Financial Statements of

RESVERLOGIX CORP.

Years ended April 30, 2005 and 2004

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Resverlogix Corp. and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial information contained elsewhere in this annual report is consistent with that in the consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. The financial statements include amounts that are based on the best estimates of management.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board. The Audit Committee consists of three (see page 10) independent directors. The Audit Committee recommends appointment of the external auditors to the Board of Directors, ensures their independence, and approves their fees. The Audit Committee meets with management and the external auditors to satisfy itself that management's responsibility is properly discharged and to review the consolidated financial statements prior to their presentation to the Board of Directors for approval. The shareholders' auditors have full access to the Audit Committee, with and without management being present.

These consolidated financial statements have been audited by the shareholders' auditors, and their report is shown as part of the financial statements.

Donald J. McCaffrey
President & CEO
July 12, 2005

Hiran Perera
Chief Financial Officer

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Resverlogix Corp. as at April 30, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
July 12, 2005

CONSOLIDATED BALANCE SHEETS

Years ended April 30, 2005 and 2004

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,424,837	$ 276,447
Marketable securities	3,678,613	2,883,371
Accounts receivable	79,473	–
Prepaid expenses	29,688	36,265
	12,212,611	3,196,083
Property and equipment (note 3)	545,412	500,358
Intellectual property and patents (note 4)	105,301	818
	$ 12,863,324	$ 3,697,259
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 412,805	$ 71,138
Current portion of equipment leases (note 5)	32,930	29,848
	445,735	100,986
Equipment leases (note 5)	–	32,930
Shareholders' equity:		
Common shares (note 6)	17,619,707	5,197,767
Preferred shares (notes 4 and 6)	50,000	50,000
Contributed surplus (note 6)	1,028,321	582,650
Warrants (note 6)	351,367	785,748
Deficit	(6,631,806)	(3,052,822)
	12,417,589	3,563,343
Nature of operations (note 1)		
Commitments (notes 4 and 8)		
Subsequent event (note 12)		
	$ 12,863,324	$ 3,697,259

See accompanying notes to the consolidated financial statements.

Signed on behalf of the Board:

Dr. William A. Cochrane
Chairman of the Board

Whitney O. Ward
Chairman of the Audit Committee

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Years ended April 30, 2005 and 2004

	2005	2004
Revenue:		
Interest and other income	$ 185,787	$ 24,137
Realized gain on sale of marketable securities	35,030	–
	220,817	24,137
Expenses:		
Research and development	1,724,198	522,347
Research and development cost recoveries (note 10)	(147,479)	(160,213)
General and administrative	1,610,014	841,556
Stock-based compensation	510,501	582,650
Depreciation and amortization	144,925	145,521
Foreign exchange gain	(42,358)	–
Unrealized loss on marketable securities	–	28,700
Gain on disposal of capital assets	–	(586)
	3,799,801	1,959,975
Net Loss	3,578,984	1,935,838
Deficit, beginning of year	3,052,822	1,116,984
Deficit, end of year	$ 6,631,806	$ 3,052,822
Net loss per common share – basic and diluted	$ 0.17	$ 0.12
Weighted average number of common shares	20,561,048	16,055,477

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended April 30, 2005 and 2004

