



RESVERLOGIX CORP.

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

FOR THE YEAR ENDED APRIL 30, 2007

JUNE 27, 2007

This management's discussion and analysis of operations and financial position should be read in conjunction with the Company's April 30, 2007 audited financial statements. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Information which is included herein contains estimates and assumptions which management is required to make concerning future events, and may constitute forward-looking statements under applicable securities laws. Statements contained herein that are not based on historical fact, including without limitation statements containing the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "continue", "estimate", "forecasts" and other similar expressions, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties that could cause actual results, events or developments to be materially different from those expressed or implied by such forward-looking statements. These risks include, but are not limited to those associated with the success of research and development programs, the regulatory approval process, competition, securing and maintaining corporate alliances, market acceptance of the Company's products, the availability of government and insurance reimbursements for the Company's products, the strength of intellectual property, financing capability, the potential dilutive effects of any financing, reliance on subcontractors and key personnel.

Although such expectations are viewed as reasonable by the Company, no assurance can be given that such expectations will be realized. Given these risks and uncertainties, readers are cautioned not to place any undue reliance on such forward-looking statements. The forward-looking statements are made as of the date hereof, and the Company disclaims any intention and has no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

Resverlogix Corp. is a Canadian biotechnology company engaged in the discovery and development of biopharmaceuticals. Resverlogix is committed to applying the qualities of innovation, integrity and sound business principles in developing novel therapies for the treatment of unmet human diseases. The Company's primary focus is to become a leader in the research, development of novel, first in-class therapeutics that reduces the risk of cardiovascular disease (CVD). The Company's secondary research focus is on fibrotic disorders and cancer.

The Company has developed three separate programs in the CVD area of research. The primary CVD program is NexVas™ Plaque Reduction (NexVas™ PR) which targets ApoA-I enhancement via novel small molecules for plaque stabilization and regression. ApoA-I is the key building block of HDL, the "good cholesterol". NexVas™ Vascular Inflammation (NexVas™ VI), the Company's second CVD program, is a research stage technology focused on molecular targets of vascular inflammation. The development of anti-inflammatory agents is poised to play a potentially significant role in the prevention of cardiovascular risk. ReVas™ is the Company's third cardiovascular program dedicated to the research and development of therapeutic compounds to be used with medical devices and biomaterials for the local non-systemic treatment of CVD, in particular restenosis.

The Company has initiated during the year a new discovery program in the area of cognitive disorders from its current NexVas technology platform. NexVas™ Alzheimer's Disease (NexVas AD) is a discovery stage technology for the development of drugs that enhance ApoA-I for stabilization and regression of Beta Amyloid Plaque. Epidemiological and mechanistic evidence indicate a link between low ApoA-I/HDL and neurodegenerative disease such as Alzheimer's Disease.

TGF-β Shield™ is a dual focused program that aims to address the unmet medical need of grievous proliferate diseases, such as cancer and fibrosis, with a TGF-β inhibitor. The Company is focused on the development of a therapeutic approach to modulate the deleterious effects of TGF-β in cancers and fibrotic diseases, such as ophthalmic conditions of the eye.

The Company is focused on the primary stages of drug development, leading to Investigational New Drug (IND) application early stage clinical studies and partnering with a leading life science organization to sell or license the technology. This strategy will avoid the significant investment and resources required for later stage clinical development and represents a logical and prudent business strategy.

Intellectual Property

The Company devotes significant resources to ensure protection of ideas and inventions related to core areas of business. The Company has rights to an intellectual property portfolio that covers several compositions, methods and treatments for cardiovascular and inflammatory disease, cancers and fibrotic indications.

As of June 27, 2007, Resverlogix owns and/or has rights to six patent families, comprising one issued US patent and twenty-five pending applications. This includes non-provisional US and Patent Cooperation Treaty (PCT) applications. The twenty-five pending patent applications are interrelated and assert rights to substantially similar inventions in different jurisdictions.

The Company's intellectual property strategy is to build a strong patent portfolio around the core technology that is important to the development of leading edge medicines. The Company's offensive and defensive strategies are to be the first to identify, isolate, and patent therapeutic agents with commercial importance, to seek out and license intellectual property believed to be useful in connection with potential products, and to control public disclosures.

The Company also believes that its know-how will provide a significant competitive advantage, and intends to continue to develop and protect its proprietary tools, methods and trade secrets. It is our policy to require employees, consultants, members of our Scientific and Clinical Advisory Board and other third parties in collaborative agreements to execute confidentiality agreements. Employee, consultant and contract research organization agreements specify that all inventions resulting from work performed utilizing the Company's property, business strategies, and work completed during employment/services performed are the Company's exclusive property to the extent permitted by law.

Trademarks

"NexVas", "ReVas", and "TGF- β Shield" are trademarks of Resverlogix Corp. in Canada and the United States."

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

HIGHLIGHTS AND CURRENT DEVELOPMENTS

The Company is encouraged by the scientific development of NexVas™ CVD program. 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 moving towards the filing of its Investigational New Drug (IND) application for its NexVas PR technology. The hiring of world renowned experts and a dedicated staff has made a significant contribution to this rapid progression in furthering the development of the Company's CVD research programs.

Scientific Developments

In August 2006, the Company announced that it has expanded its cardiovascular disease research efforts into vascular inflammation. Preliminary findings have demonstrated that certain NexVas™ compounds have inhibitory effects on a number of inflammation markers, comparable to and better than positive controls. Resverlogix believes that this research expansion will continue to position the Company as a leader in CVD research while presenting multiple commercial opportunities.

