



RESVERLOGIX CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FORM 51-102F1**

FOR THE YEAR ENDED APRIL 30, 2005

July 12, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended April 30, 2005

This management's discussion and analysis of operations and financial position should be read in conjunction with the Company's April 30, 2005 audited financial statements. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

OVERVIEW

Resverlogix Corp. is a Canadian biotechnology company engaged in the discovery and development of biopharmaceuticals. Combining expertise with innovation, Resverlogix's NEXVAS™ Program applies advanced medical research to develop therapies that increase high-density lipoprotein (HDL), the 'good cholesterol,' to treat cardiovascular diseases. The TGF-β Shield™ Program utilizes an adoptive immunotherapy approach to target cancers and fibrotic diseases. Resverlogix Corp. is committed to applying the qualities of innovation, integrity and sound business principles in developing novel therapies for the treatment of unmet human diseases.

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The Company is focused on the primary stages of drug development, leading up to Investigational New Drug (IND) application and early stage clinical studies. This strategy will avoid the significant costs and uncertainty of the final phases of the drug development process (late stage clinical trials) by either licensing or selling its technology. Hence, a major portion of the biotech investment risk should be eliminated.

Shares of Resverlogix trade on the TSX Exchange under the symbol, RVX.

HIGHLIGHTS

In June 2004, Resverlogix announced the signing of an Industrial Research Assistance Program (IRAP) Contribution Agreement with the National Research Council of Canada (NRC). The contribution agreement represents a total of up to \$180,000 in funding from NRC. The IRAP Contribution Agreement will fund further development by the Company on its novel proprietary ApoA1 assay screening process. This screening process has already been used to identify the Company's lead compounds.

In September 2004, the Company announced that it has filed a patent application covering a novel anti-fibrotic therapeutic technology. This patent filing is based on novel intellectual property that was discovered while advancing research on the Company's cancer program, known as TGF-β Shield. This new technology move into fibrotic diseases represents the third major therapeutic area in which the Company has established intellectual property.

In October 2004, the Company acquired the license right to a published patent which 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, should the Company choose to select a compound protected by the patent as a nutraceutical in a commercial context, the Company is required to make an additional one-time payment of US \$50,000. Should the Company choose to select a compound protected by the patent as a pharmaceutical compound and proceed into a regulatory approved Phase I clinical trial, then a one-time payment of US \$300,000 is required to be paid.

In November 2004, Resverlogix announced a preclinical research agreement with NAEJA Pharmaceutical Inc., a global leader in preclinical drug development. NAEJA is a well-recognized pharmaceutical contract research and development company with extensive expertise in cardiovascular diseases. NAEJA is providing important biopharmaceutical profiling and lead optimization and helping to expedite and validate our cardiovascular NEXVAS technology program.

On January 17, 2005, Resverlogix listed its common shares on the Toronto Stock Exchange. This graduation from TSX Venture Exchange to the TSX was an achievement of a business milestone that the Company had set to broaden its shareholder base. The share trading volume since being listed on the TSX has increased over 100 per cent as compared to the last three-month average just prior to being listed on the TSX. The TSX Venture Exchange invited Resverlogix to participate in its "Successful Ventures Event" campaign series given the Company's rapid and successful graduation.

In January 2005, the Company announced international research collaboration on preclinical animal model data with Cedars-Sinai Medical Center and atherosclerosis researcher, Dr. Prediman Shah. Dr. Shah is ranked among the top cardiovascular specialists in the U.S., and has made numerous important scientific contributions in the area of atherosclerosis, coronary artery disease and acute coronary syndromes. The collaboration agreement with Cedars-Sinai and Dr. Shah represents an important next step in the development, testing and optimization of our NEXVAS lead compounds.

