unaudited)

<i>In thousands of US dollars</i>	2011	2010
<b>Cash provided by (used in):</b>		
<b>Cash flows used in operating activities:</b>		
Net loss	\$ (5,287)	\$ (10,231)
<b>Items not involving cash:</b>		
Equity-settled share-based payment transactions	996	1,244
Depreciation and amortization	155	119
Change in fair value of warrant liability	(7,408)	(162)
Interest income	(27)	(25)
Income taxes	75	-
	<b>(11,496)</b>	<b>(9,055)</b>
<b>Changes in non-cash working capital:</b>		
Investment tax credit receivable	(176)	(26)
Clinical supplies	(277)	(392)
Prepaid expenses and deposits	(1,736)	110
Trade and other payables	626	(1,660)
Cash used in operating activities	<b>(13,059)</b>	<b>(11,023)</b>
Interest received	27	25
Income tax paid	(53)	-
Net cash used in operating activities	<b>(13,085)</b>	<b>(10,998)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from the issuance of share capital and warrants	13,008	17,131
Share issuance costs	(1,100)	47
Proceeds from Standby Equity Distribution Agreement	-	193
Proceeds from exercise of warrants	-	638
Deferred financing costs	(215)	(296)
Net cash generated from financing activities	<b>11,693</b>	<b>17,713</b>
<b>Cash flows used in investing activities:</b>		
Acquisition of property and equipment	(40)	(44)
Acquisition of intangible assets	(122)	(111)
Net cash used in investing activities	<b>(162)</b>	<b>(155)</b>
Effect of foreign currency translation on cash and cash equivalents	<b>(234)</b>	293
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(1,788)</b>	6,853
<b>Cash and cash equivalents, beginning of period</b>	<b>4,785</b>	4,511
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,997</b>	<b>\$ 11,364</b>

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

# RESVERLOGIX CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2011 and 2010

(unaudited)

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

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### 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 October 31, 2011, the Company had \$3.0 million of cash and cash equivalents. The Company is committed to pay \$16.1 million for research and development and \$0.2 million of lease obligations over the next twelve months, as described further in Note 5 "Commitments". Subsequent to October 31, 2011, the Company raised CAD\$17.5 million by way of a private placement, as described in Note 6 "Subsequent event". The Company's cash and cash equivalents, including the proceeds from the private placement, are sufficient to fund the Company's contractual commitments over the next year, but are not sufficient to fund all planned business operations over the next year. In order to fund all planned business operations over the next year, the Company will have to raise additional capital. 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. These conditions result in a degree of uncertainty which may cast doubt on the Company's ability to continue as a going concern.

# RESVERLOGIX CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2011 and 2010

(unaudited)

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

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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 IFRS condensed interim consolidated financial statements are 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 IFRS 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 for comparative periods reported under previous Canadian GAAP to those reported for those periods under IFRS.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of December 12, 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 and the IFRS disclosures and accounting policies included in the condensed interim consolidated financial statements for the three months ended July 31, 2011 and 2010.

#### (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.

# RESVERLOGIX CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2011 and 2010

(unaudited)

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

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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. 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 on going 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 and making assumptions about the most appropriate inputs to the valuation model, including the expected life of the option, volatility and dividend yield. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 4.

##### *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 revalues them 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 and making assumptions about the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield.

##### *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

# RESVERLOGIX CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2011 and 2010

(unaudited)

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

### 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 other than the Investment tax credit receivable. 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. Shareholders' deficit

#### (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	-	(1,227)
Balance, October 31, 2011	59,277,907	\$ 108,163

# RESVERLOGIX CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2011 and 2010

(unaudited)

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

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### 4. Shareholders' deficit (continued)

#### (a) Common shares (continued)

##### *Unit offerings*

Subsequent to October 31, 2011, the Company raised CAD\$17.5 million by way of a private placement, as described in Note 6 "Subsequent event".

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.

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.