In September 2006, Resverlogix announced that it chose its first lead molecule RVX-208 for first administration in man studies. The pharmacokinetic results of the molecules in humans will guide and accelerate the further clinical development as to pharmacological doses needed to significantly raise ApoA-I, the cardioprotective protein in HDL cholesterol. Administration of low doses, so called microdosing, is a technique which can improve predictability, efficiency and expedience of subsequent human trials. The Company planned to commence microdosing trials early in 2007 but is awaiting United Kingdom regulatory approval. Given the rapid progression of toxicology data for RVX-208, the completion of a microdosing trial at this time may not provide additional value.

The Company also announced that its lead candidate, RVX-208, illustrated the ability to raise ApoA-I in animals up to 180 percent over controls. It is estimated that a larger than 8 percent permanent ApoA-I increase in humans would have a significant impact on atherosclerosis and cardiovascular disease. RVX-208 possesses significant higher potency relative to earlier compounds in the drug discovery program.

In November 2006, the Company announced that its clinical candidate, RVX-208, illustrated rapid increase plasma levels of ApoA-I up to 150% relative to control animals in the first 24 hours. The significance of this early result indicates the potential for rapid and sustained increase of ApoA-I. These initial findings are believed to potentially benefit patients suffering from acute cardiovascular complications, such as acute coronary syndrome and post myocardial infarction. This data in combination with the increase of ApoA-I up to 180% in transgenic animal models following 7 days of treatment

demonstrates that RVX-208 rapidly increases the production of ApoA-I and that the large elevations of ApoA-I are sustained over time.

In March 2007, the Company announced the initiation of a research program dedicated to ApoA-I production and its therapeutic potential for disorders that effect cognitive function such as Alzheimer's Disease (AD). A growing body of epidemiological evidence indicates a link between low ApoA-I/HDL and increased neurodegenerative diseases such as Alzheimer's. Resverlogix has potent molecules in raising plasma ApoA-I/HDL by increasing endogenous ApoA-I production. These important scientific findings coupled with growing epidemiological evidence support a clear path for clinical development of NexVas AD.

The Company also reported favorable results from 28-day toxicology studies conducted on its lead drug compound RVX-208. The pharmacology data collected during a three week study in mice indicate that the efficacy progressively increased with the duration of treatment, thus making the molecule attractive for chronic therapy. The 28-day toxicity studies conducted in rats and monkeys indicate that high doses of RVX-208 are safe and well tolerated on repeated oral administration. These combined findings confirm the positioning of RVX-208 as a novel therapeutic agent designed to positively regulate levels of Apolipoprotein A-1 (ApoA-I) and HDL, along with a significant margin of safety. With the completion of this critical component of the drug development program for RVX-208, the focus will shift toward completion of an Investigational New Drug (IND) application and the initiation of the Phase 1 clinical program.

In April 2007, the Company announced pivotal proof-of-concept data in non-human primates for the NexVas PR program. Interim results from a long term study in adult African Green monkeys demonstrate that oral administration once daily of RVX-208 for 28 days increased the levels of serum ApoA-I and HDL cholesterol. Serum ApoA-I increased by 52% and HDL cholesterol increased by 95% with RVX-208 treatment. Data collected at day 42 demonstrated a sustained treatment effect. There were no changes in other lipid profiles including LDL cholesterol. This data establishes proof-of-principle for the efficacy of RVX-208, and coupled with the toxicology data represents a significant achievement.

The following scientific developments were announced subsequent to the Company's fiscal year ended April 30, 2007:

In May 2007, the Company announced the demonstration of a successful method and route of delivery for a potential therapeutic to select cells in the back of the eye. These findings were researched through the UCL Institute of Ophthalmology, University College London, and will be used for testing and development of the Company's TGF- β shield technology. Resverlogix is focused on the development of a therapeutic approach to modulate the deleterious effects of transforming growth factor- β in glaucomatous eyes, as well as in other fibrotic and ophthalmic conditions.

In June 2007, the Company announced a research collaboration with Dr. Larry Sparks and Sun Health Research Institute, Sun City Arizona, for its NexVas AD program. Dr. Sparks was the first to discover the neuropathologic link between cholesterol and Alzheimer's disease. In a three-year study at the Institute's Cleo Roberts Center for Clinical Research it was confirmed in nationwide clinical trials that elevated cholesterol levels might predict which aging seniors are more at risk of developing Alzheimer's

disease. In a separate study directed by Dr. Sparks, it was demonstrated that Lipitor®, a cholesterol-lowering medication, slows the progression and reduces the deterioration of Alzheimer's disease. Sun Health Research Institute (SHRI) has been a leader nationally and internationally in the effort to find answers to disorders related to aging including Alzheimer's disease, Parkinson's disease, arthritis and prostate cancer. The Institute, founded in 1986, together with its Arizona consortium partners, has been designated by the National Institutes of Health as one of just 29 Alzheimer's Disease Centers in the nation.

Clinical Review Committee

In November 2006, Resverlogix conducted its first clinical advisory meeting in Chicago prior to the American Heart Association's scientific meeting. Based on a thorough review of the science with leading experts such as Dr. Bo Angelin, professor of clinical metabolism at Karolinska Institute, Sweden, the expert panel recommended that the Company constitute a clinical review committee for its ApoA-I enhancing lead program.