During the year, the Company announced a Request For Proposal process with seven leading global life science organizations for an exclusive standstill agreement regarding its NEXVAS technology in cardiovascular disease (CVD). Resverlogix is focusing candidate selection on two specific groups, although it will not disqualify any candidate until the Company can conclude the formal agreements. The Company is encouraged with the scientific development and the potential that ApoA1/HDL-enhancing technologies like NEXVAS may reduce the burden of cardiovascular disease worldwide.

The Company's science has progressed very quickly from a drug discovery stage of biotechnology research to *proof-of-concept* and is now in the process of lead selection for future toxicology testing. The hiring of world-renowned experts and a dedicated staff has made a significant contribution to this rapid progression in meeting and exceeding corporate milestones.

FINANCING ACTIVITIES

In September 2004, the Company announced it had completed a non-brokered private placement financing for gross proceeds of \$404,200. The private placement consisted of the issuance of 188,000 shares at a price of \$2.15 per share. The financing was placed with a small number of individuals. A finder's fee of seven per cent was paid to a third party who was arm's length to Resverlogix and the purchasers. The filing of this small private placement followed the application by the Company to become a Quebec reporting issuer and the subsequent approval by Autorité Des Marchés Financiers as of September 8, 2004.

On November 23, 2004, the Company closed a \$7,918,899 brokered private placement. Resverlogix issued 2,639,633 common shares at \$3.00 per common share, which was the first tranche of an announced total financing of \$11 million. Resverlogix engaged First Associates Investments Inc. to act as its lead agent to conduct the offering, together with a syndicate including Haywood Securities Inc., Sprott Securities Inc. and Jennings Capital Inc. As consideration for acting as agents, they received a cash commission of \$554,323. At closing, the agents also received a non-transferable agent's option to acquire 184,774 common shares at an exercise price of \$3.00, expiring on May 23, 2006. Share issue costs included \$95,465 for legal fees, \$11,480 for agent's expenses and \$23,538 for regulatory fees. The value of the agent's option granted was recorded as a share issue cost of \$201,404 using the Black-Scholes option pricing model.

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As a continuation of the previously announced placement, on January 7, 2005, the Company closed a \$3,081,099 brokered private placement. Resverlogix issued 1,027,033 common shares at \$3.00 per common share. Resverlogix engaged First Associates Investments Inc. to act as its lead agent to conduct the offering, together with a syndicate including Haywood Securities Inc., Loewen Ondaatje McCutcheon Limited, Sprott Securities Inc. and Jennings Capital Inc. As consideration for acting as agents, they received a total cash commission of \$215,677. At closing, the agents also received a non-transferable agent's option to acquire 71,890 common shares at an exercise price of \$3.00, expiring on May 23, 2006. Share issue costs included \$36,764 for legal fees and \$16,777 for regulatory fees. The value of the agent's option granted was recorded as a share issue cost of \$78,360 using the Black-Scholes option pricing model.

In 2005, the Company received \$1,167,629 from the exercise of 729,768 warrants issued at \$1.60 per share. These warrants were granted to the agent in connection with the reverse take-over of Apsley Management Group facilitating the public listing of Resverlogix.

In 2005, the Company received \$178,255 from the exercise of 162,050 agent's options issued at \$1.10 per share to the agents in connection with the 2003 Short Form Offering Document. The Company also received \$51,353 from the exercise of 41,082 agent's options issued at \$1.25 per share and \$10,899 from the exercise of 3,633 agent's options issued at \$3.00 per share to the agents in connection with various brokered private placements.

In 2005, the Company received \$90,420 in total from the exercise of 69,000 options varying in price from \$1.16 to \$1.50.

As a 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 as of July 11, 2005.

SELECTED ANNUAL INFORMATION

Financial information for the last three years ended April 30.

