



NOTICE OF MEETING

AND

MANAGEMENT PROXY CIRCULAR

FOR THE

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD AT 9:00 A.M.

ON WEDNESDAY, APRIL 25, 2018

AT THE OFFICES OF McMILLAN LLP

1500 – 1055 WEST GEORGIA STREET

VANCOUVER, BRITISH COLUMBIA

V6E 4N7

SERNOVA CORP.

**Suite 114, 700 Collip Circle, London, Ontario, N6G 4X8
Telephone 1-519-858-5185 Fax 1-519-858-5099**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the annual meeting (the “Meeting”) of shareholders of Sernova Corp. (the “Corporation”) will be held at the offices of McMillan LLP, 1500-1055 West Georgia Street, Vancouver, British Columbia V6E 4N7 on Wednesday, April 25, 2018, at 9:00 a.m. (Pacific time), for the following purposes:

1. to receive the consolidated financial statements of the Corporation for its fiscal year ended October 31, 2017, the report of the auditor thereon and related management’s discussion and analysis;
2. to elect the directors of the Corporation for the ensuing year;
3. to appoint the auditor of the Corporation for the ensuing year and to authorize the directors to fix the auditor’s remuneration;
4. to consider, as proposed by the Corporation’s Board of Directors (the “Board”), to amend and restate the Corporation’s Option Plan & Deferred Share Unit Plan (the “Incentive Plan”), subject to Exchange approval, a resolution of the disinterested shareholders of the Corporation to increase the rolling number maximum percentage to 15% of Common Shares of the Corporation (the “Common Shares”) issued and outstanding from time to time, that may be reserved for exercise of options pursuant to the Share Option Plan component of the Incentive Plan (the “Option Plan”); and for conversion of Deferred Share Units (“DSUs”) under the Deferred Share Unit Plan (the “DSU Plan”) as such amendment and restatement of the terms of the Incentive Plan is disclosed in the Corporation’s Management Proxy Circular dated March 19, 2018;
5. to consider, as proposed by the Board, a resolution of the disinterested shareholders of the Corporation, to further amend and restate the Incentive Plan, subject to Exchange approval, to increase the fixed number of DSUs available for awards pursuant to the DSU Plan by 3,482,019 DSUs to a maximum fixed number total of 4,796,797 DSUs, and to authorize the Corporation to make Common Shares of the Corporation available for reserve for conversion of such increased maximum number of DSUs pursuant to the DSU Plan, as such amendment and restatement of the terms of the Incentive Plan is disclosed in the Corporation’s Management Proxy Circular dated March 19, 2018;
6. to approve an ordinary resolution for continuation of the rolling Option Plan component of the Incentive Plan until the next meeting of the shareholders of the Corporation, as such Option Plan component is described in the Corporation’s Management Proxy Circular dated March 19, 2018; and

7. to transact such other business as may properly come before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting is set forth in the Management Proxy Circular which accompanies this Notice of Meeting.

DATED at London, Ontario this 19th day of March, 2018.

BY ORDER OF THE BOARD OF DIRECTORS

“Dr. Philip Toleikis”

Dr. Philip Toleikis
President and Chief Executive Officer

NOTES:

1. A Management Proxy Circular and Proxy accompany this Notice of Meeting. Registered shareholders who are unable to be present at the Meeting are kindly requested to specify on the accompanying form of proxy the manner in which the shares represented thereby are to be voted, and to sign, date, and return same in accordance with the instructions set out in the Proxy and the Management Proxy Circular.
2. As provided in the *Canada Business Corporations Act*, the directors have fixed a record date of March 13, 2018. Accordingly, persons who are registered as shareholders on the books of the Corporation at the close of business on March 13, 2018 are entitled to notice of the Meeting.
3. If you are a non-registered shareholder and receive these materials through your broker or another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or intermediary.

SERNOVA CORP.
Suite 114, 700 Collip Circle, London, Ontario, N6G 4X8
Telephone 1-519-858-5185 Fax 1-519-858-5099

MANAGEMENT PROXY CIRCULAR
as at March 13, 2018 *(unless otherwise indicated)*

This Management Proxy Circular is furnished in connection with the solicitation of proxies by the management of Sernova Corp. (the “Corporation”) for use at the annual meeting (the “Meeting”) of its shareholders to be held on April 25, 2018 at the time and place and for the purposes set forth in the accompanying Notice of the Meeting.