# RESVERLOGIX CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2011 and 2010

(unaudited)

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

### 4. Shareholders' deficit (continued)

#### (a) Common shares (continued)

##### *Base shelf prospectus*

On October 13, 2011, the Company filed and obtained a receipt for a final short-form base shelf prospectus with the securities commissions in each of the provinces of Canada. Subject to securities regulatory requirements, the short form base shelf prospectus (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").

	Number of options	Weighted average exercise price (CAD)
Outstanding, April 30, 2010	4,542,000	\$ 6.11
Granted	562,400	3.10
Expired	(1,253,500)	7.47
Outstanding, April 30, 2011	3,850,900	5.22
Granted	1,406,000	1.61
Expired	(151,167)	12.00
Forfeited	(65,066)	4.76
Outstanding, October 31, 2011	5,040,667	\$ 4.02

# RESVERLOGIX CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2011 and 2010

(unaudited)

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

### 4. Shareholders' deficit (continued)

#### (b) Stock options (continued)

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

Range of Exercise Prices (CAD)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable
\$1.17 - \$1.61	1,395,600	4.6	\$ 1.60	-
\$2.30 - \$3.26	2,263,067	2.1	2.88	1,712,633
\$4.00 - \$4.37	200,000	3.0	4.28	125,000
\$5.59 - \$7.60	822,000	2.4	6.57	594,833
\$12.07 - \$15.90	360,000	0.4	14.57	360,000
	5,040,667	2.8	\$ 4.02	2,792,466

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 \$2.08 per option associated with stock options granted during the six month period ended October 31, 2011 and 2010, respectively:

	2011	2010
Risk-free interest rate	2.1%	2.0%
Expected life	4.2 years	4.9 years
Expected volatility	97%	86%

#### (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 six months ended October 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.

# RESVERLOGIX CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2011 and 2010

(unaudited)

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

### 4. Shareholders' deficit (continued)

#### (c) Restricted stock units (continued)

	Number of restricted stock units	Weighted average grant date fair value (USD)
Outstanding, April 30, 2011	-	\$ -
Granted	252,900	1.68
Forfeited	(7,900)	1.68
Outstanding, October 31, 2011	245,000	\$ 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	4,009	-
Revaluation of warrant liability	-	-	(7,408)	-
Outstanding, October 31, 2011	11,808,189	\$ 2.82	\$ 4,698	\$ -

# RESVERLOGIX CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2011 and 2010

(unaudited)

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

### 4. Shareholders' deficit (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 profit or 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 4(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 profit or 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 six month period ended October 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 October 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 2.7 years.

##### (ii) Warrants - equity:

Of the total warrants outstanding at October 31, 2011, the Company had no broker warrants outstanding (October 31, 2010 – Nil). 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 per share has been calculated based on the weighted average shares outstanding during the three and six months ended October 31, 2011 of 59,277,907 (October 31, 2010 – 51,962,528) and 57,565,950 (October 31, 2010 – 50,440,573), respectively. Anti-dilutive exercises of stock options and warrants have been excluded.

# RESVERLOGIX CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2011 and 2010

(unaudited)

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

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### 5. Commitments

The Company is committed under various research and development (primarily clinical) contracts as follows:

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2012 (payments anticipated to be incurred by October 31, 2012)	\$	16,139
2013		3,532
2014		11
2015		-
2016		-
		<hr/>
	\$	19,682

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

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2012 (payments anticipated to be incurred by October 31, 2012)	\$	207
2013		90
2014		82
2015		-
2016		-
		<hr/>
	\$	379

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### 6. Subsequent event

On November 29, 2011, the Company issued a total of 14,819,476 common shares at CAD\$1.18 per share pursuant to a private placement for gross proceeds of CAD\$17.5 million.

# RESVERLOGIX CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2011 and 2010

(unaudited)

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

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### 7. Transition to IFRS

The Company adopted IFRS on May 1, 2011 with effect from May 1, 2010. The Company has applied the same accounting policies in preparing the consolidated financial statements for the three and six months ended October 31, 2011 and 2010. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out below.

IFRS 1 "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1") requires all first-time adopters to retrospectively apply all effective IFRS standards as of the transition date. 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.

