



*First Quarter
Ended July 31, 2008*

CORPORATE OFFICE:

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TRADING SYMBOL:

TSX: RVX

Notice to Reader

The management of Resverlogix Corp. is responsible for the preparation of the accompanying interim consolidated financial statements. The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

These interim financial statements have not been reviewed by an auditor. These interim consolidated financial statements are unaudited and included all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

Dated September 10, 2008.

signed "Donald J. McCaffrey"
President and CEO

signed "Kelly McNeill"
CFO

RESVERLOGIX CORP.

Interim Consolidated Balance Sheets

	July 31, 2008	April 30, 2008
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,953,592	\$ 2,349,373
Short term investments	10,848,192	15,664,215
Prepaid expenses and deposits	1,380,034	1,449,053
	15,181,818	19,462,641
Property and equipment (note 3)	839,814	893,971
Intellectual property and patents (note 4)	600,464	538,050
	<u>\$16,622,096</u>	<u>\$20,894,662</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,821,987	\$ 2,423,962
Accrued interest on debentures	186,865	770,901
	2,008,852	3,194,863
Convertible debentures (note 5)	12,084,231	12,210,272
Shareholders' equity: (note 6)		
Common shares	47,278,442	44,840,422
Convertible debentures equity component	10,709,338	11,229,884
Contributed surplus	13,826,435	13,545,093
Warrants	14,428,170	14,428,170
Deficit	(83,713,372)	(78,554,042)
	2,529,013	5,489,527
Nature of operations (note 1)		
Commitments (notes 4 and 7)		
	<u>\$16,622,096</u>	<u>\$20,894,662</u>

See accompanying notes to the interim consolidated financial statements.

Signed on behalf of the Board:

Signed: “William A. Cochrane” Director

Signed: “Stella Thompson” Director

RESVERLOGIX CORP.

Interim Consolidated Statements of Operations and Comprehensive Loss

	Three months ended July 31,	
	2008	2007
	(unaudited)	
Revenue:		
Interest income	\$ 85,737	\$ 296,215
Expenses:		
Research and development	3,298,489	3,929,465
General and administrative	651,240	596,275
Stock-based compensation	364,646	1,452,568
Interest and accretion on convertible debentures	809,589	1,300,807
Depreciation and amortization	78,436	111,660
Foreign exchange loss (gain)	42,667	(108,749)
	5,245,067	7,282,026
Net loss and comprehensive loss	5,159,330	6,985,811
Net loss per common share – basic and diluted	\$ 0.19	\$ 0.28
Weighted average number of common shares	27,055,329	24,541,824

See accompanying notes to the consolidated interim financial statements.

RESVERLOGIX CORP.

Interim Consolidated Statements of Cash Flows

	Three months ended July 31,	
	2008	2007
	(unaudited)	
Cash provided by (used in):		
Operations:		
Loss for the period	\$ (5,159,330)	\$(6,985,811)
Items not involving cash:		
Stock-based compensation	364,646	1,452,568
Depreciation and amortization	78,436	111,660
Debenture accretion	240,468	621,708
Interest expenses paid in common shares	1,159,358	677,219
Unrealized foreign exchange (gain) loss	118,750	(552,244)
	<u>(3,197,672)</u>	<u>(4,674,900)</u>
Changes in non-cash working capital:		
Prepaid expenses and deposits	(324,686)	274,102
Accounts payable and accrued liabilities	(199,078)	(242,460)
Accrued interest on debentures	(586,404)	(37,800)
	<u>(4,307,840)</u>	<u>(4,681,058)</u>
Financing:		
Proceeds on issue of convertible debentures (net of issue costs)	–	24,648,677
Proceeds from exercise of stock options	122,060	–
	<u>122,060</u>	<u>24,648,677</u>
Investing:		
Short term investments	4,889,329	(11,890,761)
Property and equipment additions	(14,630)	(320,315)
Patent additions	(72,063)	(29,494)
Non-cash investing working capital	(12,637)	–
	<u>4,789,999</u>	<u>(12,240,570)</u>
Increase (decrease) in cash and cash equivalents	604,219	7,727,049
Cash and cash equivalents, beginning of period	2,349,373	543,182
Cash and cash equivalents, end of period	<u>\$ 2,953,592</u>	<u>\$ 8,270,231</u>

See accompanying notes to the interim consolidated financial statements.