In this Management Proxy Circular, references to “the Corporation”, “we” and “our” refer to Sernova Corp. “Common Shares” means common shares without par value in the capital of the Corporation. “Beneficial Shareholders” means shareholders who do not hold Common Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

GENERAL PROXY INFORMATION

Solicitation of Proxies

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Corporation. The Corporation will bear all costs of this solicitation. We have arranged for intermediaries to forward the meeting materials to beneficial owners of the Common Shares held of record by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

Appointment of Proxyholders

The individuals named in the accompanying form of proxy (the “Proxy”) are officers and/or directors of the Corporation. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy.**

Voting by Proxyholder

The persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors,
- b) any amendment to or variation of any matter identified therein, and
- c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Common Shares represented by the Proxy for the approval of such matter and for the nominees of management for directors and auditors as identified in the Proxy.

Registered Shareholders

If you are a registered shareholder, you may wish to vote by proxy whether or not you attend the Meeting in person. Registered Shareholders electing to submit a proxy may do so by completing, dating and signing the enclosed form of proxy and returning it to the Corporation's transfer agent, AST Trust Company ("AST Trust"), addressed to the Secretary of the Corporation c/o AST Trust by email to proxyvote@astfinancial.com or via fax to 866-781-3111 (toll free in North America) or to 416-368-2502, or by mail, Attention: Proxy Department, PO Box 721, Agincourt, Ontario M1S 0A1, or if by hand, by delivery to 1 Toronto St., Suite 1200, Toronto, Ontario, M5V 2V6, at any time up to and including 12:00 noon (Eastern Time), being 9:00 a.m. (Pacific Time) on April 23, 2018.

To vote by internet, use the internet to transmit your voting instructions and for electronic delivery of information. Have this form of proxy available when you access the website of AST Trust at www.astvotemyproxy.com. You will be prompted to enter your 13-digit Control Number which is located near the label at the bottom of the proxy. You may also appoint a person other than the persons designated on this form of proxy by following the instructions provided on the website.

In all cases, to be represented at the Meeting, proxies submitted must be received no later than forty-eight ("48") hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting or adjournment thereof (unless the Chair of the Meeting determines, in the Chair's sole discretion, that proxies may be received by delivery to the Meeting scrutineer at the Meeting).

Beneficial Shareholders

There are two kinds of Beneficial Shareholders: Objecting Beneficial Owners ("OBOs") object to their name being made known to the issuers of securities which they own; and Non-Objecting Beneficial Owners ("NOBOs") who do not object to the issuers of the securities they own knowing who they are.

The following information is of significant importance to shareholders who do not hold Common Shares in their own name. Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by Registered Shareholders (those whose names appear on the records of the Corporation as the registered holders of Common Shares) and NOBOs, or as set out in the following disclosure.

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the names of intermediaries, which include banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans.

In Canada, the majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms), and in the United States, the majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Corporation (which acts as depository for many U.S. brokerage firms and custodian banks).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of meetings of shareholders. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

Voting for Beneficial Shareholders

The Corporation is taking advantage of the provisions of National Instrument 54-101 “*Communication with Beneficial Owners of Securities of a Reporting Issuer*” (“NI 54-101”) that permit the Corporation to deliver proxy-related materials directly to its NOBOs. Please see the above headings “*Registered Shareholders*” and “*Beneficial Shareholders*”.

Beneficial Shareholders who are OBOs do not appear on the list of shareholders of the Corporation maintained by the transfer agent. The Corporation will not pay for intermediaries to forward the proxy related materials for the Meeting to OBOs. Accordingly, any OBOs should note that they will not receive copies of these proxy related materials unless the intermediary for each OBO assumes the delivery costs related in any such delivery. **OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting.**

Notice to Shareholders in the United States

The solicitation of proxies involves securities of an issuer located in Canada and is being effected in accordance with the corporate laws of Canada and securities laws of the Provinces of Canada. The proxy solicitation rules under the United States *Securities Exchange Act of 1934*, as amended, are not applicable to the Corporation or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the Provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the Provinces of Canada differ from the disclosure requirements under United States securities laws.

The enforcement by shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Corporation is incorporated under the *Canada Business Corporations Act* (the “CBCA”) certain of its directors and its executive officers are residents of Canada and a substantial portion or all of its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court.