Based on the recommendation of the expert panel, Resverlogix named Dr. Philip Barter, Dr. Prediman K. Shah, Dr. Daniel Rader, Dr. Bo Angelin and Dr. Jacques Genest, all internationally renowned cardiovascular researchers, to its newly formed Clinical Advisory Board (CAB). Dr. Barter is currently director of the Heart Research Institute, in Sydney, Australia, and is also a professor of medicine at the University of Sydney. Dr. Shah is a director of the division of cardiology and the atherosclerosis research centre at Cedars-Sinai Medical Center, and is also a professor of medicine at the David Geffen School of Medicine at the University of California, Los Angeles. The support and guidance that will be received from these members of our clinical review committee will accelerate the NexVas plaque regression program. Dr. Rader is an associate professor of medicine and pathology at the University of Pennsylvania School of Medicine in Philadelphia, Pennsylvania. He is director of preventive cardiology and the lipid clinic and associate director of the General Clinical Research Center. Dr. Rader is a member of the American Society of Clinical Investigation and serves on the executive committee of the arteriosclerosis thrombosis and vascular biology council of the American Heart Association and the scientific board of the Sarnoff Foundation. Dr. Bo Angelin is Professor of Clinical Metabolism at Karolinska Institutet and Head of the Center for Metabolism & Endocrinology and Director of Research & Development at Huddinge University Hospital. In addition to these appointments Dr. Angelin is currently serving as a member of the Nobel Assembly of Karolinska Institutet and the Nobel Committee for Physiology or Medicine. Dr. Genest is currently Professor, Faculty of Medicine, at McGill University and director of the division of cardiology at McGill University Health Centre/Royal Victoria Hospital. He is also a member of a number of associations including the Canadian Medical Association, American College of Physicians, Royal College of Physicians and Surgeons of Canada, American College of Cardiology and the American Heart Association.

The Company is very pleased to have these leading experts join the CAB and look forward to their active involvement in the development of the NexVas program.

Board of Directors

In May 2007, Resverlogix appointed Dr. Roger Newton, PhD, to the Board of Directors, to be effective July 10, 2007. Dr. Newton has worked 25 years in the pharmaceutical

and life sciences industries, and is currently senior vice-president of Pfizer Global Research and Development, and director at Esperion Therapeutics Inc., a Pfizer Inc. company. He was formerly co-founder, president and chief executive officer of Esperion Therapeutics. His exceptional track record will clearly add a very positive level of proven expertise in drug development, corporate finance and operational management to the board.

Medtronic Licensing Agreement

In July 2006, Resverlogix signed a licensing agreement with Medtronic, Inc., a major medical technology devices company. The agreement would give Medtronic exclusive, worldwide rights to develop and commercialize its ReVas™ technology. After successful completion of a technology development program and a joint decision to initiate product development, Medtronic would make an initial cash payment to Resverlogix, and additional payments upon successful completion of certain predefined milestones. The Company would then be eligible to receive royalties on sales of any ReVas™ therapeutic component of novel drug-device combinations that result from this license agreement. While there is no assurance of any milestone or royalty payments, assuming the development of a successful commercial product with regulatory approval and market acceptance, Resverlogix would be eligible to receive up to a maximum of US\$291,000,000 in combined payments.

Issuance of Convertible Debentures

In January 2007, the Company sold and issued to certain institutional investors \$17.0 million (U.S.) of senior secured convertible debentures due January 4, 2010. The debentures are convertible any time at the option of the holders at a conversion price of \$12.07 (\$10.40 U.S.) per share, subject to certain adjustments further described in notes to the April 30, 2007 financial statements. The debentures initially have an eight percent interest rate payable semi-annually and are subject to increases in the rate pursuant to certain conditions where trading ranges of Company's share price closes below the conversion price used to value the conversion rights. In circumstances where the Company's share price trades below the conversion price then in effect for a pre-determined period of time and the holders convert their debentures, the Company is obligated to pay interest at the then applicable rate on the converted amount through the maturity date at the time of conversion. Oppenheimer & Co. Inc. acted as placement agent and Caris & Co. acted as co-agent for the offering. Also issued were 408,647 accompanying warrants at an exercise price of \$15.09 (\$13.00 U.S.) per share, subject to certain adjustments. Unless permitted under Canadian securities legislation, the holders of the debentures, warrants and common shares will not be able to trade the debentures, warrants or common shares until May 5, 2007.

As of June 27, 2007, the holders have converted 412,661 of the underlying common shares leaving approximately 1.2 million underlying common shares unconverted. The Company has paid interest in the form of 8,289 common shares and \$12,314 U.S. in cash in accordance with the interest calculations defined in the convertible debentures.

The following financial developments were announced subsequent to the Company's fiscal year ended April 30, 2007:

In June 2007, the Company sold and issued to certain institutional investors \$25.0 million (U.S.) of senior secured convertible debentures due June 6, 2012. The debentures are convertible any time at the option of the holders at a conversion price of \$17.50 per share, subject to certain adjustments further described in notes to the April 30, 2007 financial statements. The debentures initially have an eight percent interest rate payable semi-annually and are subject to increases in the rate pursuant to certain conditions where trading ranges of Company's share price closes below the conversion price used to value the conversion rights. In circumstances where the Company's share price trades below the conversion price then in effect for a pre-determined period of time and the holders convert their debentures, the Company is obligated to pay interest at the then applicable rate on the converted amount through the maturity date at the time of conversion. Oppenheimer & Co. Inc. acted as placement agent for the offering. Also issued were 529,350 accompanying warrants at an exercise price of \$20.63 per share, subject to certain adjustments. Unless permitted under Canadian securities legislation, the holders of the debentures, warrants and common shares will not be able to trade the debentures, warrants or common shares until October 8, 2007.

Retention of Financial Advisor

In January 2007, the Company retained UBS Securities to act as the financial advisor to assist the board of directors and management in its evaluation of strategic alternatives for the Company. Their role is to evaluate alternatives with the NexVas plaque regression franchise and secure a strategic agreement regarding the technologies. Resverlogix has not yet set a definitive timetable for completion of its evaluation and there are no assurances that the evaluation process will result in any specific transaction that will be acceptable to the Company.

SELECTED ANNUAL INFORMATION

Financial information for the last three years ended April

	2007	2006	2005
Revenue	\$321,179	\$272,266	\$220,817
Net (loss)	(\$18,330,001)	(\$7,133,679)	(\$3,578,984)
Net (loss) per share (basic and fully diluted)	(\$0.76)	(\$0.30)	(\$0.17)
Assets	\$16,611,861	\$9,007,554	\$12,863,324
Long-term liabilities	\$14,694,289	\$0	\$0

RESULTS OF OPERATIONS

Resverlogix incurred a net loss for the year ended April 30, 2007 of \$18,330,001, or \$0.76 per share compared to a net loss of \$7,133,679 or \$0.30 per share for the year ended April 30, 2006.

