



SERNOVA CORP.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED JANUARY 31, 2015 and 2014

**(Expressed in Canadian Dollars)
(Unaudited)**

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The Stiller Centre, Suite 114
London, ON N6G 4X8
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These unaudited interim condensed consolidated financial statements of Sernova Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

SERNOVA CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
(Unaudited)
AS AT

	Note	January 31, 2015	October 31, 2014
ASSETS			
Current assets			
Cash		\$ 401,273	\$ 463,808
Short-term investments		2,649,176	2,952,902
Amounts receivable	4	10,967	114,723
Prepaid expenses		<u>17,569</u>	<u>41,808</u>
Total current assets		<u>3,078,985</u>	<u>3,573,241</u>
Non-current assets			
Equipment and furniture, net	5	16,385	14,791
Intangible assets, net	6	<u>224,340</u>	<u>433,040</u>
Total non-current assets		<u>240,725</u>	<u>447,831</u>
Total assets		<u>\$ 3,319,709</u>	<u>\$ 4,021,072</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	<u>\$ 144,308</u>	<u>\$ 240,087</u>
Total current liabilities		<u>144,308</u>	<u>240,087</u>
EQUITY			
Common shares	8	26,701,016	26,701,016
Warrants	8	923,863	923,863
Contributed surplus	8	2,974,443	2,949,733
Deficit		<u>(27,423,921)</u>	<u>(26,793,627)</u>
Total equity		<u>3,175,401</u>	<u>3,780,985</u>
Total liabilities and equity		<u>\$ 3,319,709</u>	<u>\$ 4,021,072</u>

Corporate information (Note 1)
Commitments and contingencies (Note 11)

Approved and authorized by the Board on March 26, 2015:

<u>“Frank Holler”</u>	Director	<u>“Dr. Philip Toleikis”</u>	Director
Frank Holler		Dr. Philip Toleikis	

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED

	Note	January 31, 2015	January 31, 2014
EXPENSES			
Research and development	10	\$ 461,854	\$ 435,710
General and administrative	10	<u>176,789</u>	<u>173,214</u>
Total operating expenses		<u>638,643</u>	<u>608,924</u>
OTHER ITEMS			
Finance income		(8,986)	(15,461)
Finance costs		<u>637</u>	<u>642</u>
Net finance income		<u>(8,349)</u>	<u>(14,819)</u>
Loss and comprehensive loss for the period		<u>\$ 630,294</u>	<u>\$ 594,105</u>
Weighted average number of common shares		131,477,831	129,643,636
Basic and diluted loss per common share		\$ (0.00)	\$ (0.00)

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED

	January 31, 2015	January 31, 2014
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Loss for the period	\$ (630,294)	\$ (594,105)
Non-cash items:		
Depreciation of equipment and furniture	1,220	1,221
Patent licence and intellectual property amortization	224,425	181,399
Share-based compensation	24,710	23,745
Interest accrued on short-term investments	(8,850)	(15,461)
	<u>(388,789)</u>	<u>(403,201)</u>
Changes in non-cash working capital balances:		
Amounts receivable	103,756	13,691
Prepaid expenses	24,239	90,206
Accounts payable and accrued liabilities	(95,778)	(37,091)
Changes in working capital balances:	<u>32,215</u>	<u>66,806</u>
Net cash used in operating activities	<u>(356,572)</u>	<u>(336,395)</u>
INVESTING ACTIVITIES		
Short-term investments, net	312,576	306,635
Acquisition of equipment	(2,814)	--
Acquisition of patent rights	(15,725)	(22,640)
Net cash provided by investing activities	<u>294,037</u>	<u>283,995</u>
Decrease in cash during the period	(62,535)	(52,400)
Cash, beginning of period	<u>463,808</u>	<u>273,605</u>
Cash, end of period	<u>\$ 401,273</u>	<u>\$ 221,205</u>

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Expressed in Canadian dollars)

(Unaudited)

