SERNOVA CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Three Months Ended January 31, 2009

The following discussion and analysis explains the variations in the consolidated operating results and financial position and cash flows of the Company for the Three Months Ended January 31, 2009 and 2008. This analysis should be read in conjunction with the interim unaudited Consolidated Financial Statements of the Company and related notes enclosed herein as at January 31, 2009. Such interim unaudited Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar figures are in Canadian dollars unless otherwise indicated. In this report where we say "we", "us", our", or "the Company", we mean Sernova Corp., unless otherwise indicated.

The information in this report is dated as of March 16, 2009.

This MD&A contains "forward looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, forward looking statements can be identified by the use of words such as "may", "will","intend","believe","estimate","consider","expect","anticipate", and "objective" and similar expressions or variations of such words. Forward looking statements are, by their nature, not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward looking statements. No representation or warranty is intended with respect to anticipated future results, or that estimates or projections will be sustained.

Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date of the MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

This discussion and analysis has been reviewed and approved by the Audit Committee of the Board of Directors. The Audit Committee of the Company includes two Directors who are financially knowledgeable.

PERORMANCE 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 ("Joint Venture"). 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 preclinical safety and efficacy data. Sernova's management, in conjunction with its Scientific Advisory Committee and regulatory consultants, periodically reviews and revises its regulatory approval strategy as needed.

On April 25, 2008 the Company met with the U.S. Food and Drug Administration (FDA) to establish definitive requirements for the filing of an Investigational New Drug (IND) application, which is required for the Company to commence human Clinical Trials. After review of Sernova's pre-clinical testing data in rodents to date, the FDA specified the next stage to be a pivotal pre-clinical trial consisting of a single 12 month large-animal trial with clear endpoints, leading to a Phase I/II human Clinical Trial ("Pivotal Trial"). Including trial planning and chamber manufacturing time, the Pivotal Trial is expected to take about 18 months in total to complete and will assess the long-term safety and durable activity of Sertolin.

Prior to commencement of the Pivotal Trial, Sernova has been focusing on required preparations, including the scale-up and design of the chamber for the trial, sourcing and contracting with FDA-GLP contract research facilities ("CRO's") to perform the trial, and finalizing arrangements to secure porcine cells for this trial and future human trials. The Company is also actively seeking additional financing to fund the Pivotal Trial, which will be conducted by outside CRO's at an estimated cost of US$1.4 million to US$3.5 million. The Pivotal Trial has not yet commenced.

On July 26, 2007, the Company exercised its right to acquire the final one-third of the shares of Sertonex as part of the Joint Venture, and issued the final tranche of 2,315,000 common shares to Dr. White and Mr. Leushner. These common 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:

The common shares will be released from escrow on the following basis:

(i) 1,736,250 common 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 common shares on the date that Sernova or an affiliate enrolls 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 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 were 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 are shown below.

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

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 Footnotes, Note 12.

Results of Operations

In the year ended October 31, 2008, the Company continued to focus on research and development and had no products in commercial operations, other than a graduated royalty on world wide sales of the OV-Watch™ fertility monitor and related products as described above and in Note 1 to the interim unaudited Consolidated Financial Statements, and accordingly the Company has incurred losses since its inception. During the current fiscal quarter, the Company suspended research and development activities in light of the current financial condition of the Company, but these research and development activities can be reactivated at any time. For the Three Months Ended January 31, 2009 the company recorded a loss of $278,226 or $0.01 per share versus a loss of $623,179 or $0.01 per share for the corresponding period last year.

Revenue for the Three Months Ended January 31, 2009 was $12,940 compared to $25,614 for the same period in the prior year, a decrease of $12,674 or 49%. The decrease in revenues is principally the result of lower interest income of $559 compared to $16,576 for the prior year arising from reduced cash and term deposit balance year over year as the cash resources were utilized to meet research, development and administrative costs in the period. Royalty income amounted to $9,000 compared to $9,038 for the same period last year.

Office, General and Administration expenses for the Three Months Ended January 31, 2009 were $14,957 compared to $62,995 for the same period in the prior year representing a decrease of $48,038 or 76%. This reduction reflects the decision of management to reduce corporate overheads in light of the Company's cash resources and the decision to suspend the research and development activities. Significant operating costs for the Three Months Ended January 31, 2009 (defined as individual expense categories of approximately 10% of the total costs) included office and miscellaneous costs of $6,796 and travel expenses of $4,138 and shareholder costs of $2,423. Significant operating costs for same period in the prior year included business development costs of $34,265, office and miscellaneous costs of $14,044 and conferences of $6,176.

Amortization of the capital assets and patent assets for the Three Months Ended January 31, 2009 amounted to $203,283 compared to $188,720 for the Three Months Ended January 31, 2008.