The average monthly "burn rate", of net revenues and expenditures excluding non-cash items, for the year ended April 30, 2007 was \$1,091,000 as compared to \$412,000 for the same period in the prior year. The increase is primarily related to planned expenditures to accelerate the development of scientific programs, increased IND enabling studies with the Company's lead molecule, RVX-208 and expanded costs related to market awareness activities. For the year ended April 30, 2007, \$4,425,135 was recorded as the cost of stock based compensation as per the CICA guidelines as compared to \$1,912,953 for the same period of the prior year. The non-cash stock based compensation expense accounted for \$0.18 per share of the total loss per share for the year ended April 30, 2007.

Revenue

The revenue of the Company consisted primarily of interest earned on funds invested. Interest revenue was \$320,665 for the year ended April 30, 2007, as compared to \$272,266 for the year ended April 30, 2006. A short term investment was sold in 2007 for a net gain of \$514.

Research and Development

For the year ended April 30, 2007, research and development expenditures totaled \$10,598,795. For the year ended April 30, 2006, research and development expenditures totaled \$3,392,850 with a recovery of \$5,203 for government grants through the National Research Council's IRAP program.

Key expense items relate to lead optimization of the Company's novel compounds using prominent contract research organizations and renowned research experts. These expenses include chemical synthesis, pharmacokinetics studies and toxicology testing in preparation for an IND application planned in the latter part of 2007. Although expenditures in this area have increased significantly, it is not unusual given the fast progression of the research and the stage of development. The Company continues to closely monitor results for optimization while processes are in place to generate efficiencies in output per contracted employee. Internal expenses include salaries and benefits for R&D staff, consulting fees, 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. The Company expects future research & development costs to increase in the next fiscal year when third-party IND and Phase I human clinical costs will be incurred.

General and Administrative

For the year ended April 30, 2007, general and administrative expenditures totaled \$2,318,244, compared to \$1,829,821 for the year ended April 30, 2006.

General and administrative expenses includes 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 component of the expenses for the year ended April 30, 2007 was salaries, benefits, consulting fees and recruitment costs for \$1,073,560 as compared to \$937,099 for the year ended April 30, 2006. The Company also incurred \$282,789 for shareholder and investor relations expenses, and \$356,712 for professional fees. The remaining expenditures were related to general operating costs. Increased expenditures compared to the prior year were primarily to expansion of information technology costs and additional office space to build on the additional growth in the Company.

Stock Based Compensation

The fair value of options granted to employees and consultants during the year ended April 30, 2007 was \$4,425,135, compared to \$1,912,953 for the year ended April 30, 2006. Actual cash expense associated with issuing employee stock options was nil. The large increase was due to the significant stock appreciation in the market during the year which had a negative impact on options re-valued from strike prices issued and set in prior periods to key optionees that are deemed consultants in accordance with accounting standards. Company has adopted the fair value method of accounting for employee awards granted under its stock option plan as required by Canadian accounting standards. The recognition and amortization of stock based compensation is a non-cash expense.

Interest and Accretion on Convertible Debt

As result of issuing convertible debenture in January 2007, the Company has accrued interest at the stated coupon rate of 8% in the amount of \$502,028 to April 30, 2007. The accretion of interest resulting from using the effective interest rate method on the carrying value of the convertible debt was \$407,640 to April 30, 2007. The accretion is reflected as non-cash interest expense in the statement of operations and deficit.

RESULTS OF OPERATIONS – 4th QUARTER 2007

Resverlogix incurred a net loss for the three months ended April 30, 2007 of \$8,594,122, or \$0.36 per share compared to a net loss of \$2,183,169 or \$0.09 per share for the three months ended April 30, 2006. The average monthly “burn rate”, of net revenues and expenditures excluding non-cash items, for the three months ended April 30, 2007 was \$1,595,000 as compared to \$397,000 for the same period in the prior year.

For the quarter ended April 30, 2007, interest revenue was \$182,617, compared to \$62,533 in the same quarter last year. Additional financing was obtained in the third quarter of the 2007 fiscal year.

Research and development expenditures were \$4,190,854 for the quarter ended April 30, 2007, compared to \$771,942 in the same quarter last year. The Company has significantly accelerated the development of scientific programs.

For the quarter ended April 30, 2007, general and administrative expenditures totaled \$777,567, compared to \$480,649 for the quarter ended April 30, 2006. Expenses have

increased as additional staff members have been hired, requiring additional office space and increased operating costs. The audit required for the design of internal controls over financial reporting occurred in the quarter. Salaries, benefits, consulting fees, and recruitment costs increased to \$401,766 for the quarter, from \$277,810 in the same quarter last year. Professional fees increased to \$154,201 for the quarter, compared to \$48,832 in the same quarter last year. Shareholder and investor relations expenses remained constant at \$65,739 for the quarter, compared to \$47,094 in the same quarter last year. The remaining expenditures relate to general operating costs.

Stock based compensation expense was \$3,093,939 for the quarter ended April 30, 2007, compared to \$920,902 for the same period in the prior year. As described in the annual Results of Operations, an adjustment was made during the three months ended April 30, 2007 to revalue stock based compensation for options issued in prior periods to key optionees that are deemed consultants in accordance with accounting standards. The significant appreciation of the Company's trading value from the time of issuance of the options resulted in the large increase in the valuation of stock based compensation. Actual cash expense associated with issuing employee stock options was nil.