	<u>Common Shares</u> (Note 8)		<u>Warrants</u> (Note 8)				
	Number	Amount	Number	Amount	Contributed Surplus	Deficit	Total
Balance, October 31, 2014	131,477,831	\$ 26,701,016	31,053,263	\$ 923,863	\$ 2,949,733	\$ (26,793,627)	\$ 3,780,985
Loss and comprehensive loss for the period	-	-	-	-	-	(630,294)	(630,294)
Transactions with owners of the Company, recognized directly in equity							
Share-based compensation (Note 8)	-	-	-	-	24,710	-	24,710
Balance, January 31, 2015	131,477,831	\$ 26,701,016	31,053,263	\$ 923,863	\$ 2,974,443	\$ (27,423,921)	\$ 3,175,401
Balance, October 31, 2013	129,643,636	\$ 26,314,323	31,153,263	\$ 929,973	\$ 2,821,895	\$ (24,047,568)	\$ 6,018,623
Loss and comprehensive loss for the period	-	-	-	-	-	(594,105)	(594,105)
Transactions with owners of the Company, recognized directly in equity							
Share-based compensation (Note 8)	-	-	-	-	23,745	-	23,745
Balance, January 31, 2014	129,643,636	\$ 26,314,323	31,153,263	\$ 929,973	\$ 2,845,640	\$ (24,641,673)	\$ 5,448,263

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JANUARY 31, 2015 AND 2014

1. Nature and continuance of operations

Sernova 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.

The Company’s head office is located at 700 Collip Circle, Suite 114, London, Ontario, N6G 4X8. The Company’s registered address is Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 2N7.

Sernova Corp is a regenerative medicine company engaged in the research and development of a commercially-viable treatment for insulin-dependent human diabetes and other metabolic, blood and neurological diseases with therapeutic cells placed into an implanted, prevascularized and scalable medical device (Cell Pouch™) and protected from immune system attack. The cells, as required, produce and release proteins, hormones or other factors needed to treat disease. The Company is focused on the manufacture and clinical evaluation of the Cell Pouch™ for insulin-dependent diabetes, and research and development of the Cell Pouch™ to treat other chronic diseases.

These interim condensed consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses and negative operating cash flows since inception. The ability of the Company to continue as a going concern in the long-term 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. Management believes that the Company has sufficient working capital to maintain its operations for at least the next twelve months.

2. BASIS OF PRESENTATION**(a) Statement of compliance**

These interim condensed consolidated financial statements for the three months ended January 31, 2015 of the Company were prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”).

The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the annual consolidated financial statements for the year ended October 31, 2014 prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by IASB. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements for the three months ended January 31, 2015 should be read together with the annual consolidated financial statements for the year ended October 31, 2014.

The preparation of interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended October 31, 2014. These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 26, 2015.

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JANUARY 31, 2015 AND 2014

2. BASIS OF PRESENTATION (cont'd...)**(b) Basis of measurement (cont'd...)**

These interim condensed consolidated financial statements have been prepared on the historical cost basis, except for held-for-trading financial assets which are measured at fair value. These consolidated financial statements include the accounts of Sernova Corp., Sertocell Biotechnology (US) Inc. (“Sertocell”) and Sertonex, its wholly-owned and controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All significant intercompany transactions and balances have been eliminated.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

(d) Use of estimates and judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions that have been made relate to the following key estimates:

i. Intangible assets – impairment

The application of the Company’s accounting policy for intangible assets expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JANUARY 31, 2015 AND 2014

2. BASIS OF PRESENTATION (cont'd...)**(d) Use of estimates and judgments (cont'd...)**

ii. Intangible assets – useful lives

Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

iii. Share-based compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 8.

3. SIGNIFICANT ACCOUNTING POLICIES**New standards and interpretations not yet effective***IFRS 9, Financial Instruments: Classification and Measurement*

IFRS 9 (2010) reflects the first phase of the IASB's work on the replacement of IAS 39, *Financial instruments: Recognition and Measurement* and deals with the classification and measurement of financial assets and financial liabilities. This standard establishes two primary measurement categories for financial assets, amortized cost and fair value, and eliminates the existing categories of held to maturity, available for sale, and loans and receivables. The new classification will depend on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2017. The Company is reviewing the standard to determine the impact that the adoption of the standard may have on the consolidated financial statements. The classification and measurement of the Company's financial assets is not expected to change under IFRS 9 (2010) because of the nature of the Company's operations and the types of financial assets that it holds.