	2005	2004	2003
Revenue	\$ 220,817	\$ 24,137	\$ –
Net (loss)	\$ (3,578,984)	\$ (1,935,838)	\$ (734,973)
Net (loss) per share (basic and fully diluted)	\$ (0.17)	\$ (0.12)	\$ (0.07)
Assets	\$ 12,863,324	\$ 3,697,259	\$ 1,550,785
Long-term liabilities	\$ –	\$ 32,930	\$ 46,200

RESULTS OF OPERATIONS

Resverlogix incurred a net loss for the year ended April 30, 2005 of \$3,578,984, or \$0.17 per share. This loss included non-cash expenses of \$510,501 relating to the granting of stock options to employees and third parties. The net loss for the year ended April 30, 2004 was \$1,935,838 or \$0.12 per share. The planned increase in expenditures is a result of continued acceleration of the scientific and business progression of the Company. As a result, all Research and Development (R&D) and general and administrative expenses have increased in the current year. With the recently completed financing, the Company expects to have sufficient working capital to operate up to several years with the assumption of no revenues.

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Revenue

The revenue of the Company consisted of interest earned on funds invested, gain on the sale of marketable securities, and earned revenue for compound testing for Cargill, Incorporated. Interest revenue was \$172,933 for the year ended April 30, 2005, as compared to \$24,137 for the year ended April 30, 2004. Some marketable securities were sold in 2005 at a net gain of \$35,030 and \$12,854 was earned for compound testing.

Research and Development

For the year ended April 30, 2005, R&D expenditures totaled \$1,724,198 with a recovery of \$147,479 for government grants through the NRC's IRAP program. For the year ended April 30, 2004, research and development expenditures totaled \$522,347, with a recovery of \$160,213 from the Government of Canada's Scientific Research and Experimental Development investment tax credit incentive program. These amounts include laboratory rent, salaries and benefits, consulting fees, pharmacology studies, supplies and general laboratory operating expenses. Expenses have increased steadily as additional staff members have been hired and the quantity and scope of experimentation has increased over the last year. New costs are now being incurred for preparation of its novel compounds through chemical synthesis, *in-vitro* and *in-vivo* studies and toxicology testing in preparation for Investigational New Drug application in the near future. The major expenses for the year were pharmacology studies, salaries and

benefits, consulting, and laboratory supplies. The remaining expenditures were for general operating costs of the laboratory. The Company expects future R&D costs to increase in the next year as there will be a further increase in quantity and scope of experimentation.

General and Administrative

For the year ended April 30, 2005, general and administrative expenditures totaled \$1,610,014, compared to \$841,556 for the year ended April 30, 2004. General and administrative expenses include salaries and other operating costs not directly involved in research and development, as well as professional fees for services, such as legal, audit, tax, investor relations and business development. The major expense for the year was salaries, benefits and recruitment costs of \$730,369. In addition, \$52,931 was paid in consulting fees during the year. Expenses of \$135,868 were incurred for graduating to the Toronto Stock Exchange from the Venture Exchange. The Company also incurred \$212,332 for investor relations and other costs, and \$181,573 for professional fees. The remaining expenditures were general operating costs.

Stock-Based Compensation

The fair value of options granted to employees and consultants during the year ended April 30, 2005 was \$510,501, compared to \$582,650 for the year ended April 30, 2004. Actual cash expense associated with issuing employee stock options was \$nil. The Company has adopted the fair value method of accounting for employee awards granted under its stock option plan as required by Canadian accounting standards.

SUMMARY OF QUARTERLY RESULTS

Quarterly financial information for the last two years ended April 30.

	For the three-month period ended			
	April 30 2005	Jan. 31 2005	Oct. 31 2004	July 31 2004
Revenue	\$ 113,802	\$ 61,591	\$ 32,329	\$ 13,095
Net (loss)	\$ (1,197,622)	\$ (1,138,161)	\$ (657,488)	\$ (585,713)
Net (loss) per share (basic and fully diluted)	\$ (0.05)	\$ (0.05)	\$ (0.04)	\$ (0.03)

	For the three-month period ended			
	April 30 2004	Jan. 31 2004	Oct. 31 2003	July 31 2003
Revenue	\$ 15,323	\$ 5,629	\$ 1,725	\$ 1,460
Net (loss)	\$ (1,033,430)	\$ (308,632)	\$ (193,074)	\$ (400,702)
Net (loss) per share (basic and fully diluted)	\$ (0.06)	\$ (0.02)	\$ (0.01)	\$ (0.03)

The increase in the quarterly losses is a result of the progression of the R&D activity of the Company. Also, in the fourth quarter of the 03/04 fiscal year (quarter ending April 30, 2004), a stock-based compensation expense of \$578,286 was recorded as the Company chose to early adopt the fair value method of accounting for options granted under its Stock Option Plan. The amortization of stock-based compensation is a non-cash expense.