SUMMARY OF QUARTERLY RESULTS

Quarterly financial information for the last two years ended April

	For the three-month period ended			
	April 30 2007	Jan. 31 2007	Oct. 31 2006	July 31 2006
Revenue	\$182,617	\$49,714	\$31,367	\$57,481
Net (loss)	(\$8,594,122)	(\$4,574,578)	(\$3,164,869)	(\$1,996,432)
Net (loss) per share (basic and fully diluted)	(\$0.36)	(\$0.19)	(\$0.13)	(\$0.08)

	For the three-month period ended			
	April 30 2006	Jan. 31 2006	Oct. 31 2005	July 31 2005
Revenue	\$62,533	\$69,609	\$67,074	\$73,050
Net (loss)	(\$2,183,169)	(\$1,484,679)	(\$2,093,320)	(\$1,372,511)
Net (loss) per share (basic and fully diluted)	(\$0.09)	(\$0.06)	(\$0.09)	(\$0.06)

The primary factors and trends that have caused variations in our quarterly results is the progression of the research and development activity of the Company and the timing and re-valuation of recording stock-based compensation expenses. Increased research and development activities have been directed primarily towards the CVD programs in particular the NexVas program and the newly established ReVas program. Stock based compensation costs have fluctuated from quarter to quarter primarily tied to the re-

valuation of stock based compensation for key consultants in accordance with accounting standards as well as when options are issued and how they are accounted for and valued in those periods. The amortization of stock-based compensation is a non-cash expense.

LIQUIDITY

As at April 30, 2007, cash and near cash investments totaled \$12,726,947 as compared to \$7,695,629 at April 30, 2006. The Company's policy is to invest its cash reserves in low risk investments with a maturity of less than one year at the time of purchase. The fixed income instrument maturity dates are usually matched to expected cash flow requirements. At April 30, 2007, the Company had working capital of \$10,529,977 compared to \$7,294,539 at April 30, 2006. Given the overall cash burn rate and the recent completion of the \$25 million U.S. of financing subsequent to year end, the Company believes that it has sufficient cash reserves to operate for the next year with the assumption of no revenues.

FINANCING ACTIVITIES

In August 2006, the Company announced a second Normal Course Issuer Bid allowing the Company to repurchase up to 150,000 common shares during the period of August 14, 2006 to August 13, 2007 at the market price at the time of repurchase. This followed a previously issued Normal Course Issuer bid that expired on June 23, 2006. Pursuant to the second Normal Course Issuer Bid, the Company has acquired 82,200 of its common shares at an average price of \$5.91 per share. During the three months ended April 30, 2007, no common shares were acquired. The total cost of this program including commissions for the year ended April 30, 2007 was \$490,796. During the year ended April 30, 2007, the Company acquired a total of 127,500 of its common shares combined with the initial Normal Course Issuer Bid that expired in June of 2006 and the current Normal Course Issuer Bid. These shares were repurchased at an average price of \$6.01 for a total cost of \$775,006 including commissions. All common shares repurchased by the Company were cancelled.

In January 2007, the Company sold and issued \$17.0 million (U.S.) of senior secured convertible debentures due January 4, 2010. The debentures are convertible any time at the option of the holders at a conversion price of \$12.07 (\$10.40 U.S.) per share, subject to certain adjustments. The debentures initially have an eight percent interest rate payable semi-annually. Also issued were 408,647 accompanying warrants at an exercise price of \$15.09 (\$13.00 U.S.) per share, subject to certain adjustments. Unless permitted under Canadian securities legislation, the holders of the debentures, warrants and common shares will not be able to trade the debentures, warrants or common shares until May 5, 2007.

In the year ended April 30, 2007, the Company received \$206,226 from the exercise of 68,742 agent's options issued at \$3.00 per share to the agents in connection with a brokered private placement.

In the year ended April 30, 2007, the Company received \$34,640 from the exercise of 29,000 options varying in price from \$1.16 to \$1.20.

CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations as at April 30, 2007:

Contractual Obligations	2008	2009	2010
Research contracts	\$4,813,000	\$189,000	\$0
Operating leases	\$169,246	\$74,658	\$27,515

The Company has entered into various research contracts. The initial deposits required upon acceptance of the contracts total \$772,943 and have been appropriately accrued in the financial statements.

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, the testing for recoverability of intellectual property and patents and income tax valuation allowance.

Equity Based Instruments

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock based payments for its common share purchase warrants and stock options for employee and key consultants issued by the Company. The pricing model requires the use of several assumptions, including the average expected life and volatility of the Company's stock, which are made at the time of the option grant. Management has selected these variables and uses the Black-Scholes model on a consistent basis.

Intellectual Property and Patent

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.

Income Tax Valuation Allowance

The Company has a net tax benefit resulting from non-capital losses carried forward and pools of scientific research & development expenditures and investment tax credits. In view of the history of net losses by the Company, management has recorded a full valuation allowance against these potential income tax assets.

NEW ACCOUNTING POLICY

Effective January 2007, costs incurred in obtaining convertible debenture financing, including agency fees, legal costs, and regulatory fees, have been capitalized to deferred financing costs. These costs are amortized on a straight-line basis over the three year term of the debt, beginning on January 4, 2007, when the financing was completed.

NEW PRONOUNCEMENTS

The Canadian Institute of Chartered (CICA) issued new standards related to financial instruments and hedging: Section 3855 "Financial Instruments – Recognition and Measurement", Section 3865 "Hedges", and Section 1530 "Comprehensive Income". The Company is currently evaluating the impact on its financial statements of adopting these Sections on May 1, 2007.

OFF-BALANCE SHEET ARRANGEMENTS

As of April 30, 2007, the Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

In 2007, the Company paid consulting fees of \$30,000 (2006 - \$30,000) 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 June 27, 2007)

Authorized and Issued Share Capital

There were 24,518,981 common shares issued and outstanding for a total of \$24,542,857 in share capital, net of share issue costs. There are no preferred shares issued.