Of the loss recorded for the Three Months Ended January 31, 2009, $11,649 is related to the non-cash expense from stock based compensation ($65,191 for the same period in the prior year) which is explained in Note 4 to the interim unaudited Consolidated Financial Statements. The decrease in the expense reflects the situation where most stock options are now fully vested.

Research costs for the Three Months Ended January 31, 2008 were Nil compared to $241,799 for the Three Months Ended January 31, 2007, a decrease of 100%. This decrease reflects the decision to suspend research and development activities as the Company prepares for the Pivotal Trial and attempts to arrange for financing of, and/or collaboration on, this trial. These research and development activities can be reactivated at any time.

No provision for income taxes or income tax recovery on either the current year or prior year earnings has been recorded in the Statement of Operations due to the existence of non-capital losses of $4,152,000 in Canada and $2,709,000 operating losses in the United States as at October 31, 2008. In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependant upon the generation of future taxable income.

Net loss for the Three Months Ended January 31, 2009 was $278,226 compared to a net loss of $623,179 for the same period in the prior year, a decrease of $344,953 or 55% in the level of the loss. The significant portion of this change in the loss can be attributed to the reduction in the research and development costs. Basic and fully diluted loss per share for the Three Months Ended January 31, 2009 was $0.01, compared with the basic and fully diluted loss per share of $0.01 for the Three Months Ended January 31, 2008.

Selected summary data with respect to the statement of operations is set out below:

SUMMARY OF QUARTERLY RESULTS

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
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)	(1,077,250)	(488,993)	(564,063)
	Net loss per share	(0.01)	(0.02)	(0.01)	(0.01)
2009	Net loss	(278,226)			
	Net loss per share	(0.01)			

SELECTED ANNUAL INFORMATION

		2008		2007		2006
Loss for the year	$	(2,753,485)	$	(3,592,220)	$	(1,242,700)
Total assets		5,149,330		7,232,426		6,248,234
Total liabilities		120,841		34,286		122,151
Shareholders’ equity		5,028,489		7,198,140		6,126,083
Basic and diluted loss per share	$	(0.05)	$	(0.07)	$	(0.04)

All financial information is expressed in Canadian dollars, and has been prepared in accordance with Canadian GAAP.

It is anticipated that in the current economic and financial market volatility, management will continue to explore the opportunities to evaluate all committed programs and expenditures especially in light of the limited cash resources. The Company is faced with a significant number of fixed expenditures that will be managed with a focus on the management of available resources and the success in securing new working capital funds.

CASH FLOWS

Cash flows used by the operating loss for the Three Months Ended January 31, 2009 were $63,294 compared with cash flows used by the operating loss of $369,268 for the same period in the prior year, representing an improvement of $305,974 or 83% in the cash used by such operations. This change year over year is the result principally of lower administrative costs and the absence of any research expenditures.

Cash used by working capital balances for the Three Months Ended January 31, 2009 was $61,878 compared with cash used by working capital of $7,921 for the prior year. The change in the Three Months Ended January 31, 2009 arose principally from an increase in prepaid expenses and a reduction in accrued liabilities in the period of $54,585 as management settled the current liabilities as at October 31, 2008 and experienced a reduction in the level of accrued liabilities from lower activity in the period. In the Three Months Ended January 31, 2008, the use of cash for working capital was attributed principally to a reduction in the level of accounts payable and accrued liabilities of $23,965.

Regarding financing activities, there were no activities in the Three Months Ended January 31, 2009 and 2008.

With respect to investing activities, the only activity was cash invested in patents and trademarks which amounted to $10,118 for the Three Months Ended January 31, 2009 compared to $30,833 for the same period in the prior year.

Accordingly, cash resources were reduced by $135,290 for the Three Months Ended January 31, 2009 compared to a reduction in cash resources of $408,022 for the same period in 2008.

LIQUIDITY AND CAPITAL RESOURCES

Over the past fiscal year, management implemented a plan to reduce the operating and research costs and has made further cuts in the costs of operating from the former year. This trend continued in the first quarter as management suspended the research and development activities, which can be reactivated at any time. Notwithstanding such reduced costs, the Company has experienced a reduction in working capital of $73,412 for the Three Months Ended January 31, 2009. Management will continue to explore opportunities to cut its operating costs, to raise additional capital and to find collaborative partners for the commercialization of its technologies.

There are no significant commitments for equipment. Management will manage the investing activities related to patent and trademarks in light of the current cash resources and in the Three Months Ended January 31, 2009 invested $10,118 compared to $30,833 for the same period in the prior year.

The Company is seeking to reduce its commitment to monthly payments of rental space and had no expense recorded for the Three Months Ended January 31, 2009 compared to $2,819 for the same period last year.

