SERNOVA CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – prepared by management)

JANUARY 31, 2008

Unaudited Interim Financial Statements

Notice

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended January 31, 2008.

SERNOVA CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited – prepared by management)

	January 31, 2008	October 31, 2007
ASSETS		
Current		
Cash and cash equivalents	$ 1,392,183	$ 1,800,205
Receivables	51,106	61,591
Prepaid expenses	11,866	17,425
	1,455,155	1,879,221
Equipment	7,652	8,307
Intangible assets (Note 3)	5,187,664	5,344,898
	$ 6,650,471	$ 7,232,426
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 10,321	$ 34,286
Shareholders' equity		
Capital stock (Note 4)	17,232,857	17,232,859
Contributed Surplus (Note 4)	1,372,266	1,307,075
Deficit	(11,964,973)	(11,341,794)
	6,640,150	7,198,140
	$ 6,650,471	$ 7,232,426

Nature and continuance of operations (Note 1)
Subsequent events (Note 10)

On behalf of the Board:

"Dr. George Adams" Director "Dev Randhawa" Director

The accompanying notes are an integral part of these financial statements.

SERNOVA CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE MONTHS ENDED JANUARY 31
(Unaudited – prepared by management)

	2008	2007
GENERAL AND ADMINISTRATIVE EXPENSES		
Amortization	$ 653	$ 133
Business development	34,265	942
Conferences	6,176	-
Consulting fees	30,737	81,973
Office and miscellaneous	14,044	13,153
Patent amortization	188,067	119,861
Professional fees	18,908	91,026
Regulatory/Filing fees	1,000	-
Rent	2,819	-
Research	241,799	132,875
Shareholder communications	1,331	3,735
Stock based compensation (Note 4)	65,191	8,424
Transfer agent	1,450	2,193
Travel	1,910	-
Wages	35,846	-
	(644,196)	(454,315)
OTHER ITEMS		
Foreign currency loss	(4,597)	-
Interest income	16,576	27,609
Royalty income	9,038	13,398
	21,017	41,007
Loss for the period	(623,179)	(413,308)
Deficit, beginning of period	(11,341,794)	(7,764,042)
Deficit, end of period	$ (11,964,973)	$ (8,177,350)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	56,797,358	50,305,483

The accompanying notes are an integral part of these financial statements.

SERNOVA CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JANUARY 31
(Unaudited – prepared by management)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (623,179)	$ (413,308)
Items not affecting cash		
Amortization	653	133
Patent amortization	188,067	119,861
Stock based compensation	65,191	8,424
Changes in non-cash working capital items:		
Decrease (increase) in receivables	10,485	(73,671)
Decrease in prepaid expenses	5,559	-
Decrease in accounts payable and accrued liabilities	(23,965)	(63,345)
Net cash used for operating activities	(377,189)	(421,906)
CASH FLOWS FROM INVESTING ACTIVITIES		
Patents and trademarks	(30,833)	-
Net cash used for investing activities	(30,833)	-
Change in cash and equivalents during the period	(408,022)	(421,906)
Cash and equivalents, beginning of period	1,800,205	2,874,736
Cash and equivalents, end of period	$ 1,392,183	$ 2,452,830

Supplemental disclosure with respect to cash flows (Note 6)

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Sernova Corp. (formerly Pheromone Sciences Corp.) (the "Company") was incorporated under the Company Act (British Columbia) on August 19, 1998. Effective May 29, 2001, the Company was continued under the Canada Business Corporations Act.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Sertocell Biotechnology (US) Inc. ("Sertocell") and Sertonex Inc. ("Sertonex"). All significant inter-company balances and transactions have been eliminated.

Pursuant to the definitive agreement for the sale of its proprietary technology in fiscal 2004, the Company retains a graduated royalty on world wide sales of the fertility monitor and any related products stemming from the Fertilité-OV™ fertility monitor and accompanying technology and patents until the earlier of expiry of the patents or 2014.