	2005	2004
Cash provided by (used in):		
Operations:		
Net loss	$ (3,578,984)	$ (1,935,838)
Items not involving cash:		
Stock-based compensation	510,501	582,650
Depreciation and amortization	144,925	145,521
Gain on sale of marketable securities	(35,030)	–
Issue of preferred shares for acquisition of technology	–	50,000
Unrealized loss on marketable securities	–	28,700
Gain on disposal of capital assets	–	(586)
	(2,958,588)	(1,129,553)
Changes in non-cash working capital:		
Accounts receivable	(79,473)	2,675
Prepaid expenses	6,577	(24,969)
Accounts payable and accrued liabilities	282,010	(62,536)
	(2,749,474)	(1,214,383)
Financing:		
Issue of common shares for cash, net of issuance costs	10,422,173	3,516,177
Proceeds from exercise of options and warrants	1,500,556	–
Other receivables	–	45,072
Equipment leases	(29,848)	(3,979)
	11,892,881	3,557,270
Investing:		
Marketable securities, net	(760,212)	(2,912,071)
Property and equipment additions	(183,785)	(129,617)
Patent additions	(110,677)	–
Non-cash investing working capital	59,657	–
Scientific research and experimental development capital refund (note 3)	–	85,334
Proceeds on disposal of property and equipment	–	33,620
	(995,017)	(2,922,734)
Increase (decrease) in cash and cash equivalents	8,148,390	(579,847)
Cash and cash equivalents, beginning of year	276,447	856,294
Cash and cash equivalents, end of year	$ 8,424,837	$ 276,447

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2005 and 2004.

Resverlogix Corp. (the "Company") is a result of the acquisition of Resverlogix Inc. ("RI") on April 24, 2003 by Apsley Management Group Inc. ("Apsley"). The Company's primary business activity is the research and development of various drugs to reduce cholesterol and the treatment of cancer & fibrotic disease.

1 NATURE OF OPERATIONS

The Company is currently in the development stage and has no established commercial revenue and customer base.

The Company has the following projects under development:

(a) NEXVAS™:

The Company's lead technology NEXVAS is an ApoA1/high-density lipoprotein (HDL) enhancement program. ApoA1 is the key building block cardio protective protein of HDL (the good cholesterol). ApoA1/HDL enhancement technology focuses on the treatment of numerous cardiovascular diseases including the reversal of atherosclerotic plaque.

(b) TGF-ß Shield ™:

This technology is an approach to suppress the ability of cancers to avoid the immune system's cancer killing activity, and has been re-engineered to treat fibrotic diseases of the eye, liver, lung, heart and kidney. The initial technology was acquired in June 2003. In July 2004, the Company filed a patent application to protect the therapeutic applications of this technology.

Research and development expenditures on these projects are as follows:

	2005	2004	Cumulative since inception
NEXVAS	**$ 1,560,581**	$ 522,347	$ 2,210,581
TGF-ß Shield	**163,617**	50,000	313,617
	$ 1,724,198	$ 572,347	$ 2,524,198

As the Company has no established revenue base, it is reliant on equity financing for funding its projects under development. During 2005, the Company raised $11.9 million through private placements and the exercise of options and warrants, and at April 30, 2005, has $11.8 million of working capital including $12.1 million of cash and marketable securities. Management has concluded that it has sufficient working capital to fund its development and corporate operations beyond April 30, 2006.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(b) Capital assets:

Capital assets are recorded at cost and are depreciated on a straight-line or declining balance basis over their estimated useful lives as follows:

Assets	Method	Rate
Laboratory equipment	Declining balance	20%
Office furniture and equipment	Straight-line	5 years
Computer equipment	Straight-line	3 years
Computer software	Straight-line	3 years
Vehicles	Straight-line	5 years
Leasehold improvements	Straight-line	3 years

(c) Cash and cash equivalents:

The Company considers cash and short-term deposits with original maturities of three months or less as cash and cash equivalents.

(d) Marketable securities:

Marketable securities are liquid investments that are readily convertible to known amounts of cash and have original maturities greater than three months. They are carried on a portfolio basis at the lower of cost plus accrued interest and market value.

(e) Research and development costs and intellectual property:

Research costs are expensed in the period in which they are incurred. Development costs that meet the criteria specified by Canadian accounting standards are deferred and amortized over the life of the related project. Amounts expended on intellectual property that comprise in-process research and development is charged to operations. To date, no development costs have been deferred.

(f) Patents:

Costs incurred in obtaining patents, all legal expenses to file, revise and defend patents, and all regulatory body fees relating to the patents are capitalized. Patent costs are amortized on a straight-line basis over the estimated life of the respective patents, being 18 years. On an ongoing basis, management reviews the valuation, taking into consideration circumstances which might have impaired the value.