LIQUIDITY

As at April 30, 2005, cash and near cash investments totaled \$12,103,450 as compared to \$3,159,818 at April 30, 2004. The Company's policy is to invest its cash reserves in low risk investments with a maturity of three months to two years at the time of purchase. The fixed income instrument maturity dates are usually matched to expected cash flow requirements. At April 30, 2005, the Company had working capital of \$11,766,876 compared to \$3,095,097 at April 30, 2004. Given the overall low cash burn rate, the Company believes that it has sufficient cash reserves to operate for several years with the assumption of no revenues.

CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations as at April 30, 2005:

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

CRITICAL ACCOUNTING ESTIMATES

In preparing the Company's financial statements, management is required to make certain estimates, judgments and assumptions that the Company believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets at the date of the financial statements and the reported amounts of expenses during the periods presented. Significant accounting policies and methods used in preparation of the financial statements are described in note 2 to the Consolidated Financial Statements. Critical accounting estimates include the fair value of options and common share purchase warrants, and the testing for recoverability of intellectual property and patents.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock-based payments, which requires assumptions, including the average expected life and volatility of the Company's stock, to be made at the time of grant.

Management periodically reviews the useful lives and the carrying values of the intellectual property and patents. They are reviewed for impairment whenever events or changes in circumstances indicate the carrying amounts of the assets may not be recoverable.

NEW ACCOUNTING POLICY

Effective May 1, 2004, 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 upon issuance on a straight-line basis over the remaining legal life of the respective patents. The Company uses an 18 year amortization period. On an ongoing basis, management reviews the valuation, taking into consideration any circumstances which might have impaired the recoverable value.

OFF-BALANCE SHEET ARRANGEMENTS

As of April 30, 2005, the Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

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.

DISCLOSURE OF OUTSTANDING SHARE DATA (As at April 30, 2005)

Authorized and Issued Share Capital.

Class	Par Value	Authorized	Issued
Common	No par value	Unlimited	23,242,614
Preferred	No par value	Unlimited	2,000,000 (Series A)

Description of Options, Warrants and Convertible securities outstanding.

Security Type	Number	Exercise Price	Expiry Date
Options	1,205,000	\$1.60	4/25/08
Options	28,000	\$1.16	7/15/08
Options	195,000	\$1.20	9/5/08
Options	60,000	\$1.25	2/9/06
Options	273,000	\$1.50	3/15/08
Options	70,000	\$2.25	9/28/08
Options	128,000	\$2.25	8/31/07
Options	275,000	\$2.25	9/28/08
Options	30,000	\$4.50	2/16/09
Options	50,000	\$6.50	4/8/09
Agent's Options	19,768	\$1.10	1/23/06
Agent's Options	98,918	\$1.25	2/20/06
Agent's Options	253,031	\$3.00	5/23/06
Total	2,685,717	\$1.10 to \$6.50	

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RISKS AND UNCERTAINTIES

Resverlogix is at an early stage of development and has incurred losses to date. Developing new technologies will require further time and costs for research and development. It may be a number of years before the technology begins to generate revenues. There is no assurance that any of the Company's developments will be successful.

The success of Resverlogix is dependent on its ability to obtain patents and the proposed technology meeting acceptable cost and performance criteria in the marketplace. The Company will be dependent on ongoing marketing efforts in licensing of its technology.

ADDITIONAL INFORMATION

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