The interim period financial statements have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Corporation's latest annual filing. In the opinion of the Corporation, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Going Concern

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing which would assure continuation of the Company's operations and research programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

	January 31, 2008	October 31, 2007
Working capital	$ 1,444,834	$ 1,844,935
Deficit	(11,964,973)	(11,341,794)

2. ACQUISITION OF SUBSIDIARY

The Company acquired an option to purchase 100% of the issued and outstanding common shares of Sertonex, a privately held company, in consideration of the staged issuance of 6,945,000 common shares of the Company and the completion of an aggregate of $3,500,000 in equity financing. The common shares issued pursuant to the acquisition agreement are subject to time release escrow agreements, of which 50% are performance based escrow shares that are considered compensatory in nature. The compensatory escrow shares are released in accordance with the performance criteria disclosed in Note 4 and do not comprise acquisition costs.

On August 9, 2006, the Company acquired 66.67% of the issued and outstanding shares of Sertonex, in consideration for the issuance of 4,630,000 common shares of the Company, of which 3,472,500 are compensatory and 1,157,500 are non-compensatory, and completed $2,000,000 of the required $3,500,000 equity financing. The acquisition was accounted for using the purchase method.

Total cost of acquisition was $594,540 consisting of the issuance of 1,157,500 non-compensatory common shares valued at $463,000 and transaction costs of $131,540. The operating results of Sertonex were recognized in the consolidated statement of operations beginning on August 9, 2006, the effective date of the first acquisition.

The allocation of the purchase price to the assets and liabilities of Sertonex are as follows:

Cash	$	1,941
Equipment		6,115
Due to related parties		(11,921)
Accounts payable		(19,251)
Intellectual property		617,656
	$	594,540

On July 26, 2007, the Company acquired the remaining 33.33% of the issued and outstanding shares of Sertonex, in consideration for the issuance of 2,315,000 non-compensatory common shares of the Company, valued at $1,574,200. The purchase cost of $1,574,200 has been allocated entirely to intellectual property. The Company also completed the remaining $1,500,000 of the required $3,500,000 equity financing. As of July 26, 2007, all requirements were met for 100% ownership of Sertonex.

3. INTANGIBLE ASSETS

	January 31, 2008			October 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patent licenses	$ 4,081,106	$ 726,504	$ 3,354,602	$ 4,050,273	$ 597,599	$ 3,452,674
Intellectual property	2,191,856	358,794	1,833,062	2,191,856	299,632	1,892,224
	$ 6,272,962	$ 1,085,298	$ 5,187,664	$ 6,242,129	$ 897,231	$ 5,344,898

In April 2007, the Company completed its option to purchase licenses and sublicenses on patents in consideration for the issuance of 6,527,500 common shares of the Company valued at $2,611,000 and payment of $1,142,312. The Company also incurred transaction costs of $143,868 and certain future royalty payments to complete acquisition.

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
An unlimited number of common shares, without par value			
Balance as at October 31, 2006	50,305,483	13,128,789	746,868
Exercise of warrants	4,036,375	2,421,825	-
Exercise of options	140,500	108,045	(54,245)
Shares issued on acquisition (Note 3)	2,315,000	1,574,200	-
Stock-based compensation	-	-	614,452
Balance as at October 31, 2007	56,797,358	17,232,859	1,307,075
Stock-based compensation	-	-	65,191
Balance as at January 31, 2008	56,797,358	$ 17,232,859	$ 1,372,266

Private placements

In May, 2006, the Company issued 8,072,750 units at $0.40 per unit for gross proceeds of $3,229,100 pursuant to a non brokered private placement. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at $0.60 until May 16, 2008. The Company has the right to force the exercise of the warrants if the stock trades at a 10-day moving average above $1.00 per share. In connection with the placement, the Company paid finder's fees of $119,385 and administration fees of $3,200.

In April 2007, the Company exercised its right to force the exercise of the remaining warrants.