(g) Future income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under this method future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted Canadian tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date.

(h) Per share amounts:

Basic per share amounts are calculated by using the weighted average number of shares outstanding during the year. In calculating diluted per share amounts, the Company follows the treasury stock method to determine the dilutive effect of stock options and warrants. The dilutive effect is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the year. Only dilutive instruments, where market value exceeds the exercise price, impact the calculation.

(i) Stock-based compensation plan:

For options or similar instruments granted to employees and non-employees after April 30, 2003, an amount equal to the fair value of the instrument on the date of grant is recorded as a charge to operations over the vesting period. The fair value of options and similar instruments is estimated on the grant date 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 expense recognized in contributed surplus is recorded as an increase in common shares.

3 PROPERTY AND EQUIPMENT

2005	Cost	Accumulated depreciation and amortization	Net book value
Laboratory equipment	$ 643,039	$ 189,987	$ 453,052
Office furniture and equipment	39,052	16,048	23,004
Computer equipment	81,760	39,633	42,127
Computer software	16,243	9,818	6,425
Leasehold improvements	75,231	54,427	20,804
	$ 855,325	$ 309,913	$ 545,412

2004			
Laboratory equipment	$ 505,138	$ 108,572	$ 396,566
Office furniture and equipment	28,096	9,168	18,928
Computer equipment	56,851	17,760	39,091
Computer software	14,865	4,748	10,117
Leasehold improvements	66,590	30,934	35,656
	$ 671,540	$ 171,182	$ 500,358

In 2004, property and equipment was reduced by $85,334 for a refund received from the Government of Canada's Scientific Research and Experimental Development tax incentive program. Lab equipment was reduced by $74,223, leasehold improvements by $9,486 and computer equipment by $1,625.

Included in property and equipment are laboratory equipment, office equipment and computer equipment under capital lease. At April 30, 2005, the cost and accumulated depreciation and amortization of the assets under capital lease was $91,738 and $42,492, respectively (2004 – $91,738 and $22,946, respectively).

4 INTELLECTUAL PROPERTY AND PATENTS

April 30, 2005	Cost	Accumulated amortization	Net book value
Acquired property (NEXVAS)	$ 818	$ 45	$ 773
Patents	110,677	6,149	104,528
	$ 111,495	$ 6,194	$ 105,301

April 30, 2004			
Acquired property (NEXVAS)	$ 818	$ –	$ 818

In June 2003, Resverlogix completed an intellectual property acquisition of a Cancer Suppression Therapy from its co-discoverers, Drs. Norman Wong and Koichiro Mihara. The technology is in the area of cancer therapeutics and involves stimulating the immune system to halt or kill the growth of cancer cells. In consideration for acquisition of the intellectual property, the Company agreed to pay each of the vendors: A) $50,000; B) a five per cent royalty on cumulative future licensing revenues of $20,000,000 and a 10 per cent royalty on future licensing revenues in excess of $20,000,000, only for licensing revenues earned up to June 23, 2013 and only if a licensing agreement is signed by the Company with a third party by June 23, 2008; and C) 1,000,000 Series A first preferred shares convertible into common shares at a conversion rate of 1 share for each $8.00 in licensing revenues earned over $2,000,000, only for licensing revenues earned up to June 23, 2013 and only if a licensing agreement is signed with a third party by June 23, 2008. The conversion price is based on a common share price of $1.60 and is adjusted should the price of common shares exceed $2.00 per share at the time of conversion. If the price per common share exceeds $2.00, the number of common shares issued at the time of conversion is reduced by a ratio defined in the acquisition agreement. The cost of this acquisition has been included in research and development expenses.

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

5 EQUIPMENT LEASES

The equipment leases are repayable in monthly installments of $2,899, including interest at 10 per cent. The leases mature in April 2006 and are secured by the related leased equipment. Principal payments on the equipment leases are as follows:

2006	$ 32,930

Interest of $4,934 (2004 – $7,960) relating to the equipment leases has been included in general and administrative expenses.