Revocation of Proxies

In addition to revocation in any other manner permitted by law, a registered shareholder who has given a proxy may revoke it by:

- a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered shareholder or the registered shareholder’s authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to AST Trust (see “*Registered Shareholders*” above), or at the address of the registered office of the Corporation at 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law, or
- b) personally attending the Meeting and voting the registered shareholder’s Common Shares.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year of the Corporation to the date of this Management Proxy Circular, nor any nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors and as set out herein.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The board of directors (the “Board”) of the Corporation has fixed March 13, 2018 as the record date (the “Record Date”) for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

The Corporation is authorized to issue an unlimited number of Common Shares of the Corporation without par value. The Common Shares of the Corporation are listed for trading on the TSX Venture Exchange (the “TSXV”). As of March 13, 2018, there were 159,893,223 Common Shares without par value issued and outstanding, each carrying the right to one vote. The Corporation is also authorized to issue an unlimited number of Preferred Shares. There were no Preferred Shares issued and outstanding as at March 13, 2018. There are no restricted securities, or securities directly, or indirectly, convertible into restricted securities of the Corporation. There is no class of security holders with the right to elect a specified number of directors, or which has cumulative or similar voting rights.

To the knowledge of the directors and executive officers of the Corporation, no person or Corporation beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the issued and outstanding common shares of the Corporation.

VOTES NECESSARY TO PASS RESOLUTIONS

A simple majority of affirmative votes cast at the Meeting is required to pass the ordinary resolutions described herein. If there are more nominees for election as directors or appointment of the Corporation’s auditor than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

The two resolutions of the disinterested shareholders of the Corporation concerning the two separate proposals of the directors to amend and restate the Corporation’s Option Plan and Deferred Share Unit Plan (the “Incentive Plan”) to: (i) increase the maximum rolling number percentage available for reserve under the Incentive Plan; and (ii) increase the fixed number of Deferred Share Units available under the Deferred Share Unit component of the Incentive Plan as set out under *Amend and Restate Share Based Incentive Plan* below, must be passed by a simple majority of votes of disinterested shareholders cast on the disinterested shareholder resolutions, in person or by proxy, at the Meeting. All votes of Insiders cast on such resolution will be removed from the vote tally.

PRESENTATION OF FINANCIAL STATEMENTS

The annual financial statements of the Corporation for the year ended October 31, 2017 together with the auditor's report thereon and the related management discussion and analysis in respect of the foregoing financial statements, all of which may be obtained from SEDAR at www.sedar.com, will be presented at the Meeting.

ELECTION OF DIRECTORS

The term of office of each of the five current directors will end at the conclusion of the Meeting. The directors have determined that there will be five persons elected to the Board at the Meeting. Unless a director's office is vacated earlier in accordance with the provisions of the CBCA, each director elected will hold office until the conclusion of the next annual meeting of the Corporation, or if no director is then elected, until a successor is elected.

The following table sets out the names of management's five nominees for election as directors, all major offices and positions with the Corporation and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment (for the five preceding years for new director nominees), the period of time during which each has been a director of the Corporation and the number of Common Shares of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at March 13, 2018.

Name and Residence of Proposed Directors	Principal Occupation and Present Offices Held ⁽³⁾	Director Since	Common Shares ⁽³⁾
Frank A. Holler ^{(1) (2)} Director, Board Chairman British Columbia, Canada	President & CEO of Ponderosa Capital Inc. since May 2003.	February 2014	50,000
Jeffrey A. Bacha ^{(1) (2)} Director British Columbia, Canada	Co-Founder and previous Chief Executive Officer and Chairman of DelMar Pharmaceuticals, Inc. Current member of DelMar Pharmaceuticals, Inc. board of directors.	October 2008	541,648
Dr. Philip M. Toleikis Director, President and Chief Executive Officer Ontario, Canada	President and Chief Executive Officer of the Corporation since April 2009.	June 2009	4,533,594 ⁽⁴⁾
James T. Parsons ⁽¹⁾ Director Ontario, Canada	Chief Financial Officer of Trillium Therapeutics Inc. since August 2011; Vice President Finance and Corporate Secretary at DiaMedica Therapeutics Inc. from October 2010 to May 2013.	April 2012	164,728
Bruce A. Weber ⁽²⁾ Director Florida, USA	Formerly Vice President, Clinical, Regulatory, and Quality Assurance at InnFocus, Inc. from 2004 until January 2017 when he retired.	April 2012	250,000

Notes:

1. Member of the Audit Committee of the Board.
2. Member of the Compensation Committee of the Board.
3. The information as to principal occupation and shares beneficially owned or over which control or direction is exercised is not within the knowledge of the Corporation, and therefore has been furnished by each director individually.
4. The number of common shares reported by Dr. Toleikis includes 327,737 common shares which are owned indirectly by him through PM Toleikis & Associates Consulting Inc.

No proposed director of the Corporation is to be elected under any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the Corporation acting solely in such capacity.