Escrow shares

Included in the escrow shares at January 31, 2008 are 9,125,250 common shares also which were subject to time release escrow agreements and will not be released, transferred or assigned without the consent of the regulatory authorities.

Performance escrow shares

Included in issued capital stock and part of the escrow shares mentioned above at January 31, 2008 are 3,472,500 common shares subject to a performance based release as follows:

a) 1,736,250 common shares on the date the Company receives approval from authorities for the initiation of human trials for a licensed product;

b) 1,736,250 common shares on the date the Company enrolls the first patient in a Phase 3 human clinical efficacy trial for a licensed product.

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Warrants and stock options

Stock option and warrant transactions are summarized as follows:

	Stock options			Warrants		
	Number of Shares		Weighted Average Exercise Price	Number of Shares		Weighted Average Exercise Price
Balance outstanding, October 31, 2006	4,070,000	$	0.39	4,036,375	$	0.60
Granted	785,000		0.72	-		-
Exercised	(140,500)		0.38	(4,036,375)		0.60
Balance outstanding, October 31, 2007 and January 31, 2008	4,714,500	$	0.44	-	$	-
Number currently exercisable	3,205,334	$	0.54	-	$	-

The following table summarizes information about the stock options outstanding at January 31, 2008:

	Number of Shares	Exercise Price	Expiry Date
Options	150,000	$0.13	March 30, 2010
	30,000	0.16	January 3, 2010
	2,339,500	0.40	March 20, 2011
	1,410,000	0.40	September 11, 2011
	300,000	0.40	November 22, 2011
	335,000	0.88	June 22, 2012
	150,000	1.00	June 22, 2012
Total	4,714,500		

Stock-based Compensation

The Company used the Black-Scholes option pricing model to determine the fair value of options granted. During the three months ended January 31, 2008, the Company granted Nil (2007 – 300,000) options with a weighted average fair value of $Nil (2007 - $0.40) per option, which is being recognized over the vesting periods of the options. Total stock-based compensation recognized in the Statement of Operations and Deficit for the three months ended January 31, 2008 was $65,191 (2007 – $8,424). This amount represents the value of vested options.

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Warrants and stock options (cont'd…)

The fair value of stock options has been estimated with the following assumptions:

Three months ended January 31	2007	2006
Dividend yield	-	$0.00
Expected volatility	-	53.87%
Risk free interest rate	-	3.88%
Expected life of options	-	5 years

5. COMMITMENTS

Pursuant to an agreement with a certain shareholder, the Company has exclusive rights to use certain patents and technology utilized in the Fertilité-OV ™. Under the agreement, the shareholder earns a royalty of 2% of cumulative revenues in excess of $1.5 million to a maximum lifetime royalty of $570,000. The shareholder will retain a security interest over the patents until the royalty is paid in full.

6. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO THE STATEMENTS OF CASH FLOWS

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	January 31, 2008	October 31, 2007
Cash	$ 90,833	$ 65,145
Short-term investments	1,301,350	1,735,060
	$ 1,392,183	$ 1,800,205

7. RELATED PARTY TRANSACTIONS

The Company paid or accrued the following amounts to related parties:

Three month period ended January 31	2008	2007
Consulting fees	$ 26,250	$ 39,000

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Amounts due to related parties are non-interest bearing, unsecured and have no specific repayment terms.

8. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by management, in deciding how to allocate resources in assessing performance. All of the Company's operations are within research and development in the biotechnology sector with all of the Company's capital assets located in Canada.

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

10. SUBSEQUENT EVENT

Subsequent to January 31, 2008, the Company granted 375,000 stock options at $0.30 per share exercisable for a period of 5 years.

Form 51-102F2

SERNOVA CORP.

Management's Discussion and Analysis of Results of Operations and Financial condition for the three months ended January 31, 2008.

The following discussion and analysis should be read in conjunction with the unaudited financial statements and related notes January 31, 2008. This discussion and analysis provides an update to the Management's Discussion and Analysis ("MD&A") and financial statements contained in the audited, October 31, 2007 year end report and financial statements.