Description of Options, Warrants and Convertible securities outstanding

Security Type	Number	Exercise Price	Expiry Date
Options	948,700	\$1.60	4/25/08
Options	24,000	\$1.16	7/15/08
Options	25,000	\$1.20	9/5/08
Options	200,000	\$1.50	3/15/09
Options	57,000	\$2.53	9/28/08
Options	200,000	\$2.25	9/28/10
Options	75,000	\$2.47	9/28/08
Options	30,000	\$5.27	2/16/09
Options	50,000	\$7.44	4/8/09
Options	20,000	\$7.96	5/6/09
Options	30,000	\$7.96	5/6/10
Options	25,000	\$6.18	6/27/10
Options	60,000	\$6.97	9/13/10
Options	60,000	\$6.97	9/13/07
Options	375,000	\$7.23	10/6/10
Options	50,000	\$6.97	12/15/10
Options	400,000	\$7.60	2/28/13
Options	197,500	\$7.35	3/7/11
Options	105,000	\$6.80	6/8/10
Options	130,000	\$6.44	6/28/10
Options	235,000	\$14.16	1/4/11
Options	450,000	\$15.90	5/14/12
Warrants	408,647	\$15.09	1/4/11
Warrants	529,350	\$20.63	6/6/12
Convertible debentures	1,221,946	\$12.07	1/4/10
Convertible debentures	1,512,000	\$17.50	6/6/12
Total	7,419,143	\$1.16 to \$20.63	

In October, 2006, an amended stock option plan was approved by shareholders at the Company's annual general meeting. The plan was amended to comply with new guidance on Section 613 and Staff Notice #2006-0001 from the Toronto Stock Exchange. The amended plan provides for a detailed amendment procedure that requires security holder approval prior to certain changes being made to options. In addition, the amended plan has been approved as a 10% rolling plan that allows for a reservation of a number of Common Shares under the plan to equal 10% of the Company's issued and outstanding Common Share on an undiluted basis. Provisions have also been added to make the amended plan a reloading plan, meaning that when options under the plan expire, are cancelled or are exercised, the number of Common Shares reserved for issuance under such expired, cancelled or exercised options automatically become eligible to be reallocated pursuant to new stock option grants.

During the quarter ended January 31, 2007, the Company revised the exercise price of certain options that were improperly discounted when they were issued. The exercise price of the affected options has subsequently been increased to the corresponding market price at the time the stock options were granted. The affected options amended were granted between March 2004 and March 2006 and the revised exercise price has been reflected in the description of options, warrants and convertible securities table.

FINANCIAL INSTRUMENTS

The Company is exposed to market risk related to changes in interest and foreign currency exchange rates, each which could adversely affect the value of our current assets and liabilities.

The Company has a portfolio of short term investments which are substantially investment grade commercial debt and government agency notes. These investments are made with the primary objective of achieving the highest rate of return while preserving the liquidity and safety of the principal. Our investment policy limits investments to certain types of instruments issued by institutions with investment grade credit ratings and places restrictions on maturities and concentration by type and issuer. The current portfolio of short-term investments has maturity dates July 2007. We do not believe that the results of operation or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to our investment portfolio due to the short-term maturities of the investments.

The Company has not entered into any forward currency contracts or other financial derivatives to hedge against foreign exchange risk. The Company's operating and capital expenditures have been primarily denoted in Canadian dollars during the 2007 fiscal period which has limited the exposure to foreign exchange risk. The Company will monitor future U.S. cash needs and determine what actions should be taken to manage future currency risk.

The market value of the short-term investment is approximately \$12.2 million with unrealized interest revenues of \$49,700 as at April 30, 2007. The average investment yield for the year ended April 30, 2007 was 4% compared to 3% for the prior year. Interest income from short-term investments is classified as revenue in the financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Corporation's senior management, including the President and Chief Executive Officer and Chief Financial Officer, on the effectiveness of the Corporation's disclosure controls and procedures as of April 30, 2007. Based on the evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of April 30, 2007 to provide reasonable assurance that material information relating to the Company, would be made known to them by others within the Company.

INTERNAL CONTROLS

As at the financial year ended April 30, 2007, the Chief Executive Officer and Chief Financial Officer evaluated the design of the Company's internal control over financial reporting ("ICFR"). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design of internal control over financial reporting was effective as at April 30, 2007 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes with Canadian GAAP.

Although management has been able to reach this conclusion, we have identified certain weaknesses in ICFR which are:

1. Due to the limited number of staff, it is not possible to achieve segregation of all duties; and
2. Due to the limited number of staff, the Company has a risk of material misstatement related to non-routine complex accounting matters that may arise.

These weaknesses essentially arise because of the small size of the Company and its accounting staff. Management and the board of directors have attempted to mitigate the risk of material misstatement in financial reporting related to segregation of duties through a combination of extensive and detailed review by the Chief Financial Officer of the financial reports, the integrity and reputation of senior financial and accounting personnel, and the candid discussion of this risk with our external advisors. The Company also employs outside consultants and accounting firms to assist with complex accounting and technical issues. In spite of management's best efforts, there can be no assurance that these risks can be reduced to less than a remote likelihood of a material misstatement.

RISKS AND UNCERTAINTIES

Prospects for companies in the biotechnology industry generally may be regarded as uncertain given the nature of the industry. Accordingly, investments in biotechnology companies should be regarded as speculative. Biotechnology research and development involves a significant degree of risk. An investor should carefully consider the risks and uncertainties described below, as well as other information contained in this Management's Discussion and Analysis. The risks and uncertainties described below is not an exhaustive list. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. If any one or more of the following risks occur, the Company's business, financial condition and results of operations could be seriously harmed. Further, if the Company fails to meet the expectations of the public market in any given period, the market price of the Company's common shares could decline.