As at January 31, 2009, the Company had cash of $326,056 compared to $461,346 as at October 31, 2008. However, the Company may continue to face significant uncertainty relating to liquidity and intends to continue to search for additional sources of capital and working funds for research and administrative costs and to fund the planned Pivotal Trial, and to actively search for collaborative partners for various projects.

The current economic and financial market uncertainty is expected to have an impact on the Company's liquidity position. While the Company does not have available credit facilities, and will not be impacted by the changing environment, it will require cash to fund continuing operations, likely in the form of new capital or debt. It is expected that the current market conditions will negatively impact the ability to raise new capital or debt, and the cost of any new capital or debt that may be raised. The Company has a number of fixed costs and management will be reviewing and assessing all committed capital and administrative expenditures to asses whether such costs can be curtailed or cancelled.

There are no defaults under operating agreements and management does not anticipate any significant risks that there will be such a default in the period to October 31, 2009.

GOING CONCERN

These interim unaudited Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles assuming the Company will continue as 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 operations, the Company remains solely dependant 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 sheet. The interim unaudited Consolidated 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.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is and has experienced negative operating cash flows and needs to invest in continuing patents and trademarks which cannot be met from existing cash balances. The Company will continue to search for new funds and for new collaborative partners for the research but anticipates that the current market conditions may impact the ability to source such funds.

BALANCE SHEET

Total assets as at January 31, 2009 were $4,828,168 compared with $5,149,330 at the end of the Company's last year end, representing a decrease of 7% or $321,162. Substantially all of the decrease is accounted for by the use of cash resources to fund operations and from the amortization of the intangible assets.

Total current assets of $356,901 are reduced from the balance of $484,898 as at October 31, 2008, and reflect the use of such resources to cover operations.

The net book value of equipment of $3,791 in the Company remains relatively unchanged from the balance as at October 31, 2008 and reflects the decision of management not to invest in new additions, and the change in value can be attributed to the amortization of such assets.

The net book value of patents and trademarks as at January 31, 2009 declined to $4,467,476 from $4,659,441 as at the end of the prior year. Additions in the Three Months Ended January 31, 2009 amounted to $10,118 and amortization of $202,083 for the same period accounted for the decrease in net book value.

Accounts payable and accrued liabilities were $66,256 at the year end compared to $120,841 as at October 31, 2008, a decrease of $54,585. The decrease is the result of management's control of its cash resources, reduced expenditures and settlement payments with its trade creditors on a current basis. It is anticipated that all current liabilities as at January 31, 2009 will be settled in the second quarter.

There were no changes in capital stock during the Three Months Ended January 31, 2009 and January 31, 2008.

There were no changes in stock options for the Three Months Ended January 31, 2009 and 2008.

Accordingly, there are 4,384,500 options outstanding to employees, consultants, officers and directors as at January 31, 2009 and October 31, 2008.

The Company has no outstanding warrants as at January 31, 2009 and October 31, 2008.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the Three Months Ended January 31, 2009, the Company paid $10,000 (2008 - nil) to Jeffrey Bacha, a Director of the Company for his services in conducting an internal review of the Company's research and development, financing and partnering activities and strategies.

During the Three Months Ended January 31, 2009 the Company paid $8,425 (2008 - nil) in consulting fees for the services of the new Chief Financial Officer, paid to a company controlled by the officer.

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.

PROPOSED TRANSACTIONS

There is no proposed asset or business acquisition or disposition that the Company's Board of Directors has decided to proceed with, or that senior management believes will be probably confirmed by the Board of Directors.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company adopted the following new accounting policies for its fiscal year beginning November 1, 2008. The adoption of these pronouncements did not effect the Company's financial position or results of operations.

Goodwill and Intangible Assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs and amendments to Accounting Guideline (AcG) 11, Enterprises in the Development Stage and CICA 1000, Financial Statement

Concepts. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The new standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

Assessing Going Concern

AcSB amended CICA Handbook Section 1400 “General Standards on Financial Statement Presentation”, 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.

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be November 1, 2011 and will require the restatement for comparative purposes of amounts reported for the year Ended October 31, 2011. The impact of the transition to IFRS on the Company’s consolidated financial statements has not yet been determined.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at January 31, 2009, the Company has 56,797,358 common shares issued and outstanding.

The Company also has a total of 4,384,500 outstanding stock options outstanding as at January 31, 2009 (2008 – 4,714,500). Details of the number of such options, the exercise price and the expiry dates are outlined in Note 4 to the interim unaudited Consolidated Financial Statements. Of this total, 3,945,000 are exercisable as at January 31, 2009 compared to 3,764,500 as at October 31, 2008.