Director Biographies

Frank A. Holler is currently President & CEO of Ponderosa Capital Inc. He previously served as Chairman & CEO of BC Advantage Funds (VCC) Ltd., a venture capital firm investing in emerging technology companies in British Columbia, from 2004 to 2016; President and CEO of Xenon Pharmaceuticals Inc., a NASDAQ listed, genomics-based drug development company, from 1999 to 2003; President and CEO of ID Biomedical Corporation, a TSX/Nasdaq vaccine development company, from 1991 to 1998; and a founding director of Angiotech Pharmaceuticals, a TSX/ NASDAQ listed biotechnology company, from 1992 to 1997. Prior to working in biotechnology and healthcare, Mr. Holler was a Vice-President of Investment Banking with Merrill Lynch Canada and Wood Gundy Inc. (now CIBC World Markets). In addition to serving on the Corporation's Board, Mr. Holler presently serves on the board of directors of Xenon Pharmaceuticals and the Prevention of Organ Failure Centre at St. Paul's Hospital (Chairman). He was previously a Director of the British Columbia Biotechnology Association from 1992 to 1998, and in 2003 received the BC Biotech Award for Vision and Leadership. Mr. Holler holds an MBA and BA (Economics) from the University of British Columbia.

Jeffrey A. Bacha, BSc, MBA co-founded DelMar Pharmaceuticals in 2010 and led the company's growth through its listing on NASDAQ in 2016 and currently serves as a member of the company's board of directors. Previously he served as the Chief Executive Officer and Chairman of the Company prior to recruiting both a seasoned independent Chair and interim Chief Executive to join the DelMar Pharmaceuticals leadership team. He is a seasoned executive leader with 20 years of life sciences experience in the areas of operations, strategy and finance for biotechnology, pharmaceutical and medical device companies in Canada, the United States and Europe. His experiences include successful public and private company building from both a start-up and turn around perspective; establishing and leading thriving management and technical teams; and raising capital in both the public and private markets. From 2002 through 2005 Mr. Bacha served as President and Founding CEO of Inimex Pharmaceuticals, where he was responsible for establishing the company's research & development team and leading venture capital financing and grant funding efforts which raised more than \$35 million to support the company's research programs. Since 2005 until founding Del Mar Pharmaceuticals, Mr. Bacha has consulted with a number of life sciences companies and served as Executive Vice President, Corporate Affairs and Chief Operating Officer of Clera Inc. He holds an MBA from the Goizueta Business School at Emory University and a degree in BioPhysics from the University of California, San Diego.

Dr. Philip M. Toleikis is currently President and Chief Executive Officer of Sernova Corp since April 2009. From 2006 until 2009, Dr. Toleikis consulted for multiple device, combination product and pharmaceutical companies. From 1996 to 2006 he held multiple roles at Angiotech Pharmaceuticals, Inc. including Vice President, Research and Development - Pharmacology and Drug Screening where he built a product development team of over 50 scientists and was responsible for multiple corporate and academic product development collaborations. While at Sernova, Dr. Toleikis has secured significant capital in various forms of financings, including equity raises and multiple grants including from the National Research Council of Canada, the Juvenile Diabetes Research Foundation and as a member of the HemAcure Consortium European Union Horizon 2020 grant program. He has been responsible for negotiating a worldwide exclusive license agreement with UHN for its stem cell derived technologies focused on an unlimited supply of cells for diabetes indications as well as developing collaborations with pharmaceutical and academic institutions involving its Cell Pouch™ device and cell technologies. Dr. Toleikis has also overseen the clinical development of Sernova's technologies including Sernova's recent FDA IND clearance of the Cell Pouch™ to conduct clinical development of the Cell Pouch™ in the United States. Dr. Toleikis is an author of multiple issued patents including Sernova's international patent portfolio, over 110 additional patent applications, and multiple scientific publications involving transplantation, metabolic, cardiovascular, oncology, and autoimmune disease. He obtained his Ph.D. in Medicine, Pharmacology and

Therapeutics from the University of British Columbia, his M.Sc. at the University of Michigan and B.A. at the University of Vermont. Among a number of volunteer activities he is a speaker at JDRF events, and a volunteer member of the Medway Working Group London, Ontario.

James T. Parsons is currently Chief Financial Officer of Trillium Therapeutics Inc. since August 2011. From 2010 to May 2013 he was Vice President Finance and Corporate Secretary at DiaMedica Therapeutics Inc. Mr. Parsons has a broad background in the life sciences industry across therapeutics, diagnostics and device companies and over 25 years of financial management experience. Mr. Parsons has secured over \$300 million of various forms of financing during his career and has advised and assisted on over \$200 million of product licensing deals. Mr. Parsons also serves on the board of directors of DiaMedica Therapeutics Inc. He has extensive experience in public company governance and compliance. He has a Master of Accounting degree from the University of Waterloo and is a Chartered Professional Accountant and Chartered Accountant.