The information in this MD&A contains forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements.

The information contained in this report is made as of March 17, 2008.

Performance Summary and Update

On May 25, 2006 the Company announced it had received TSX Venture Exchange approval for the joint venture and financing agreement with Sertonex Inc. (Sertonex) of London Ontario and Sertoli Technologies Inc. (STI) of Tucson Arizona. The purpose of the joint venture is to develop a commercially viable treatment for Type 1 human diabetes using transplanted devices containing porcine cells. The technology is branded as "Sertolin" and is the Company's primary focus.

The Company's efforts and expenditures have been centered around building animal model data through research to support regulatory approval of clinical (human) trials of Sernova's Sertoli cell technology. The Company is planning to file an Investigational New Drug (IND) application with the United States Food and Drug Administration (FDA), or other relevant regulatory agency, once management believes it has enough safety and efficacy data. The Company expects to have adequate data to make an IND application in 2008 and begin clinical trials shortly after IND approval. Sernova's management, in conjunction with its Scientific Advisory Committee and FDA consultants, periodically reviews and revises its regulatory approval strategy as needed.

On March 17, 2008 the Company announced it would be meeting with the FDA on April 25, 2008 regarding Sertolin. This formal, pre-IND meeting is Sernova's first step in seeking IND approval, and will provide Sernova with the opportunity to present its experimental data on Sertolin, obtain feedback on its pre-clinical data package, and receive the FDA's perspective on its proposed clinical strategy.

With the completion of its large-scale animal efficacy study on Sertolin, announced on December 10, 2007, Sernova is now focusing on completing the scale-up and design of the chamber for human application, finalizing arrangements to secure porcine cells for human trials, and continuing to monitor the long-term animal studies.

Performance Summary and Update (cont'd…)

One July 26, 2007, the Company exercised its right to acquire the final one third of the project and issued the final tranche of 2,315,000 shares to Dr. White and Mr. Leushner. These shares are subject to timed escrow release as shown in the table below, and the same earn out escrow provisions described below.

The escrow terms of the timed escrow agreement with White and Leushner is shown below.

Release Dates	Total Number of Escrowed Securities to be Released
Aug. 9, 2006	463,000
February 9, 2007	694,500
July 26, 2007	231,500
Aug. 9, 2007	694,500*
January 26, 2008	347,250
February 9, 2008	694,500*
July 26, 2008	347,250
Aug. 9, 2008	694,500*
January 26, 2009	347,250
February 9, 2009	694,500*
Aug. 9, 2009	694,500*
July 26, 2009	347,250
January 26, 2010	347,250
July 26, 2010	347,250
Total	6,945,000

* In the above table, share releases with an asterisk are further restricted in escrow by earn out provisions as follows:

Performance Summary and Update (cont'd…)

The Shares will be released from escrow on the following basis:

(i) 1,736,250 shares on the date that Sernova or an affiliate receives approval from the United States FDA (or its foreign equivalent in Canada, Europe or Japan) of an investigational new drug application or other appropriate regulatory application, as applicable, (or its foreign equivalent in Canada, Europe or Japan) for the initiation of human clinical trials for a Licensed Product;

(ii) the balance of 1,736,250 shares on the date that Sernova or an affiliate enrols the first patient in a Phase 3 human clinical efficacy trial (or its foreign equivalent in Canada, Europe or Japan) for a Licensed Product;

provided the Escrow Agent receives a declaration of the Company, in each instance, that the conditions for the release have been met.

As part of the a joint venture agreement, STI exclusively licensed to Sernova all patents, and patent applications for the therapeutic use of Sertoli cell technology, the key component of Sertolin. In exchange, Sernova issued to STI 6,527,500 common shares and a licensing fee of $1,142,312, and certain other future royalties on income related to the patents. The payment shares are subject to a 3 year timed escrow agreement. STI is controlled by Research Corporation Technologies, Inc. The escrow terms of the timed escrow agreement with STI is shown below.