Certain comparative items have been reclassified for presentation purposes.

RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements

As at July 31, 2008 and 2007

The interim consolidated financial statements of Resverlogix Corp. (the "Company") were prepared by management using accounting policies and methods of their application consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended April 30, 2008. The disclosure, which follows, is incremental to the disclosure included with the annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended April 30, 2008.

1. Nature of operations:

Resverlogix Corp. is an emerging biopharmaceutical company focused on development of novel therapeutics in cardiovascular disease, and related indications in vascular inflammation and Alzheimer's Disease. The Company also has therapeutics under development for the treatment of fibrotic diseases and cancer. The Company is considered to be in the development stage, as most of its efforts have been devoted to research and development and it has not earned any revenue to date.

Research and development expenditures on these projects are as follows:

	Three months ended July 31,		Cumulative since inception
	2008	2007	
NexVas PR	\$3,270,541	\$3,624,507	\$31,965,825
NexVas VI / ReVas	27,948	304,958	1,843,351
TGF- β Shield	–	–	735,221
	<u>\$3,298,489</u>	<u>\$3,929,465</u>	<u>\$34,544,397</u>

The success of the Company is dependent on the continuation of the research and development activities, progressing the core technologies through clinical trials to commercialization and its ability to finance its cash requirements. It is not possible to predict either the outcome of future research and development programs or the Company's ability to fund these programs going forward.

The accompanying financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company has incurred significant losses to date, and with no assumption of revenues, is dependent on its ability to raise additional financial capital by continuing to demonstrate the successful progression of its research and development activities if it is to remain as a going concern. At July 31, 2008, the Company had \$13.2 million of working capital, including \$13.8 million of cash and short term investments. The Company anticipates it will require additional sources of financial resources prior to the end of fourth quarter ended April 30, 2009 to ensure that it has sufficient working capital to fund its research development and corporate activities beyond July 31, 2009.

RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements, page 2

As at July 31, 2008 and 2007

1. Nature of operations (continued):

The company is currently exploring various alternatives to generate positive cash flow including product out-licensing in Asia as well as continuing its partnering discussions with for the Company's core NexVasPR technology; however there is no assurance that these initiatives will be successful.

These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities, and the reported revenues and expenses that might be necessary should the company be unable to continue as a going concern.

2. Changes in accounting policies:

Effective May 1, 2008, the Company adopted the new recommendations of Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, *Financial Instruments – Disclosure*, Section 3863 *Financial Instruments – Presentation*, Section 1535, *Capital Disclosures*, Section, Section 3064, *Goodwill and Intangible Assets* and changes to Section 1400, *General Standards of Financial Statement Presentation*. These sections relate to presentation and disclosure only and did not have an impact on the Company's financial results.

Section 3862 places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how these risks are managed and also simplifies the disclosures about concentrations of risk, credit risk, liquidity risk and market risk currently found in Section 3861. Additional requirements include: more extensive disclosures about exposures to liquidity; currency and other price risks and an analysis of the sensitivity of net income for possible changes thereto; more specific disclosures about collateral; and details of liabilities that are in default or in breach of their terms and conditions.

Section 3863 carries forward, without change, the presentation-related requirements of Section 3861.

Section 1535 requires the disclosure of: an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied, the consequences of such non-compliance.

Section 3064 replaces CICA 3062 - *Goodwill and Intangible Assets* and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the recognition of internally developed intangible assets, whether separately acquired or internally developed, and provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred.

RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements, page 3

As at July 31, 2008 and 2007

2. Changes in accounting policies (continued):

Section 1400 has been amended to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Disclosure is required for material uncertainties related to events or conditions that may cast doubt on the ability to continue as a going concern.

Recent accounting pronouncements

In February 2008, the Accounting Standards Board (AcSB) confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards (IFRS) effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required, for the Company, in the first quarter of the 2012 fiscal year with comparative data for the prior year. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement, presentation and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS such as IAS 38 "Intangible Assets", thus mitigating the impact of adopting IFRS at the mandatory transition date.

The Company is currently evaluating the impact of the adoption of IFRS on its consolidated financial statements.