Bruce A. Weber was most recently, until his retirement in January 2017, Vice President, Clinical, Regulatory, and Quality Assurance at InnFocus, Inc. since 2004. Prior to this appointment, Mr. Weber held a number of senior management positions. These included: Vice President of Product Assurance at Syntheon LLC from 1998-2004 and Vice President, Product Assurance at Corvita Corporation from 1989-1998. Mr. Weber earned a B.S. in biology from Bowling Green State University and an MBA from Nova University.

Cease Trade Orders and Bankruptcies

No proposed director of the Corporation is, as of the date of this Management Proxy Circular, or has been, within the ten years prior to the date hereof, a director or chief executive officer or chief financial officer of any company (including the Corporation) that: (i) was subject to an order that was issued while the proposed director was acting as a director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as disclosed herein, no proposed director of the Corporation is, at the date of this Management Proxy Circular, or has been within ten years before the date of this Management Proxy Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Frank A. Holler is the Chairman and CEO of BC Advantage Funds (“Advantage”), a venture capital fund investing in emerging technology companies. On July 5, 2013 one of Advantage’s publicly traded portfolio companies, Allon Therapeutics, made a proposal to its creditors under the *Bankruptcy and Insolvency Act*, and a reorganization of its share structure was approved by the Supreme Court of British Columbia. Following such approval, all of the issued and outstanding shares of Allon Therapeutics Inc. were acquired by Paladin Labs Inc. The common shares of Allon Therapeutics Inc. were delisted from the Toronto Stock Exchange on June 28, 2013. Mr. Holler was a director of Allon Therapeutics Inc. and ceased to be a director of that company effective July 16, 2013.

On December 23, 2013 a privately held Advantage portfolio company, Contech Enterprises Inc., made a proposal to its creditors under the *Bankruptcy and Insolvency Act*, and a reorganization of its capital structure was approved by the Supreme Court of British Columbia on January 26, 2015. This proposal was intended to facilitate a financing by a new lender and a debt restructuring that, together, would enable the company to carry on its business profitability for the foreseeable future. However on March 6, 2015, the Court of Appeal overturned the approval of the proposal by the Supreme Court and placed the company into bankruptcy. Mr. Holler was a director of Contech Enterprises and ceased to be a director of that company effective March 6, 2015.

Penalties and Sanctions

No proposed director of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Individual Bankruptcies

No proposed director of the Corporation has, within the ten years before the date of this Management Proxy Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

APPOINTMENT AND REMUNERATION OF THE AUDITOR

At the Meeting the Shareholders will be asked to appoint Davidson & Company, Chartered Professional Accountants, to the position of auditor of the Corporation for the ensuing year.

Unless authority to vote is withheld, the persons named in the accompanying form of proxy intend to vote for the appointment of Davidson & Company, Chartered Professional Accountants, as the auditor of the Corporation, to hold office until the next annual meeting of the shareholders, and to authorize the directors to fix the auditor's remuneration.

To be approved, the resolution must be passed by a majority of the votes cast by the holders of Common Shares at the Meeting. **Management recommends a vote "for" in respect of the resolution approving the appointment of the auditor and authorizing the directors to fix the auditor's remuneration.**

AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

National Instrument 52-110 "*Audit Committees*" ("NI 52-110") of the Canadian Securities Administrators requires the Corporation, as a venture issuer, to disclose annually in its Management Proxy Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the following.

Audit Committee Charter

The audit committee has a charter (the "Audit Committee Charter") that sets out its mandate and responsibilities. A copy of the Audit Committee Charter is attached as Schedule "A" to this Management Proxy Circular.

The audit committee is a committee of the Board. All members of the audit committee are independent of the Corporation's management. The audit committee represents the interests of the Corporation's shareholders.

The audit committee is authorized by the Board to:

- a) oversee the process of selecting and appointing the Corporation's external auditor,
- b) oversee the conduct of the audit, and
- c) have primary responsibility for the relationship between the Corporation and its external auditor.

Composition of the Audit Committee

The current members of the audit committee, as of March 13, 2018, are: James T. Parsons (Chair), Jeffrey A. Bacha, and Frank A. Holler, all of whom are independent. All audit committee members are “financially literate” (as defined in NI 52-110).