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE YEAR THREE MONTHS ENDED JANUARY 31, 2015 AND 2014**4. AMOUNTS RECEIVABLE**

	January 31, 2015	October 31, 2014
Government programs receivable	\$ --	\$ 72,214
Sales tax credit receivable	<u>10,967</u>	<u>42,509</u>
	<u>\$ 10,967</u>	<u>\$ 114,723</u>

The Company is eligible for both federal and provincial investment tax credits on its qualifying research activities. Federal investment tax credits are not refundable but can be used to reduce income taxes otherwise payable. Provincial investment tax credits are refundable and these amounts are recorded as an asset in the period in which there is reasonable assurance that such amounts will be received with a corresponding credit to research and development expense. The amounts are subject to a government tax audit and the final amounts received may differ from those recorded. There are no unfulfilled conditions or contingencies associated with the government assistance received.

On March 25, 2013, the Company was awarded a third non-repayable financial contribution of up to \$254,300 from the National Research Council of Canada Industrial Research Assistance Program, along with technical and business orientated advisory services, for the assessment of its local immune protection technology within its Cell Pouch™ for the treatment of chronic disease.

To the end of October 31, 2013, the Company had claimed \$211,500 of the grant receivable, and to the end of October 31, 2014, the Company had claimed the balance of \$42,800, with \$7,808 still receivable as at October 31, 2014. The \$7,808 was received in the three months ended January 31, 2015.

5. EQUIPMENT AND FURNITURE

	Computer Equipment	Office Furniture	Laboratory Equipment	Total
Cost				
Balance, October 31, 2014	\$ 20,323	\$ 735	\$ 12,579	\$ 33,637
Additions	<u>2,814</u>	<u>-</u>	<u>-</u>	<u>2,814</u>
Balance, January 31, 2015	<u>\$ 23,137</u>	<u>\$ 735</u>	<u>\$ 12,579</u>	<u>\$ 36,451</u>
Accumulated depreciation				
Balance, October 31, 2014	\$ 15,590	\$ 235	\$ 3,021	\$ 18,846
Depreciation for the period	<u>591</u>	<u>31</u>	<u>598</u>	<u>1,220</u>
Balance, January 31, 2015	<u>\$ 16,181</u>	<u>\$ 266</u>	<u>\$ 3,619</u>	<u>\$ 20,066</u>
Net carrying amounts				
October 31, 2014	\$ 4,733	\$ 500	\$ 9,558	\$ 14,791
January 31, 2015	<u>\$ 6,956</u>	<u>\$ 469</u>	<u>\$ 8,960</u>	<u>\$ 16,385</u>

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JANUARY 31, 2015

6. INTANGIBLE ASSETS

	Patent Licenses	Intellectual Property	Total
Cost			
Balance, October 31, 2013	\$ 4,526,006	\$ 2,191,856	\$ 6,717,862
Additions	141,393	-	141,393
Balance, October 31, 2014	4,667,399	2,191,856	6,859,255
Additions	15,725	-	15,725
Balance, January 31, 2015	\$ 4,683,124	\$ 2,191,856	\$ 6,740,502
Accumulated amortization			
Balance, October 31, 2013	\$ 3,790,639	\$ 1,861,468	\$ 5,652,107
Amortization for the year	553,850	220,258	774,108
Balance, October 31, 2014	4,344,489	2,081,726	6,426,215
Amortization for the period	169,360	55,065	224,425
Balance, January 31, 2015	\$ 4,513,849	\$ 2,136,791	\$ 6,650,640
Net carrying amounts			
October 31, 2014	\$ 322,910	\$ 110,130	\$ 433,040
January 31, 2015	\$ 169,275	\$ 55,065	\$ 224,340

During fiscal 2006, the Company acquired various licenses and intellectual property on patents from the Sertonex acquisition related to the Sertoli technology. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of these intangible assets to April 30, 2015.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2015	October 31, 2014
Accounts payable	\$ 71,704	\$ 122,411
Accrued liabilities	72,604	117,676
	\$ 144,308	\$ 240,087

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JANUARY 31, 2015

8. COMMON SHARES, WARRANTS AND CONTRIBUTED SURPLUS**Authorized**

Unlimited number of common shares, without par value.