3. Property and equipment:

July 31, 2008	Cost	Accumulated depreciation	Net book value
Laboratory equipment	\$ 1,380,450	\$ 624,428	\$ 756,022
Office furniture and equipment	70,070	47,548	22,522
Computer equipment	210,698	155,976	54,722
Computer software	77,927	72,960	4,967
Leasehold improvements	463,315	461,734	1,581
	<u>\$ 2,202,460</u>	<u>\$ 1,362,646</u>	<u>\$ 839,814</u>
April 30, 2008			
Laboratory equipment	\$ 1,374,807	\$ 585,526	\$ 789,281
Office furniture and equipment	65,093	45,263	19,830
Computer equipment	206,689	145,664	61,025
Computer software	77,927	71,360	6,567
Leasehold improvements	463,314	446,046	17,268
	<u>\$ 2,187,830</u>	<u>\$ 1,293,859</u>	<u>\$ 893,971</u>

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Notes to Interim Consolidated Financial Statements, page 4

As at July 31, 2008 and 2007

4. Intellectual property and patents:

July 31, 2008	Cost	Accumulated amortization	Net book value
Acquired property (NexVas™) Patents	\$ 818 694,052	\$ 193 94,213	\$ 625 599,839
	\$ 694,870	\$ 94,406	\$ 600,464
April 30, 2008			
Acquired property (NexVas™) Patents Patent abandonment	\$ 818 743,787 (121,798)	\$ 182 99,259 (14,684)	\$ 636 644,528 (107,114)
	\$ 622,807	\$ 84,757	\$ 538,050

The Company has chosen to abandon two of its early patent applications for the year ended April 30, 2008, after the Company received the first substantive office actions for the application. The Company chose to abandon these patent applications to pursue other patent applications that are more closely in line with the Company's current scientific objectives and business plan. The remaining unamortized costs noted in the schedule above were expensed during the three months ended July 31, 2008.

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 U.S. \$25,000. In addition, the Company is required to make additional payments of U.S. \$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 U.S. \$300,000 upon the first enrolment of a patient into a regulatory approved Phase 1 Clinical Trial for a pharmaceutical compound protected by the patent.

RESVERLOGIX CORP.

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As at July 31, 2008 and 2007

5. Convertible debentures:

Convertible debentures and its equity components consist of the following:

	U.S. \$17 million Carrying Value	U.S. \$25 million Carrying Value	Total Amount
Balance, April 30 2007	\$ 14,694,289	\$ —	\$ 14,694,289
June, 2007 debenture issuance	\$ —	\$ 26,630,000	\$26,630,000
August, 2007 debenture amendment – accrued interest	127,649	655,411	783,060
Debenture issue costs	(1,568,212)	(2,014,474)	(3,582,686)
Warrants issued to debenture holders	—	(7,056,116)	(7,056,116)
Portion allocated to equity	—	(2,202,559)	(2,202,559)
Conversions to common shares	(12,496,900)	(4,176,999)	(16,673,899)
Accretion of non-cash effective interest expense	519,235	1,022,079	1,541,314
Foreign exchange translation	(1,033,407)	(889,724)	(1,923,131)
Balance, April 30, 2008	\$ 242,654	\$ 11,967,618	\$ 12,210,272
Conversions to common shares	\$ —	\$ (552,752)	\$ (552,752)
Accretion of non-cash effective interest expense	6,304	234,164	240,468
Foreign exchange translation	3,994	182,249	186,243
Balance July 31, 2008	\$ 252,952	\$ 11,831,279	\$ 12,084,231

U.S. \$17,000,000 Convertible Debenture Financing

The Company issued \$17.0 million (U.S.) of senior secured convertible debentures on January 4, 2007 that mature on January 4, 2010, and carried a coupon rate of 8% per annum at inception paid semi-annually on July 1 and January 1 of each year. The interest rate may be increased pursuant to certain conditions where trading ranges of Company's share price closes below the conversion price used to value the conversion rights. Where such conditions occur, the debenture's coupon rate can range between 10%-15% per annum and can not be subsequently decreased. As of the year ended April 30, 2008, the remaining debentures carried an interest rate of 12%, a four percent increase from its initial rate.

The debentures are convertible any time at the option of the holders into common shares at a conversion price of \$12.07 per share, subject to certain anti-dilution adjustments which would reduce the price if the Company issues additional common shares or financial instruments that can be converted to common shares below the conversion price.