6 SHARE CAPITAL

(a) 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.

(b) Issued and outstanding:

Common shares	Number of shares	Amount
Balance, April 30, 2003	14,882,280	$ 1,876,226
Issued for cash in private placements	1,546,955	1,911,656
Issued for cash in short-form offering document	1,818,180	1,999,998
Issued on exercise of stock options	135,000	33,750
Share issue costs		(623,863)
Balance, April 30, 2004	18,382,415	5,197,767
Issued for cash in private placements	3,854,666	11,404,198
Issued on exercise of warrants	936,533	1,410,136
Issued on exercise of stock options	69,000	90,420
Transfer from warrants on exercise of warrants		714,145
Transfer from contributed surplus on exercise of options		64,830
Share issue costs		(1,261,789)
Balance, April 30, 2005	**23,242,614**	**$17,619,707**

In September 2004, the Company issued 188,000 common shares at $2.15 per common share for gross proceeds of $404,200. In November 2004 and January 2005, the Company issued 3,666,666 common shares at $3.00 per common share for gross proceeds of $10,999,998. In conjunction with the offering, the Company issued the agent 256,664 common share purchase warrants exercisable at $3.00 per share until May 23, 2006.

Share issue costs in 2005 include $279,764 (2004 – $194,636) in costs related to the estimated fair value of warrants granted to the Company's agent. The fair value was estimated using the Black-Scholes option pricing model (note 6(d)).

Series A Preferred shares	Number of shares		Amount
Balance, April 30, 2004 and 2005	**2,000,000**	**$**	**50,000**

(c) Stock options:

The Company has a stock option program whereby the Company may grant options to its directors, officers, employees and consultants for up to 10 per cent of the issued and outstanding common shares. The majority of options issued in 2005 vested immediately and have a one to four-year term. The majority of options issued in 2004 vested immediately and had a two to five-year term.

	2005			2004		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Outstanding at beginning of year	**1,830,000**	**$**	**1.51**	1,340,000	$	1.46
Granted	**553,000**		**2.76**	625,000		1.35
Exercised	**(69,000)**		**1.31**	(135,000)		0.25
Outstanding at end of year	**2,314,000**	**$**	**1.82**	1,830,000	$	1.51
Weighted average remaining contractual life	**3.1 years**			3.9 years		

The following table summarized information about the options outstanding and exercisable at April 30, 2005.

Exercise Price	Number Outstanding	Weighted Average Remaining Life (years)	Number Exercisable
$1.16	28,000	3.3	28,000
$1.20	195,000	3.5	195,000
$1.25	60,000	.8	60,000
$1.50	273,000	2.8	273,000
$1.60	1,205,000	3.0	1,205,000
$2.25	473,000	3.4	324,000
$4.50	30,000	4.0	7,500
$6.50	50,000	4.0	12,500
$1.16 to $6.50	2,314,000	3.1	2,105,000

The weighted average fair value of the options granted during the year was $1.62 (2004 – $0.93) per option using the Black-Scholes option pricing model with the following weighted average assumptions:

	2005	2004
Risk free interest rate	**4%**	4%
Expected life	**1 to 4 years**	2 to 5 years
Expected volatility	**73%**	96%

(d) Warrants:

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

	Number of warrants	Amount	Weighted average exercise price
Outstanding, April 30, 2003	729,768	$ 591,112	$ 1.60
Granted in connection with short form offering document	181,818	103,636	1.10
Granted in connection with private placement	140,000	91,000	1.25
Outstanding, April 30, 2004	1,051,586	785,748	1.47
Granted in connection with private placement	256,664	279,764	3.00
Exercised during period	(936,533)	(714,145)	1.50
Outstanding, April 30, 2005	**371,717**	**$ 351,367**	**$ 2.43**

The following table summarizes information about the common share purchase warrants outstanding and exercisable at April 30, 2005.