Responsibilities of the Audit Committee

The audit committee must:

- a) take reasonable steps, at the time the auditor’s appointment is under consideration, to ensure that the auditor is independent of management of the Corporation in accordance with applicable standards,
- b) determine whether the audit fees charged by the auditor appear adequate in relation to the work required to support an audit opinion, without regard to fees that might be paid to the auditor for other services,
- c) meet with the auditor, regularly and when otherwise appropriate, without management present to determine whether there are any contentious issues between the auditor and management relating to the Corporation’s financial disclosure and, if so, whether those issues have been resolved to the auditor’s satisfaction,
- d) establish, and monitor compliance with, the Corporation’s policies regarding (i) the auditor’s providing services beyond the scope of the Corporation’s audit, and (ii) the Corporation’s hiring individuals formerly employed by the auditor to fill senior officer positions of the Corporation, and
- e) annually review the steps it has taken to ensure that the auditor is independent of management of the Corporation, including (i) the policies and procedures followed so that any contracts for non-audit services to be provided by the auditor do not compromise the auditor’s independence, and (ii) the nature of any non-audit service contracts entered into and the amount of the related fees.

Relevant Education and Experience

See disclosure under the above heading “*Election of Directors*” pertaining to relevant education and experience of the audit committee members. Each member of the audit committee has:

- a) an understanding of the accounting principles used by the issuer to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and reserves,
- b) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer’s financial statements, or experience actively supervising individuals engaged in such activities, and
- c) an understanding of internal controls and procedures for financial reporting, as evidenced by their respective experience set out under the above heading “*Election of Directors*”.

Audit Committee Oversight

Since the commencement of the Corporation’s most recently completed financial year, the Board has not failed to adopt a recommendation of the audit committee to nominate or compensate an external auditor.

Reliance on Certain Exemptions

In the financial year ended October 31, 2017 and to the date of this Management Proxy Circular, the Corporation has not relied on exemptions contained in sections 2.4, 6.1.1 or 8.1 of NI 52-110.

Pre-Approval Policies and Procedures

The audit committee has adopted specific policies and procedures for the engagement of non-audit services, and such policies and procedures are set out in the Audit Committee Charter.

External Auditor Service Fees

The fees paid by the Corporation to its auditor in the last two fiscal years, by category, are as follows:

Financial Year Ending	Audit Fees ⁽¹⁾	Audit Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
October 31, 2017	\$27,150	\$Nil	\$Nil	\$Nil
October 31, 2016	\$27,150	\$Nil	\$Nil	\$Nil

Notes:

1. "Audit Fees" include, where applicable, fees necessary to perform the annual audit and the quarterly review of the Corporation's consolidated financial statements. Audit Fees include fees for the review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees include audit and other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
2. "Audit Related Fees" include, where applicable, services that are traditionally performed by the auditor. These audit-related services include employee benefits audits, due diligence assistance, accounting consultants on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
3. "Tax Fees" include, where applicable, fees for all tax services other than those included in "Audit Fees" and "Audit Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes Assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
4. "All Other Fees" includes, where applicable, all other non-audit services.

Exemption

The Corporation is a "venture issuer" as defined under NI 52-110 and, as such, is relying on the exemption in section 6.1 of NI 52-110 relating to Part 5 (*Reporting Obligations*).

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Corporation is a biotechnology research and development corporation that focuses on commercializing technologies in various fields, and is dependent on financing to carry on its business. In order to ensure alignment with shareholder interests, as well as to conserve cash resources, the Corporation relies, when possible and prudent, on stock options and other share compensation arrangements, in addition to cash payments to remunerate its officers, employees, consultants and other service providers. To this end, the Corporation maintains an equity incentive plan, including a stock option plan and a deferred share unit ("DSU") plan, pursuant to which directors, officers, employees and consultants may be granted options to purchase Common Shares and/or DSUs awarding Common Shares. The Corporation does not maintain any pension or retirement plan.

Compensation Committee

The Board has appointed a compensation committee so the responsibilities relating to executive and director compensation, including reviewing and recommending director compensation, overseeing the Corporation's base compensation structure and equity-based compensation program, recommending compensation of the Corporation's officers and employees, and evaluating the performance of officers generally and in light of annual goals and objectives, is performed by the Board on the basis of recommendations of the compensation committee.

The current members of the compensation committee, as of March 13, 2018, are: Jeffrey A. Bacha (Chair), Bruce A. Weber and Frank A. Holler, all of whom are independent directors of the Corporation. See disclosure under the above heading “*Election of Directors*” pertaining to relevant education and experience of the compensation committee members.

The compensation committee assumes responsibility for reviewing and monitoring the long-range compensation strategy for the senior management of the Corporation and reviews the compensation of senior management on at least an annual basis taking into account compensation paid by other issuers of similar size and activity.