The Company, at its option, can initiate a mandatory conversion of the debentures into common shares in equal one-third conversion amounts under the following conditions:

- (i) Mandatory conversion of equal one-third principal amounts at 130%, 150% and 175% of the conversion price in effect after May 4, 2007 to January 4, 2008, January 5, 2008 to July 4, 2008 and July 5, 2008 to the maturity of the debt respectively.

RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements, page 6

As at July 31, 2008 and 2007

5. Convertible debentures (continued):

(ii) Average daily trading volumes on the trading market are at least 100,000 shares for 20 consecutive trading days.

(iii) Each of the equity conditions has been satisfied during such 20 trading days and through the applicable conversion date.

The Company at its option may, subject to certain restrictions, pay the semi-annual interest in the form of cash, common shares or some combination thereof. If the interest obligation is paid in shares, the number of common shares issued will be based on the interest obligation divided by 90% of the volume weighted average price for the 5 trading days preceding the interest payment date. The Company may elect to pay in common shares in whole or in part, if certain equity conditions are met unless otherwise waived by the debenture holder. The Company elected to pay its July 1, 2008 semi-annual interest obligations of \$16,686 U.S. with 1,733 common shares.

In circumstances where the Company's share price trades at or below the conversion price then in effect for a pre-determined period of time and the holders converts their debentures at such time, the Company is obligated to make additional payments using the interest methodology at defined in the debenture agreement at the then applicable rate on the converted amount commencing on the conversion date through to the end of the maturity date of the debenture ("Interest to Maturity"). The Company, at its election, can pay the interest in cash, common shares or some combination thereof. If the obligation is paid in shares, the formula noted in the previous paragraph will be used to determine the number of shares issued.

In the event of default on the convertible debenture or upon a change of control, the holder has the option to require the Company to repurchase all or any portion of the outstanding principal at a price equal to the greater of 125% of (i) the outstanding principal, plus all accrued interest or (ii) the 5 consecutive day average closing price attributed to the underlying shares, plus all accrued interest.

As part of the issuance of the debentures 408,647 accompanying warrants were issued to the holders of the convertible debt at an exercise price of \$15.09 per share which was subsequently amended to \$10.25 further described below. The exercise price is subject to certain anti-dilution adjustments which would reduce the price if the Company issues additional common shares or financial instruments that can be converted to common shares below the conversion price.

The Company as part of the August 31, 2007 financing amendment (see "**Amended U.S. \$25,000,000 Convertible Debenture Financing**"), the January 2007 debentures have been amended to eliminate the trading volume equity condition of \$250,000 for 20 consecutive trading days preceding payment dates for interest or Interest to Maturity obligations under the original debenture. These original conditions limited the ability of the Company to issue shares in lieu of cash when paying any interest obligation. The Company has amended the January 2007 warrants as noted above in exchange for the waiver of the trading volume related equity condition. The balance of the January 2007 notes and warrants remain unchanged from its original form.

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Notes to Interim Consolidated Financial Statements, page 7

As at July 31, 2008 and 2007

5. Convertible debentures (continued):

The effect of the modification to the remaining debt value from the original U.S. \$17 million convertible debenture and its related warrants was not significant to the Company's consolidated financial statements.

Amended U.S. \$25,000,000 Convertible Debenture Financing

On June 7, 2007, the Company issued \$25 million U.S. of convertible debentures. Effective August 31, 2007, the Company amended the terms of the \$25 million U.S. June 2007 convertible debentures to eliminate the Interest to Maturity provisions which were equivalent to the January 2007 financing noted above and reduce the then in effect adjusted interest rate of 14% to a 12% fixed rate. In exchange for these amendments, the conversion price has been amended to \$8.76 from the original conversion price of \$17.50. In addition, the warrants issued under the June 2007 financing have been re-priced to \$10.25 from \$20.63 and an additional 529,351 warrants have been issued for a total issuance of 1,058,702.

The debentures are convertible any time at the option of the holders into common shares at a conversion price of \$8.76 per share, subject to certain anti-dilution adjustments which would reduce the price if the Company issues additional common shares or financial instruments that can be converted to common shares below the conversion price. The warrants' exercise price of \$10.25 is also subject to the same anti-dilution adjustments as described above.