Early Stage Development and Scientific Uncertainty

The Company is in an early stage of development, which may require significant additional investment for research and development, scale-up manufacturing, clinical testing, and regulatory submissions of product candidates prior to commercialization.

There can be no assurance that any such products will actually be developed. A commitment of substantial time and resources is required to conduct research and clinical trials if the Company is to complete the development of any product. It is not known whether any of these product or process candidates will meet applicable health regulatory standards and obtain required regulatory approvals, or whether such products can be produced in commercial quantities at reasonable costs and be successfully marketed, or whether our products will achieve market acceptance, or if our investment in any such products will be recovered through sales or royalties.

In addition, products may cause undesirable side effects. Results of early pre-clinical research may not be indicative of the results that will be obtained in later stages of pre-clinical or clinical research. If regulatory authorities do not approve the products or if regulatory compliance is not maintained, the Company would have limited ability to commercialize our products, and our business and results of operations would be harmed. The Company may fail to develop any products, to obtain regulatory approvals, to enter clinical trials, or to commercialize any products.

Lack of Product Revenues and History of Losses

To date, the Company has not recorded any revenues from the sale of biopharmaceutical products, but has accumulated net losses of \$33,365,499 to April 30, 2007. Losses are expected to increase in the near term as the Company continues its product development efforts, enter clinical trials and seek regulatory approval for the sale of our product for the treatment of cardiovascular disease. The Company expects to incur losses unless and until such time as payments from corporate collaborations, product sales and/or royalty payments generate sufficient revenues to fund its continuing operations. Quarter to quarter fluctuations in revenues, expenses and losses are also expected. The Company is unable to predict the extent of any future losses or when the Company will become profitable, if ever. Even if the Company does achieve profitability, it may not be able to sustain or increase profitability on an ongoing basis.

Review of Strategic Alternatives with UBS

The Company has engaged UBS to review the potential sale of its technology to a leading life-sciences company. The evaluation is focused on reviewing what steps should be taken by the Company to secure a strategic agreement regarding the Company's technologies. The Company has not yet set a definitive timetable for completion of its evaluation. There can be no assurances that the evaluation process will result in any specific transaction that will be acceptable to the Company.

Additional Financing Requirements and Access to Capital

The Company will require substantial additional funds for further research and development, planned clinical testing, regulatory approvals, establishment of pilot-scale manufacturing capabilities and, if necessary, the marketing and sale of its products. The Company may attempt to raise additional funds for these purposes through public or private equity or debt financing, collaborations with other biopharmaceutical companies and/or from other sources. There can be no assurance that additional funding or partnership will be available on terms acceptable to the Company and which would foster successful commercialization of the products.

Patents and Proprietary Technology

The Company's success will depend in part on its ability to obtain, maintain, and enforce patent rights, maintain trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that pending patent applications will be allowed and that the Company will develop additional proprietary products that are patentable, that issued patents will provide any competitive advantage or will not be challenged by any third parties, or that patents of others will not have an adverse effect on the ability to do business. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the products, or design around the products patented by the Company. In addition, the Company may be required to obtain licenses under patents or other proprietary rights of third parties. No assurance can be given that any licenses required under such patents or proprietary rights will be available on terms acceptable to the Company. If such licenses are not obtained it could encounter delays in introducing one or more of its products to the market, while it attempts to design around such patents, or could find that the development, manufacturing or sale of products requiring such licenses could be foreclosed. In addition, the Company could incur substantial costs in defending itself in suits brought against it on such patents or in suits which it attempts to enforce its own patents against other parties.

Until such time, if ever, that patent applications are filed, the ability of the Company to maintain the confidentiality of its technology may be crucial to its ultimate possible commercial success. While procedures have been adopted to protect the confidentiality of its technology, no assurance can be given that such arrangements will be effective, that third parties will not gain access to trade secrets or disclose the technology, or that the Company can meaningfully protect its rights to its trade secrets.

Dependence on Collaborative Partners, Licensors and Others

The Company's activities will require it to enter into various arrangements with corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing and commercialization of its products. The Company entered into an exclusive licensing arrangement with Medtronic, Inc., a major medical technology devices company. The Company is eligible to receive certain payments upon successful completion of predefined milestones and would then be eligible to receive royalties on sales of any ReVas™ therapeutic component of novel drug-device combinations that result from this license agreement. The Company intends to attract other corporate partners and enter into additional research collaborations. There can be no assurance, however, that such collaborations will be established on favourable terms, if at all, or that its current Medtronic agreement or future collaborations will be successful. Failure to attract commercial partners for its products may result in the Company incurring substantial clinical testing, manufacturing and commercialization costs prior to realizing any revenue from product sales or result in delays or program discontinuance if funds are not available in sufficient quantities.

The licensing agreement with Medtronic would give them exclusive, worldwide rights to develop and commercialize its ReVas™ technology. Should Medtronic or any other collaborative partner fail to develop, manufacture, or commercialize successfully any product to which it has rights, or any partner's product to which the Company have

rights, the business may be adversely affected. Failure of a collaborative partner to continue to participate in any particular program could delay or halt the development or commercialization of products generated from such program. In addition, there can be no assurance that the collaborative partners will not pursue other technologies or develop alternative products either alone or in collaboration with others, including the Company's competitors, as a means for developing treatments for the diseases targeted by the Company's programs.

Furthermore, the Company will hold licenses for certain technologies and there can be no assurance that these licenses will not be terminated, or that they will be renewed on conditions acceptable to the Company. The Company may negotiate additional licenses in respect of technologies developed by other companies and academic institutions. Terms of license agreements to be negotiated may include, inter alia, a requirement to make milestone payments, which may be substantial. The Company will also be obligated to make royalty payments on the sales, if any, of products resulting from licensed technology and, in some instances, is responsible for the costs of filing and prosecuting patent applications.