#### *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 IFRS has affected the Company's financial

# RESVERLOGIX CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended October 31, 2011 and 2010

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

### 7. Transition to IFRS (continued)

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.

### Effect of IFRS adoption on Consolidated Statement of Financial Position

<i>In thousands of US dollars</i>	October 31, 2010			
	Notes	Previous Canadian GAAP (USD)	Effect of Transition to IFRS	IFRS
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents		\$ 11,364	\$ -	\$ 11,364
Clinical supplies		383	-	383
Prepaid expenses and deposits		56	-	56
Investment tax credit receivable		551	-	551
<b>Total current assets</b>		<b>12,354</b>	<b>-</b>	<b>12,354</b>
<b>Non-current assets:</b>				
Property and equipment	[B]	612	3	615
Intangible assets	[B]	910	6	916
Clinical supplies	[B]	931	(1)	930
Deferred financing costs	[B]	163	(2)	161
<b>Total non-current assets</b>		<b>2,616</b>	<b>6</b>	<b>2,622</b>
<b>Total assets</b>		<b>\$ 14,970</b>	<b>\$ 6</b>	<b>\$ 14,976</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Trade and other payables		\$ 2,260	\$ -	\$ 2,260
Warrant liability	[C]	-	30,992	30,992
		2,260	30,992	33,252
<b>Shareholders' deficit:</b>				
Share capital	[B]	97,554	2,267	99,821
Contributed surplus	[B,D]	19,428	516	19,944
Warrants	[C]	21,878	(21,878)	-
Deficit		(127,102)	(10,939)	(138,041)
Accumulated other comprehensive income	[E]	952	(952)	-
<b>Total shareholders' deficit</b>		<b>12,710</b>	<b>(30,986)</b>	<b>(18,276)</b>
<b>Total liabilities and shareholders' deficit</b>		<b>\$ 14,970</b>	<b>\$ 6</b>	<b>\$ 14,976</b>

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### 7. Transition to IFRS (continued)

#### Effect of IFRS adoption on Consolidated Statements of Comprehensive Loss

<i>In thousands of US dollars</i>	Three Months Ended October 31, 2010				Six Months Ended October 31, 2010			
	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]		
<b>Expenses:</b>								
Research and development	[B,D]	\$ 3,826	\$ (54)	\$ 3,772	[B,D]	\$ 7,520	\$ (1)	\$ 7,519
Investment tax credits	[B]	(53)	(1)	(54)		(156)	-	(156)
Net research and development		3,773	(55)	3,718		7,364	(1)	7,363
General and administrative	[B]	1,532	(163)	1,369	[B]	3,180	1	3,181
		5,305	(218)	5,087		10,544	-	10,544
<b>Finance (income) costs:</b>								
Change in fair value of warrants liability	[C]	-	18,691	18,691	[C]	-	(162)	(162)
Interest		(24)	-	(24)		(25)	-	(25)
Foreign exchange gain	[B]	(29)	(84)	(113)	[B]	(17)	(109)	(126)
Net finance (income) costs		(53)	18,607	18,554		(42)	(271)	(313)
<b>Net and total comprehensive loss</b>		<b>\$ 5,252</b>	<b>\$ 18,389</b>	<b>\$ 23,641</b>		<b>\$ 10,502</b>	<b>\$ (271)</b>	<b>\$ 10,231</b>

#### Notes to reconciliations

##### (A) Previous Canadian GAAP presented in US dollar currency

The Company has changed its presentation 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 presentation 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 from the Canadian dollar to the US dollar as at May 1, 2008, which was applied prospectively. 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 currency to derive the opening balance sheet for IFRS transition at May 1, 2010.

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## Notes to the Condensed Interim Consolidated Financial Statements

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### 7. Transition to IFRS (continued)

#### Notes to reconciliations (continued)

##### *(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 through profit or 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.

##### *(E) Accumulated Other Comprehensive Income balance*

The assessment of the functional currency for IFRS purposes has resulted in transactions and account 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 foreign currency translation reserve 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 all foreign currency gains and losses were recognized in profit or loss. 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.