The amended agreement also provides the holders with a once monthly 5% put option of principal amount at issuance. The put option provides the holder with the ability to request a portion of the principal to be repaid for cash, shares or some combination thereof. The Company has the option to pay the put obligation with shares if the closing bid price for common shares at the time of the put date is greater than \$4.00 and the total dollar value traded on the trading market for no less than 10 of such 20 consecutive Trading Days shall be at least \$250,000 ("Equity Conditions"). The monthly put options are cumulative, where the previous monthly put options are not exercised, but at no time can the holder request any amount in cash greater than the once monthly put option of 5% of the original principal amount plus accrued interest. The cumulative put in excess of the 5% monthly put option ("Excess put") can be paid in common shares and is not subject to the Equity Conditions. The first put option was available to the holders after October 31, 2007. As of the three month period ended July 31, 2008, no put options have been exercised by the debenture holders.

The Company at its option may, subject to certain restrictions, pay the semi-annual interest in the form of cash, common shares or some combination thereof. If the interest obligation is paid in shares, the number of common shares issued will be based on the interest obligation divided by 90% of the volume weighted average price for the 5 trading days preceding the interest payment date. The Company may elect to pay in common shares in whole or in part, only if the Equity Conditions are met, unless otherwise waived by the debenture holder. The Company elected to pay its July 1, 2008 semi-annual interest obligation of \$1,088,355 U.S. with 111,660 common shares.

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Notes to Interim Consolidated Financial Statements, page 8

As at July 31, 2008 and 2007

5. Convertible debentures (continued):

The Company at its option can initiate a mandatory conversion option after June 30, 2008 which requires the holders to convert all of their debentures to common shares when the Company's share price trades over \$18.00 for 20 consecutive trading days, subject to conditions as follows:

- (i) Average daily volumes on the trading market are at least 100,000 shares for 20 consecutive trading days.
- (ii) Each of the equity conditions has been satisfied during such 20 trading days and through the applicable conversion date.

In the event of default on the convertible debenture or upon a change of control, the holder has the option to require the Company to repurchase all or any portion of the outstanding principal at a price equal to the greater of 125% of (i) the outstanding principal, plus all accrued interest or (ii) the 5 consecutive day average closing price attributed to the underlying shares, plus all accrued interest.

The effect of the modification on August 31, 2007 to the U.S. \$25 million convertible debentures and the related warrants was an increase to the convertible debentures equity component of \$13.1 million, an increase to the related warrants of \$3.7 million and a corresponding increase to deficit of \$16.8 million within Shareholders' Equity. The modification had no significant impact of the liability portion of the convertible debentures.

The amended principal balance at August 31, 2007 for the January and June 2007 outstanding convertible debentures was U.S. \$7,407,302 and U.S. \$25,603,736 respectively, which included accrued interest of U.S. \$120,834 and U.S. \$620,270 up to the date of the amendment.

Interest to Maturity obligations in the year end April 30, 2008 were settled with 374,920 common shares which had a carrying a value of \$3,092,000 U.S. The shares issued to settle this obligation are treated as an equity instrument as part of the conversion rights for financial statement presentation purposes and therefore are a discount to the corresponding debt conversion price with no corresponding carrying value in the financial statements. For the three month period ended July 31, 2008, no Interest to Maturity obligations were recorded.

Issue costs incurred in connection with the issuance of the January 2007 convertible debentures were \$1,764,153 and were classified as of April 30, 2007 as deferred financing charges that were amortized over the life of the debt. As of May 1, 2007 the net book value of \$1,568,212 has been reclassified from deferred financing costs to the convertible debentures as a result of adopting the new accounting standard. These costs will be taken into earnings using the effective interest method over the life of the related debt.

Issue costs incurred in connection with the issuance of the June 2007 convertible debentures were \$2,014,474. These issue costs are recorded net of the convertible debentures and will be taken into earnings using the effective interest method over receive similar accounting treatment as a result of adopting the new accounting standard.

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Notes to Interim Consolidated Financial Statements, page 9

As at July 31, 2008 and 2007

5. Convertible debentures (continued):

During the three months ended July 31, 2008, the Company settled accrued interest obligations of \$35,539 due on conversion of convertible debentures with the issuance of 3,820 common shares.

6. Shareholders' equity:

(a) Common shares

(i) Authorized:

Unlimited number of common shares

Unlimited number of preferred shares issuable in series with rights as determined by the Board of Directors at the time of issue.