Summary of Financings – three months ended January 31, 2015 and 2014

There was no financing activity during either period.

Performance escrow shares

Included in issued common shares and representing escrow shares as at January 31, 2015 are 3,472,500 (October 31, 2014 – 3,472,500) common shares which will not be released, transferred or assigned without the consent of the regulatory authorities, and which shares are subject to performance-based release terms 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 involving Sertolin™;
- 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 involving Sertolin™.

Any remaining performance-based escrow shares will be cancelled and returned to treasury upon the earlier of (i) August 2016, and (ii) the Company ceasing to hold an interest in the intellectual property, or (iii) the mutual agreement of the Company and the shareholders.

Warrants

The following table summarizes warrants outstanding as at January 31, 2015:

	Number of Warrants	Exercise Price	Expiry Date
Warrants			
	19,395,110	\$0.35	February 28, 2015 ⁽¹⁾
	772,222	\$0.35	March 30, 2015
	885,931	\$0.20	February 19, 2015 ⁽¹⁾
	10,000,000	\$0.35	February 19, 2015 ⁽²⁾
		then at \$0.40	February 19, 2016
	<u>31,053,263</u>		

(1) Subsequent to January 31, 2015, these warrants expired unexercised.

(2) Subsequent to January 31, 2015, the exercise price for these warrants increased to \$0.40 from \$0.35

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JANUARY 31, 2015

8. COMMON SHARES, WARRANTS AND CONTRIBUTED SURPLUS (cont'd...)**Incentive stock option plan**

The Company has adopted an Incentive Stock Option Plan (the "Plan") pursuant to which the Board of Directors may grant stock options to directors, officers, employees or consultants of the Company. The current terms of the Plan, approved by the Company shareholders on April 26, 2013, provides that the maximum number of common shares available for issuance under the plan does not exceed 10% of the Company's issued and outstanding shares at any time. Most options granted have lives of five years from the date of the grant. The vesting schedule of all granted options is determined at the discretion of the Board. The exercise price of the option must not be less than the closing price of the Company's common shares on the TSX Venture Exchange on the trading day immediately preceding the date the option is granted.

There have been no modifications to the Plan during the period presented.

The following table summarizes information about the options outstanding as at January 31, 2015:

	Number of Options	Exercise Price	Expiry Date
Options	225,000	\$ 0.12	September 9, 2015
	250,000	0.20	October 28, 2015
	1,323,750	0.15	October 28, 2015
	460,000	0.14	March 6, 2017
	270,000	0.18	March 6, 2017
	2,190,000	0.18	April 18, 2017
	500,000	0.18	April 19, 2017
	160,000	0.15	September 11, 2015
	300,000	0.15	November 27, 2015
	<u>2,310,000</u>	0.15	January 27, 2019
	7,988,750		

As at January 31, 2015 there were 7,988,750 options outstanding representing 6.1% of the Company's issued and outstanding common shares (October 31, 2014 – 7,988,750 options outstanding representing 6.1%).

Changes in the number of options outstanding during the three months ended January 31 were as follows:

	2015		2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance outstanding, beginning of period	7,988,750	\$0.16	7,675,445	\$0.16
Granted	-	-	3,210,000	\$0.15
Cancelled	-	-	(294,250)	\$0.15
Balance outstanding, end of period	<u>7,988,750</u>	<u>\$0.16</u>	<u>10,591,195</u>	<u>\$0.16</u>
Options exercisable, end of period	<u>7,352,349</u>	<u>\$0.16</u>	<u>7,206,660</u>	<u>\$0.16</u>

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JANUARY 31, 2015

8. COMMON SHARES, WARRANTS AND CONTRIBUTED SURPLUS (cont'd...)**Incentive stock option plan (cont'd...)**

The Black-Scholes model used by the Company to calculate option values was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company's stock options awards. This model also requires highly subjective assumptions, including future stock price volatility, average option life and forfeiture rates which greatly impact the calculated values.