Release Dates	Total Number of Escrowed Securities to be Released
Aug. 9, 2006	652,750
February 9, 2007	979,125
Aug. 9, 2007	979,125
February 9, 2008	979,125
Aug. 9, 2008	979,125
February 9, 2009	979,125
Aug. 9, 2009	979,125
Total	6,527,500

Performance Summary and Update (Cont'd…)

At the Annual General Meeting held on April 19, 2007 the shareholders elected 6 directors to the Board: Dr. George Adams, Charles Allard, Dr. William Cochrane, Justin Leushner, Devinder Randhawa and Dr. Eldon Smith. At the subsequent Board of Directors meeting the following appointments were made:

- George. Adams - Chairman of the Board;
- Devinder Randhawa - Vice-Chairman of the board;
- Justin Leushner - President and CEO;
- Patrick Groening - Corporate Secretary and CFO
- Phil Morehouse – Executive Vice President

On December 10, 2007 the Company announced that Charles Allard had resigned from the board due time pressures related to his other business ventures.

To help guide the diabetes research efforts the Company has a Scientific Advisory Board chaired by Dr. David White. Dr. White is Sernova's principal researcher on its diabetes project. He is a noted immunologist, formerly a professor at Cambridge University in England and now Professor of Xenotransplantation at the University of Western Ontario.

Also on the Scientific Advisory Board are Dr. Norman Wong, co-founder of Resverlogix and a Professor in the Departments of Medicine and Biochemistry & Molecular Biology at the University of Calgary, Dr. Jannette Dufour, an expert in Sertoli cells and Assistant Professor in the Department of Cell Biology and Biochemistry at Texas Tech University Health Sciences Center, Dr. Clive Patience a leading expert on biological safety of xenotransplants and currently Associate Director of Bioanalytical Quality Control at Biogen Idec. Inc., Dr. George King, an award winning diabetologist who is the Director of Research and Head of the Vascular Cell Biology Section at Joslin Diabetes Center, and a Professor of Medicine at Harvard Medical School, and Dr. Shinichi Matsumoto, a pancreatic islet transplant expert and Director of the Baylor All Saints Islet Cell Laboratory at the Baylor Research Institute.

The Company is also receiving cash royalty payments from the July 2004 sale of its fertility monitor technology to HealthWatchSystems Inc. The product is branded as OV-Watch™, and is sold on the Internet and in selected markets in the USA. Further details of the transaction are contained in the October 31st, 2004 Year-End Financial Statement Foot Notes, Note Number 12.

Results of Operations

The Company continues to focus on research and development and as such has incurred losses since its inception. For the three months ended January 31, 2008 the company recorded a loss of $623,179 or $0.01 per share versus a loss of $413,308 or $0.01 per share for the three months ended January 31, 2007. Of the current loss recorded for the period, $65,191 is related to the non-cash expense from stock based compensation. Not including stock based compensation, the net loss for the period would be $557,988. General and administrative expenses for the three months ended January 31, 2008 were $644,196 compared to $454,315 for the three months ended January 31, 2007.

Summary of Quarterly Results

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2006	Net loss	(98,315)	(451,772)	(107,385)	(585,228)
	Net loss per share	(0.01)	(0.01)	(0.01)	(0.01)
2007	Net loss	(413,308)	(1,119,456)	(1,055,777)	(1,003,679)
	Net loss per share	(0.01)	(0.02)	(0.02)	(0.01)
2008	Net loss	(623,179)			
	Net loss per share	(0.01)			

Selected Annual Information

	2007	2006	2005
Loss for the year	$ (3,592,220)	$ (1,242,700)	$ (433,564)
Total assets	7,232,426	6,248,234	491,662
Total liabilities	34,286	122,151	242,238
Shareholders' equity	7,198,140	6,126,083	249,424
Basic and diluted loss per share	$ (0.07)	$ (0.04)	$ (0.02)

Outstanding Share Data

As at March 17, 2008, the Company has 56,797,358 common shares issued and outstanding. The Company also has a total of 5,089,500 outstanding stock options comprised of 4,049,500 options priced at $0.40 a share, 375,000 at $0.30 per share, 30,000 at $0.16 per share, 150,000 at $0.13 per share, 150,000 at $1.00, and 335,000 at $0.88. There are no outstanding warrants.