(ii) Issued and outstanding:

	Number of shares	Amount
Common shares		
Balance, April 30, 2007	24,098,031	\$20,540,096
Conversion of debentures	2,617,754	16,673,899
Interest costs paid in common shares	141,375	1,877,806
Issued on exercise of stock options	43,000	389,460
Transfer from equity component on conversion of debentures		5,359,161
Balance, April 30, 2008	26,900,160	\$44,840,422
Conversion of debentures	100,000	552,752
Interest costs paid in common shares	117,213	1,159,358
Issued on exercise of stock options	51,000	205,364
Transfer from equity component on conversion of debentures		520,546
Balance, July 31, 2008	27,168,373	\$47,278,442

(b) Normal Course Issuer Bid:

On August 11, 2006, the Company announced a Normal Course Issuer Bid allowing the Company to repurchase up to 150,000 common shares during the period from August 14, 2006 to August 13, 2007 at the market price at the time of the repurchase. During the year ended April 30, 2008, the Company acquired nil (2007: 82,200) of its common shares at an average price of \$5.91 per share. The total cost of this program since inception including commissions was \$490,796. All common shares repurchased by the Company were cancelled.

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Notes to Interim Consolidated Financial Statements, page 10

As at July 31, 2008 and 2007

6. Shareholders' equity (continued):

(c) Stock options:

On October 27, 2006, the Company amended its existing stock option plan with the approval of security holders in order to comply with new guidance from the Toronto Stock Exchange on Section 613 of the TSX Company Manual and Staff Notice 2006-001 related to security based compensation arrangements. The amended plan provides for detailed amendment procedures pursuant to the Staff Notice 2006-0001, requiring security holder approval prior to certain changes being made to security based compensation plans. Notwithstanding the provisions of the detailed amendment procedures, approval must be obtained from security holders for an amendment to any stock option agreement that would reduce the exercise price or extend the expiry date of options granted to an insider.

The amended plan has been approved as a rolling 10% plan that allows for reservation of a number of Common Shares under the plan equal to 10% of the Company's issued and outstanding Common Shares on an undiluted basis. Additionally, the provisions have been added to make the plan a reloading plan, which allows any options under the plan that expire, are cancelled or are exercised, the number of Common Shares reserved for issuance related to these options automatically become eligible to be reallocated pursuant to stock option based grants. The Company may grant options to its directors, officers, employees and consultants. The majority of options fully vest over two to three years and have a two to five year term.

	July 31, 2008		April 30, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of period	3,994,200	\$ 6.96	3,297,200	\$ 5.16
Granted	—	—	790,000	14.42
Exercised	(51,000)	2.39	(43,000)	5.89
Expired	(15,000)	14.16	(50,000)	6.97
Outstanding at end of period	3,928,200	\$ 6.99	3,994,200	\$ 6.96
Weighted average remaining contractual life	2.1 years		2.3 years	

RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements, page 11

As at July 31, 2008 and 2007

6. Shareholders' equity (continued):

(c) Stock options (continued):

The following table summarized information about the options outstanding and exercisable at July 31, 2008.

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable
\$1.50 - \$1.60	1,148,700	0.1	\$1.58	1,148,700
\$2.25 - \$2.53	332,000	1.5	\$2.35	332,000
\$5.27 - \$7.96	1,437,500	3.0	\$7.20	1,322,500
\$12.07 - \$12.95	340,000	3.5	\$12.46	0
\$14.16 - \$15.90	677,500	3.5	\$15.32	342,500
	3,935,700	2.1	\$7.00	3,145,700

No options were issued during the three months ended July 31, 2008. Stock options for consultants previously issued were re-valued for the purposes of calculating stock based compensation at \$3.76 per option in accordance using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three months ended July 31,	
	2008	2007
Risk free interest rate	3.3%	4%
Expected life	4 years	5 years
Expected volatility	69%	87%

(d) Warrants:

As part of the issuance of June 2007 convertible debentures, 529,350 accompanying warrants were issued to the holders of the convertible debt at an exercise price of \$20.63 per share. In August 2007, the warrants issued under the financing were re-priced to \$10.25 and an additional 529,352 warrants were issued as part of the Amended U.S. \$25,000,000 Convertible Debenture Financing. The effect of the modification was an increase in the warrant value of \$3,744,317.