The risk-free interest rate is based on the implicit yield on a Canadian Government zero-coupon issued with a remaining term equal to the expected term of the option. The volatility is based solely on historical volatility equal to the expected life of the option. The life of the option is estimated considering the vesting period at the grant date, the life of the option and the average length of time similar grants have remained outstanding in the past. The forfeiture rate has been assigned a zero rate and is an estimate based on history of the Company stock options. The dividend yield has been assigned a zero value since it is the present policy of the Company to retain all earnings to finance operations and future growth.

The share-based compensation expense was determined based on the fair value of all options at the date of measurement using the Black-Scholes option pricing model with the following weighted-average assumptions:

Three months ended January 31	2015	2014
Dividend yield	n/a	0%
Expected volatility	n/a	143%
Risk free interest rate	n/a	1.7%
Expected life of options	n/a	4.6 years

9. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are the Directors, Chief Executive Officer and President and the Chief Financial Officer.

Amounts due to related parties, including amounts due to key management personnel, at the period-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Included in accounts payable and accrued liabilities at January 31, 2015 is \$69,688 due to management personnel (2014 - \$74,477).

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JANUARY 31, 2015

9. RELATED PARTY TRANSACTIONS (cont'd...)

Compensation for key management personnel for the three months ended January 31 was as follows:

	2015	2014
Salaries, benefits and consulting fees	\$ 86,625	\$ 91,982
Director fees	28,438	-
Share-based compensation	<u>7,739</u>	<u>8,893</u>
Total expense	\$ 122,802	\$ 100,875

Key management personnel control approximately 3.0% of the issued common shares of the Company as at January 31, 2015.

10. STATEMENT OF LOSS AND COMPREHENSIVE LOSS SUPPLEMENTARY INFORMATION

Components of the research and development expenses for the three months ended January 31 were as follows:

	2015	2014
Salaries, supplies and contract payments	\$ 195,651	\$ 237,651
Patent fees and costs	23,619	36,792
Depreciation of equipment and furniture	1,189	1,189
Amortization of intangible assets	224,425	181,399
Share-based compensation	16,971	2,979
Contributions and tax credits	<u>-</u>	<u>(24,300)</u>
Total expense	\$ 461,854	\$ 435,710

Components of the general and administrative expenses for the three months ended January 31 were as follows:

	2015	2014
Salaries, benefits and consulting fees	\$ 51,717	\$ 21,059
Professional fees	23,481	22,620
Director fees and expenses	28,438	-
Investor relations	24,735	42,491
Travel and other costs	40,648	66,247
Depreciation of equipment and furniture	31	31
Share-based compensation	<u>7,739</u>	<u>20,766</u>
Total expense	\$ 176,789	\$ 173,214

SERNOVA CORP.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JANUARY 31, 2015

11. COMMITMENTS AND CONTINGENCIES

The Company is committed to the payment of certain costs under the clinical trial which commenced in fiscal year 2012. The study is a Phase I/II study with a primary endpoint of safety and a secondary endpoint of efficacy. The study is designed to allow for interim analyses at various points as sufficient data are collected. In this study patients will also be followed for a minimum of three years to assess longer-term safety and efficacy of the Cell Pouch™ with transplanted islets. The commitment under the agreement includes the cost of clinical staff and overhead thereon, trial insurance, and may include travel and a portion of drug-or procedure –related expenses or transplantation expenses not covered by insurance. The total commitment over the duration of the trial is expected to be approximately \$1,000,000 but will be impacted by such factors as the rate of enrollment, the province in which the patient resides and the specifics of patient insurance.

The Company is committed to an estimated payment of approximately \$225,000 USD in fees to maintain the patents in good standing for the year ending October 31, 2015. Similar payments will be required for subsequent years.

The Company has an annual commitment of \$40,000 for the rental of laboratory space which is short-term in nature but essentially subject to an annual renewal.