Damages resulting from claims from former Employers

Many of the Company's employees were previously employed at universities or other biotechnology or pharmaceutical companies, including competitors or potential competitors. The Company could be subject to claims that these employees or the Company have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if the Company is successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. If the Company fails in defending such claims, in addition to paying money claims, the Company may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper or prevent the ability to commercialize certain product candidates, which could severely harm our business.

Rapid Technological Change

The biotechnology and pharmaceutical industries are characterized by rapid and substantial technological change. There can be no assurance that developments by others will not render the products or technologies noncompetitive, or that the Company will keep pace with technological developments. Competitors have developed or are developing technologies that could be the basis for competitive products. Some of these products have an entirely different approach or means of accomplishing the desired therapeutic effect and could be more effective and less costly than the products to be developed by the Company. In addition, alternative forms of medical treatment may be competitive with the Company's products.

Government Regulations and Regulation of Drug and Product Approval

Biotechnology, medical device and pharmaceutical companies operate in a high-risk regulatory environment. The manufacture and sale of products is governed by numerous statutes and regulations in the United States, Canada and other countries. The subject matter of such legislation includes approval of manufacturing facilities, controlled

research and testing procedures, review and approval of manufacturing, preclinical and clinical data prior to marketing approval, as well as regulation of marketing activities, notably advertising and labeling. The process of obtaining necessary regulatory approvals is lengthy, expensive and uncertain. The Company or our collaborators may fail to obtain the necessary approvals to commence or continue pre-clinical or clinical testing or to manufacture or market our potential products in reasonable time frames, if at all. In addition, governmental authorities in Canada, the United States, or other countries may enact regulatory reforms or restrictions on the development of new therapies that could adversely affect the regulatory environment in which the Company operates or the development of any products that may be developed. Many of the products and processes that are being currently developed require significant development, testing and the investment of significant funds prior to their commercialization. There can be no assurance that any of such products or processes will actually be developed to a commercial level. Completing clinical testing and obtaining required approvals is expected to take several years and to require the expenditure of substantial resources. There can be no assurance that clinical trials will be completed successfully within any specified period of time, if at all. Furthermore, clinical trials may be delayed or suspended at any time by the Company or by the FDA/TPD if it is determined at any time that the subjects or patients are being exposed to unacceptable risks. No assurance can be given that the product candidates will prove to be safe and effective in clinical trials or that the Company will receive the requisite regulatory approval. Moreover, any regulatory approval of a drug which is eventually obtained may be granted with specific limitations on the indicated uses for which that drug may be marketed or may be withdrawn if problems occur following initial marketing or if compliance with regulatory standards is not maintained.

Competition

Technological competition from pharmaceutical companies, biopharmaceutical companies and universities is intense and is expected to increase, in particular in the market for therapeutic products to treat, mitigate or prevent cardiovascular disease. Many potential competitors may have substantially greater product development capabilities or financial, scientific, marketing and human resources exceeding those of the Company. Moreover, competitors may develop products more quickly and obtain regulatory approval for such products more rapidly, or develop products which are more effective than those which the Company intends to develop. Research and development by others may render the Company's technology or products obsolete or noncompetitive or produce treatments or cures superior to any therapy developed or to be developed by the Company.

Dependence on Key Personnel

The Company depends on certain members of its management and scientific staff and the loss of services of one or more of whom could adversely affect the operations, research and development. In addition, the Company's ability to manage growth effectively will require it to continue to implement and improve its management systems and to recruit and train new employees. There can be no assurance that the Company will be able to successfully attract and retain skilled and experienced personnel.

Status of Healthcare Reimbursement

The ability to successfully market certain therapeutic products may depend in part on the extent to which reimbursement for the cost of such products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Significant uncertainty exists as to whether newly approved healthcare products will qualify for reimbursement. Furthermore, challenges to the price of medical products and services are becoming more frequent. There can be no assurance that adequate third-party coverage will be available to establish price levels, which would allow the Company to realize an acceptable return on its investment in product development.

Potential Product Liability

Pharmaceutical products involve an inherent risk of product liability claims and associated adverse publicity. Product liability insurance is costly, availability is limited and may not be on terms which would be acceptable to the Company, if at all. An inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of potential products. A product liability claim brought against the Company or withdrawal of a product from the market, could have a material adverse effect upon the Company and its financial condition.

Volatility of Share Price, Absence of Dividends and Fluctuation of Operating Results

Market prices for the securities of biotechnology companies, including the Company, have historically been highly volatile. Factors such as fluctuation of the Company's operating results, announcements of technological innovations, patents or new commercial products by the Company or competitors, results of clinical testing, regulatory actions, or public concern over the safety of biopharmaceutical products and other factors could have a significant effect on the share price or trading volumes for the common shares. The Company's common shares have been subject to significant price and volume fluctuations and may continue to be subject to significant price and volume fluctuations in the future. Resulting fluctuations below the conversion prices on the convertible debt financing could have an adverse affect on the Company's cash flow or a dilution of ownership from the issuance of common stock, if the holders of the debt choose to convert the debt at such a time where the Company's shares are trading on the stock market below the conversion prices then in effect. Such an action would obligate the Company to pay interest to maturity of the Convertible Debt in the form of cash, common stock or a combination thereof. The Company has not paid dividends to date and does not expect to pay dividends in the foreseeable future.

U.S. Investors Civil Liabilities

The Company was formed under the laws of Alberta, Canada. Some of the members of the board of directors and officers are residents of countries other than the U.S. As a result, it may be impossible for U.S. investors to affect service of process within the U.S. upon the Company or these persons or to enforce against the Company or these

persons any judgments in civil and commercial matters, including judgments under U.S. federal or state securities laws. In addition, a Canadian court may not permit U.S. investors to bring an original action in Canada or to enforce in Canada a judgment of a state or federal court in the U.S.

ADDITIONAL INFORMATION

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