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As at July 31, 2008 and 2007

6. Shareholders' equity (continued):

(d) Warrants (continued):

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

	Number of warrants	Amount	Weighted average exercise price
Outstanding, April 30, 2007	408,647	3,627,737	15.09
Granted in connection with convertible debentures	529,350	7,056,116	20.63
Cancelled	(937,997)	(10,683,853)	18.22
Amended in connection with convertible debentures	1,467,349	14,428,170	10.25
Outstanding, April 30, 2008	1,467,349	\$14,428,170	\$ 10.25
Outstanding, July 31, 2008	1,467,349	\$14,428,170	\$ 10.25

The estimated fair value of the warrants granted in January and June 2007 has been recorded net of the convertible debentures. The weighted average fair value of the warrants granted for the January 2007 convertible debentures and the amended August 2007 convertible debentures was \$8.88 and \$9.83 per warrant respectively, using the Black-Scholes option pricing model with the following weighted average assumptions.

	2008	2007
Risk-free interest rate	4%	4%
Expected life	4 to 5 years	4 years
Expected volatility	92%	76%

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As at July 31, 2008 and 2007

6. Shareholders' equity (continued):

(e) Contributed surplus:

The changes in contributed surplus balance are as follows:

	Amount
Balance, April 30, 2007	\$ 6,746,518
Options exercised	(136,230)
Fair value of options granted	6,934,805
Balance, April 30, 2008	\$13,545,093
Options exercised	(83,304)
Fair value of options granted	364,646
Balance, July 31, 2008	\$13,826,435

(f) Convertible debentures equity component:

The changes in convertible debentures equity component balance are as follows:

	Amount
Balance, April 30, 2007	\$ 1,320,428
June 2007 financing equity component	2,202,559
August 31, 2007 financing amendment	13,066,058
Reclassified to common shares on conversion of debentures	(5,359,161)
Balance, April 30, 2008	\$11,229,884
Reclassified to common shares on conversions of debentures	(520,546)
Balance, July 31, 2008	\$10,709,338

On August 31, 2007, the Company modified the U.S. \$25 million convertible debentures, resulting in an increase to the equity component. This non-cash amount is transferred to common shares as the debentures are converted on a pro-rata basis and is further described in the notes of the Company's audited consolidated financial statements for the year ended April 30, 2008.

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As at July 31, 2008 and 2007

6. Shareholders' equity (continued):

(g) Deficit

The changes in deficit are as follows:

	Amount
Balance, April 30, 2007	\$33,365,499
Modification of convertible debentures	16,810,375
Net loss and comprehensive loss for year ended April 30, 2008	28,378,168
Balance, April 30, 2008	\$78,554,042
Net loss and comprehensive loss for three months ended July 31, 2008	5,159,330
Balance, July 31, 2008	\$83,713,372

The modification of convertible debentures during the year ended April 30, 2008 is the result of the amendment to the U.S. \$25 million convertible debentures and the related warrants on August 31, 2007 as described under Note 5. The result of the modification was a charge to the deficit within Shareholders' Equity.

(h) Per share amounts:

The loss per share has been calculated based on the weighted average shares outstanding during the period. The effect upon the conversion of stock options and warrants is anti-dilutive.

7. Commitments:

The Company has entered into various research contracts. The Company is committed to pay \$3,727,200.00 for completion of the research, and all payments are anticipated to May 2010 as follows:

2009	\$ 2,169,200
2010	1,558,000

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As at July 31, 2008 and 2007

7. Commitments (continued):

As at July 31, 2008, the Company was committed to operating lease payments for office and laboratory premises as follows:

2009	\$	206,731
2010		166,841
2011		152,259
2012		134,913
2013		13,491

8. Financial instruments risks:

Financial instruments of the company consist of cash and cash equivalents, marketable securities, amounts receivable, and accounts payable and accrued liabilities. As at July 31, 2008, there was no significant difference between the carrying values of these amounts and their estimated fair values due to their short term nature. The company manages its cash and cash equivalents and marketable securities in accordance with an investment policy that established guidelines for investment eligibility, credit quality, liquidity and foreign currency exposure.

(a) Credit Risk

Financial instruments that potentially subject the company to credit risk consist primarily of cash and cash equivalents and marketable securities. The company manages its exposure to credit loss by placing its cash with major financial institutions and investing in high-quality government and corporate issuers with low credit risk. The company invests in commercial paper with a Dominion Bond Rating Service (DBRS) rating of R-1 Low or higher, or equivalent Standard & Poor's (S&P) or Moody's Investor Service (Moody's) rating. The company invests in government and corporate bonds with a DBRS rating of A- or higher, or equivalent S&P or Moody's rating. At July 31, 2008, the company held U.S. \$1.9 million of short-term asset-backed commercial paper with an R-1 High rating and a maturity date of September 4, 2008. Cash and cash equivalents held by the Company are not subject to any external restrictions.