Objectives of the Compensation Program

The compensation program for the executive officers of the Corporation is designed with a view that the level and form of compensation achieves the following objectives:

- a) to attract and retain qualified executives,
- b) to motivate and recognize the performance and contributions of these executives, and
- c) to align their interests with those of the Corporation’s shareholders.

The Corporation’s compensation program is in place to ensure it stays comparable with other biotechnology research and development companies at a similar stage of development.

Elements of Compensation

In compensating its executive officers and senior management, the Corporation has employed a combination of short-term incentives (base salary or equivalent consulting fees), bonus and long term incentives (stock option grants and grants of DSUs). The compensation committee is responsible for evaluating the CEO’s performance relative to the Corporation’s annual goals and recommending the compensation package to the Board for review and approval. The CEO is responsible for reviewing annually the base salaries of the other senior officers of the Corporation and their adjustments.

Base Salary

In the view of the compensation committee, paying base salaries which are reasonable in relation to the level of service expected while remaining competitive in the life science markets in which the Corporation operates is a necessary step to attract and retain qualified and experienced executives.

Bonus

The CEO is eligible to receive an annual performance-based cash bonus, which is overseen by the Board. The Board does not consider the applicable periods set for bonus purposes to be heavily weighted to the short-term and believes it has struck an appropriate balance between the short-term performance incentives and longer-term awards that vest over time.

Stock Options and Deferred Share Units

The Corporation believes that encouraging its executives to become shareholders is the best way of aligning their interests with those of its long-term shareholders as the executives are provided with the opportunity in the appreciation of the Corporation’s share price. The Corporation has in place its equity incentive plan, the Option Plan & Deferred Share Unit Plan (the “Incentive Plan”) a combined stock option plan and deferred share unit plan, which was first approved by the Corporation’s shareholders on April 28, 2015 and subsequently at its meeting of the shareholders held on April 29 2016. The Incentive Plan was implemented to provide incentive to officers, directors, employees and consultants to increase their proprietary interest in the Corporation. The

Incentive Plan is administered by the Board. The Board determines the individuals, the number of options, date of the grant and the corresponding exercise price of all grants made under the Incentive Plan. Stock Options and Deferred Share Units (DSUs) granted to NEOs (defined below) take into account a number of factors, including the amount and term of options previously granted, base salary or consulting fees, performance and market comparability.

During the financial year ended October 31, 2017, the Corporation granted the following options to purchase Common Shares to certain officers, employees and consultants of the Corporation.

Date	Number of Options (#)	Option exercise price (\$)	Option expiration date
November 14, 2016	250,000	0.260	November 14, 2026
August 14, 2017	3,735,000	0.250	August 14, 2027

During the financial year ended October 31, 2017, the Corporation granted 239,778 DSUs to certain directors of the Corporation. The Board also approved an amendment to the Company's Option Plan & Deferred Share Unit Plan (the "Incentive Plan") to increase the number of DSUs available by 660,222 to a maximum of 1,975,000. These additional DSUs were conditionally approved and granted subject to the Company obtaining shareholder approval and TSX Venture Exchange approval ("Exchange approval"). Subsequently, on March 19, 2018, the Board approved two further amendments to the Incentive Plan, subject to shareholder and Exchange approval, being: (a) an increase to 15% of the rolling number maximum of Common Shares available for reserve under the Incentive Plan for exercise of Options pursuant to the Option Plan component of the Incentive Plan; and (b) a further amendment to the DSU Plan component of the Incentive Plan to further increase the number of DSUs available by an additional 2,821,797 DSUs to a maximum fixed number total of 4,796,797 DSUs. The new maximum fixed number total of 4,796,797 DSUs represents 3% of the Common Shares at the date hereof.

No additional options or DSUs were granted post the financial year ended October 31, 2017 and to March 19, 2018.

Risk Assessment

In carrying out its mandate, the Board from time to time reviews the risk implications of the Corporation's compensation policies and practices, including those applicable to the Corporation's executives. This review of the risk implications ensures that the compensation plans, in their design, structure and application have a clear link between pay and performance and do not encourage excessive risk taking. Key considerations regarding risk management include the following:

- a) Design of a compensation program to ensure all executives are compensated equally based on the same or, depending on the mandate and term of appointment of a particular executive, substantially equivalent performance goals,
- b) A balance of short-term performance incentives with equity-based awards that vest over time,
- c) Ensuring that the overall expense to the Corporation of the compensation program does not represent a disproportionate percentage of the Corporation's annual budget or financial resources, after giving consideration to the development stage of the Corporation, and
- d) Utilizing compensation policies that do not rely solely on the accomplishment of specific tasks without consideration to longer-term risks and objectives.