Outstanding	Exercise price	Expiry
19,768	$ 1.10	January 23, 2006
98,918	$ 1.25	February 20, 2006
253,031	$ 3.00	May 23, 2006
371,717		

The estimated fair value of the warrants granted has been recorded as share issue costs. The weighted average fair value of the warrants granted during the year was $1.09 (2004 – $0.60) per warrant, using the Black-Scholes option pricing model with the following weighted average assumptions.

	2005	2004
Risk-free interest rate	**4%**	4%
Expected life	**1.5 years**	2 years
Expected volatility	**73%**	96%

(e) Contributed surplus:

The changes in contributed surplus balance are as follows:

	Amount
Balance, April 30, 2003	$ –
Fair value of options granted	582,650
Balance, April 30, 2004	582,650
Options exercised	(64,830)
Fair value of options granted	510,501
Balance, April 30, 2005	**$ 1,028,321**

(f) Per share amounts:

The loss per share has been calculated based on the weighted average shares outstanding during the year of 20,561,048 (2004 – 16,055,477). The effect upon the conversion of stock options and warrants is anti-dilutive.

7 INCOME TAXES

The provision for income taxes differs from the amount which would be obtained by applying the combined federal and provincial income tax rate to the respective period's loss. A reconciliation of the expected tax and the actual provision for income taxes is as follows:

	2005	2004
Expected tax recovery – 34% (2004 – 36%)	**$ 1,216,900**	$ 696,900
Stock-based compensation	**(173,600)**	(209,800)
Other	**–**	(49,000)
Increase in valuation allowance	**(1,043,300)**	(438,100)
	$ –	$ –

The components of the net future income asset are as follows:

	2005	2004
Non-capital losses	**$ 930,000**	$ 440,300
Scientific research and experimental development expenditures	**872,100**	297,000
Share issue costs	**563,000**	233,000
Other	**(1,700)**	32,100
Less: Valuation allowance	**(2,363,400)**	(1,002,400)
	$ –	$ –

The Company has non-capital losses of approximately $2.8 million (2004 – $1.3 million) available to reduce future years' taxable income expiring from time to time up to 2011. The Company also has $3.0 million of scientific research and experimental development tax pools available to reduce future years' taxable income.

8 COMMITMENTS

As at April 30, 2005, the Company was committed to operating lease payments for office and laboratory premises as follows:

2006	$	93,276
2007		93,276
2008		93,276
2009		51,410
2010		19,835

The Company has an outstanding letter of credit for $60,000 from a Canadian chartered bank. The letter of credit is secured by a short-term investment.

A special bonus is payable to directors, officers and employees conditional on the sale of the Nexvas technology on or before April 30, 2007. The special bonus is subject to final approval by the Board of Directors.

9 FINANCIAL INSTRUMENTS

The fair value of monetary assets and liabilities, except the Company's marketable securities, approximate their carrying values, due to the short-term nature of these instruments. The market value of the marketable securities at April 30, 2005 was approximately $3.7 million (2004 – $2.9 million).

10 GRANTS

In June 2004, the Company signed an Industrial Research Assistance Program (IRAP) Contribution Agreement with the National Research Council of Canada (NRC). The contribution agreement represents a total up to $180,000 in funding from NRC to the Company. The IRAP Contribution Agreement will fund further development on its proprietary NEXVAS assay screening process. In 2005, $147,479 was recovered, indicated as research & development cost recoveries. Of that amount, $68,006 was received in the year and $79,473 remains outstanding and is shown in accounts receivable.

11 PAYMENT TO RELATED PARTY

In 2005, the Company paid consulting fees of $30,000 (2004 – $22,500) to an entity controlled by a director of the Company. The transactions were recorded at the amounts agreed to by the related parties.

12 SUBSEQUENT EVENT

On June 16, 2005, the Company announced a Normal Course Issuer Bid allowing the Company to repurchase up to 250,000 common shares during the period of June 24, 2005 to June 23, 2006 at the market price at the time of the repurchase. All common shares repurchased by the Company will be cancelled. Pursuant to the Normal Course Issuer Bid, the Company has acquired 50,300 of its common shares.