(b) Liquidity Risk

The company's exposure to liquidity risk is dependent on purchasing commitments and obligations or the raising of funds to meet commitments and sustain operations. The company is a development stage company and is reliant on external fundraising to support its operations. Once funds have been raised, the company manages its liquidity risk by investing in highly liquid corporate and government bonds with staggered maturities to provide regular cash flow for current operations. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions not in the ordinary course of business. The majority of the company's accounts payable and accrued

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As at July 31, 2008 and 2007

8. Financial instruments risks (continued):

liabilities have maturities of less than three months. In addition, due to the put option provided for under the convertible debenture financing as described in note 5 to these interim financial statements, the Company is exposed potential monthly repayments of the debenture in cash of up to 5% of the original principal amount if the Company's common stock trades below \$4.00 per share or does not meet certain trading conditions.

(c) Market Risk

The company is exposed to interest rate risk arising from fluctuations in interest rates on its cash and cash equivalents, its short-term securities and its convertible debentures. Fluctuations in market interest rates on interest bearing cash and cash equivalents and short-term investments rates do not have a significant impact on the Company's results of operations due to their short-term nature. In addition, the adjusting interest rates from 10%-15% for the January 2007 convertible debentures based on the trading price of its shares, as described in note 5 to these interim financial statements, does not have a significant impact on the Company's results from operations as the remaining principal balance has been reduced to \$278,000 U.S. from its original \$17 million U.S. issuance. A change of 1% in interest rates can lead to an increase or decrease of interest income by \$35,000 for its cash and short-term investments as measured on July 31, 2008.

The Company is also exposed to foreign exchange risk on its US dollar denominated convertible debentures and its cash and cash equivalents and short-term investments. The company manages its exposure to currency fluctuations by holding cash and cash equivalents and short-term investments denominated in U.S. dollars in a certain ratio equivalent to current and long term U.S. dollar financial liabilities. As the convertible debentures are denominated in U.S. dollars, the Company is exposed to foreign exchange risk if the reduction of the debt through conversions to common shares does not occur at the same rate the U.S. cash and short-term securities is drawn down for funding operations. The Company had no forward exchange contract to manage its foreign currency risk. As at July 31, 2008 the company had U.S. denominated assets and liabilities of: cash and cash equivalents and short-term investments in the amount of \$10,757,163 U.S.; accounts payable, accrued interest and liabilities of \$1,515,285 U.S.; and convertible debentures with a carrying value of \$11,781,448 U.S. A change of \$0.01 in exchange rate can result in a foreign currency gain or loss of \$254,000.

9. Management of Capital:

The company's objectives when managing capital is to ensure there are sufficient funds available to carry out its research, development and commercialization programs. To date, the programs have been funded primarily through the sale of equity and convertible debt securities and the conversion of common share purchase warrants, and stock options. The company also sources

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9. Management of Capital (continued):

non-dilutive funding by accessing grants, government assistance, and through partnerships with corporations and research institutions.

In managing capital, the Company estimates its future cash requirements by preparing a budget and a multiyear plan annually for review and approval by the Company's Board. The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities. The multi-year plan estimates future activity along with the potential cash requirements and is based on the Company's assessment of its current clinical trial progress along with the expected results from the coming year's activity. Budget to actual variances are prepared quarterly and reviewed by the Company's management and the Board of Directors. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, convertible debt and common share purchase warrants that upon exercise are converted to common shares. Management regularly monitors the capital markets attempting to balance the timing of issuing additional equity with the Company's progress through its clinical trial program, general market conditions, and the availability of capital. There are no assurances that funds will be made available to the Company when required.

The Company is exposed to certain restrictive covenants related to the convertible debenture financing on its cash and cash equivalents and short-term investments. The Company is required to have at all times available cash of at least (i) \$20,000,000 as of December 31, 2007; (ii) \$15,000,000 as of March 30, 2008; (iii) \$10,000,000 as of June 30, 2008; and (iv) \$10,000,000 as of September 30, 2008, unless the outstanding principal and accrued interest related to the convertible is less than these values. As of July 31, 2008, the Company has met its available cash covenants.