Liquidity and Capital Resources

As at January 31, 2008, the Company had cash of $1,392,183 compared to $1,800,205 as at October 31, 2007. Cash used for operations in the three months ended January 31, 2008 was $377,189 compared to $421,906 for the three months ended January 31, 2007.

Going Concern

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing which would assure continuation of the Company's operations and research programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

	January 31, 2008	October 31, 2007
Working capital	$ 1,444,834	$ 1,844,935
Deficit	(11,964,973)	(11,341,794)

Financing

In May, 2006, the Company issued 8,072,750 units at $0.40 per unit for gross proceeds of $3,229,100 pursuant to a non brokered private placement. In connection with the placement, the Company paid finder's fees of $119,385 and administration fees of $3,200. Each unit consisted of one common share and one-half of one common share purchase warrant. Each warrant entitled the holder to acquire one common share at $0.60 for a period of two years. In the event the Company's common shares traded at a 10-day moving average above $1.00 per share, the Company had the right terminate any unexercised warrants on thirty days notice. With those conditions being met, on April 4, 2007 all warrant holders were notified that the warrant expiry date was being amended to May 7, 2007. All warrants were subsequently exercised and the Company received funds of $2,421,825.

Transactions with Related Parties

During the three months ended January 31, 2008, the Company paid $7,500 to Patrick Groening, the Chief Financial Officer of the Company for his services. Consulting fees in the amount of $18,750 were paid to a company controlled by Phil Morehouse, the Executive Vice President of the Company.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. Amounts due to related parties are non-interest bearing, unsecured and have no specific repayment terms.

Financial instruments

Effective November 1, 2006, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861 Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measures in the balance sheet either at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

Financial Instruments (Cont'd….)

As a result of the adoption of these new standards, the Company has classified its cash equivalents as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities, which are measured at amortized cost.

There were no transitional adjustments on the adoption of the financial instruments standard.

New and Upcoming Accounting Pronouncements

Assessing Going Concern

The AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

Financial Instruments

The AcSB issued CICA Handbook Section 3862, *Financial Instruments – Disclosures,* which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement,* Section 3863, *Financial Instruments – Presentation,* and Section 3865, *Hedges.* This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The AcSB issued CICA Handbook Section 3863, *Financial Instruments – Presentation,* which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

New and Upcoming Accounting Pronouncements (Cont'd…)

Capital Disclosures
The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Accounting Changes

The AcSB issued CICA Handbook Section 1506. The main features of this new standard are (a) voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information; (b) changes in accounting policy are applied retrospectively unless doing so is impracticable (as defined in the section); (c) prior period errors are corrected retrospectively; and (d) new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. This new standard is effective for fiscal years beginning on or after January 1, 2007.

Disclosure Controls and Procedures

Sernova Corp. maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to Multilateral Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. Sernova Corp's Chief Executive Officer and Chief Financial Officer have evaluated Sernova Corp's disclosure controls and procedures as of October 31, 2007 and concluded that the current disclosure controls and procedures are effective.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible to ensure that information disclosed externally, including the financial statements and MD&A, is complete and reliable. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that they are operating effectively.

It is important to recognize that the Company has very limited administrative staffing. As a result, internal controls which rely on segregation of duties in many cases are not appropriate or possible. The Company relies heavily on senior management review and approval to ensure that the controls are effective as possible.

During the year ended October 31, 2007, the Company made changes to its systems of internal controls that did not materially affect internal control over financial reporting.

Subsequent Event

Subsequent to January 31, 2008, the Company announced it had granted 375,000 stock options at $0.30 per share exercisable for a period of 5 years.