There are no outstanding warrants.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, short term investments, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted. The Company is subject to any significant financial risk arising from fluctuations in foreign currency exchange rates. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates. (refer to Note 11 in the interim unaudited Consolidated Financial Statements).

RISKS AND UNCERTAINTIES

The Company has a technology that is in the research and development stage and has not yet been approved for commercialization by regulatory authorities in any jurisdiction or marketed commercially. Our business entails significant risks, including the costs and time involved in obtaining the required regulatory approvals, the adequacy of patent protection, the uncertainties involved in clinical testing, the availability of capital to continue commercialization of our products, and competition from pharmaceutical and other biotechnology companies.

Product research and commercialization involves a high degree of risk and returns to investors are dependent upon successful development and commercialization of our products. There can be no assurance that commercialization of any product will be successfully completed or that regulatory approval of any of our products under development will be obtained. Furthermore, there can be no assurance that existing products or new products commercialized by competitors will not be more effective, or more effectively marketed and sold, than any that may be developed by us.

In light of the length of time and expense associated with bringing new products through commercialization, obtaining regulatory approval and bringing products to market, the Company places considerable importance on patent protection for significant discoveries. There can be no assurance that any pending patent application filed by any subcontractor to the Company will mature into issued patents. Furthermore, there can be no assurance that existing or pending patent claims will offer protection against competition, or will not be designed around or infringed upon by others. In addition to this fact, the commercial success will also depend in part on not infringing patents or proprietary rights of others.

Significant funding is required for the ongoing research and development, clinical trials, commercial manufacturing of products and establishment of sales and marketing teams necessary for the launch and on going sales of new products. In addition, major financial resources are necessary until such time as the products are commercialized and sold successfully, and sales are sufficient to generate earnings. We intend to raise additional financing, as required, through research, partnering and licensing arrangements, the exercise of warrants and options, and through equity and/or debt financing. However, there can be no assurance that these financings efforts will be successful or that we will continue to be able to meet our ongoing cash requirements. It is possible that financing will not be available or, if available, may not be on favorable terms. The availability of financing will be affected by the results of our scientific and clinical research, our ability to attain regulatory approvals, the market acceptance of our products, and the state of the capital markets generally (with particular reference to pharmaceutical, biotechnology and medical companies), the status of strategic alliance agreements, and other relevant commercial considerations.

There can also be no assurance that we will be successful in marketing and distributing our products, or that we will be able to make adequate arrangements with third parties for such purposes. There can be no assurance that we will generate revenue or achieve profitability.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These interim unaudited Consolidated Financial Statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and have been approved by the Board of Directors. The integrity and objectivity of these interim unaudited Consolidated Financial Statements are the responsibility of management. In addition, management is responsible for ensuring that this information is consistent, where appropriate, with the information contained in the interim unaudited Consolidated Financial Statements.

In support of this responsibility, the Company's management maintains systems of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These interim unaudited Consolidated Financial Statements may include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis to ensure that the interim unaudited Consolidated Financial Statements are presented fairly in all material respects.

The Company maintains a set of disclosure controls and procedures designed to ensure that the 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. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures as of October 31, 2008 and in the Three Months Ended January 31, 2009, and concluded that the current disclosure controls and procedures are effective.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and has at least one financial expert, and none of its members are involved in the daily operations of the Company. The Audit Committee meets periodically with management and the external auditor to discuss controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual Consolidated Financial Statements with the external auditors.

The Committee reports its finding to the Board for consideration when approving the interim unaudited Consolidated Financial Statements for issuance to shareholders. The Committee also considers, for recommendation by the Board and approval by the shareholders, the reappointment of the external auditors.

Due to the limited number of appropriately qualified staff, there is little segregation of duties within the financial internal control environment of the Company. Functions that would normally be segregated within a typical control environment are performed by one individual and the preparation and authorization of certain activities that would normally be separated are not as only one member of staff is responsible for substantially all of the day-to-day finance functions and the financial reporting of the Company. Due to the lack of segregation of duties, management has identified certain control weaknesses. The Company relies on certain compensating controls, including substantive periodic review of the financial statements, to ensure that disclosure controls and procedures are effective. The Chairman of the Board of Directors and Chief Financial Officer have concluded that disclosure controls and procedures are effective to provide reasonable assurance that all material or potentially material information about the activities of the Company is made known to them by others within the Company.

There are no changes to the critical accounting estimates as a result of the current market conditions that require any special disclosure at this time. Amounts included in the current assets are deemed collectible and do not require adjustment and management is comfortable as to the recoverability of the long term assets as at January 31, 2009.

There have been no significant changes to the Company's internal control environment during the Three Months Ended January 31, 2009 and subsequent to that date that would have materially effected the Company's internal controls over financial reporting.