For the reasons set forth below, the Board believes that the Corporation's current executive compensation policies and practices achieve an appropriate balance in relation to the Corporation's overall business strategy and do not encourage executives to expose the Corporation to inappropriate or excessive risks.

While an integral feature of the Corporation’s current executive compensation practice is the awarding of stock options or DSU’s under the Incentive Plan, and while such compensation is “at risk” (that is, not guaranteed), the Corporation’s long-term incentive plan is designed such that stock options vest over a two to four year period and therefore encourage sustainable Common Share price appreciation and reduce the risk of actions that may have short-term advantages. Additionally, the granting of stock options and DSUs is in accordance with the terms and provisions of the Corporation’s Incentive Plan.

The base salaries set for the Corporation’s executives are intended to provide a steady income regardless of the share price performance, allowing executives to focus on both near-term and long-term goals and objectives without undue reliance of short-term share price performance or market fluctuations.

Hedging Policy

Per the Corporation’s Insider Trading Policy, all Sernova representatives are prohibited, at any time, from (i) entering into a sale of Sernova securities that they do not own or have a right to own (a speculative practice, called “*selling short*”, which is done in the belief that the price of a stock is going to fall and the seller will then be able to cover the sale by buying the stock back at a lower price); (ii) equity monetization transactions that is the equivalent of “*selling short*”; and (iii) selling a “call option” or buying a “put option” in respect of any Sernova securities (as such persons could profit from Sernova’s stock price falling). Sernova representatives are not prohibited from selling a “put option” or purchasing a “call option”, where they would profit only if the value of Sernova securities increases (meaning there would be no direct conflict with the interest of Sernova or its shareholders). As “puts” and “calls” constitute Sernova securities, both are subject to the usual restrictions on trading with knowledge of undisclosed material information.

Named Executive Officers

The following table sets forth all compensation received by individuals who served as a Named Executive Officer (“NEO”) of the Corporation for the financial years ended October 31, 2017, 2016 and 2015. NEOs of the Corporation are executive officers including: the Chief Executive Officer or Chief Financial Officer of the Corporation at any time during those financial years, and all other executive officers of the Corporation who received salary and bonus in excess of \$150,000. Dr. Philip M. Toleikis, CEO; Scott Langille, CFO; Ralph Deiterding former CFO and David Garland, former Interim CFO; are each a NEO of the Corporation for purposes of the following disclosure.

Summary Compensation Table

Name and principal position	Fiscal Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) ⁽⁴⁾	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Dr. Philip M. Toleikis ⁽¹⁾ CEO	2017	300,000	Nil	312,500	30,000	Nil	Nil	4,758	647,258
	2016	282,292	Nil	168,750	96,125	Nil	Nil	5,153	552,320
	2015	242,917	Nil	170,250	49,000	Nil	Nil	6,379	468,546
Scott Langille, CFO ⁽²⁾	2017	58,500	Nil	100,000	Nil	Nil	Nil	Nil	158,500
	2016	20,314	Nil	Nil	Nil	Nil	Nil	Nil	20,314
Ralph Deiterding ⁽²⁾ Former CFO	2016	128,548	Nil	84,375	Nil	Nil	Nil	3,928	216,851
	2015	66,485	Nil	90,800	Nil	Nil	Nil	1,578	158,863
David Garland ⁽³⁾ Former Interim CFO	2015	42,714	Nil	Nil	Nil	Nil	Nil	Nil	42,714

Notes:

1. Dr. Philip M. Toleikis was appointed President & CEO on April 28, 2009. Dr. Toleikis’ annual salary during the year ended October 31, 2017 was \$300,000.

2. Scott Langille was appointed CFO on September 15, 2016, replacing Ralph Deiterding. Mr. Langille provides his service through a Consulting Agreement. Mr. Deiterding's annual salary during the year ended October 31, 2016 was \$145,000.
3. David Garland was appointed Interim CFO on June 1, 2014 on a contractual basis ending May 8, 2015.
4. The fair values of stock options have been calculated using the Black-Scholes option valuation model with the following assumptions:

Year ended October 31,	2017	2016	2015
Dividend yield	0.0%	0.0%	0.0%
Expected forfeiture rate	0.0%	0.0%	0.0%
Expected volatility	106.7%	111.0%	122.6%
Risk free interest rate	0.9%	1.4%	1.5%
Expected life of options	6.5 years	5.6 years	6.0 years

Incentive Plan Awards

Outstanding Option-based and Share-based Awards

The following table sets forth information in respect of all option-based awards and share-based awards outstanding for each NEO as at October 31, 2017:

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Dr. Philip M. Toleikis	1,250,000	0.250	August 14, 2027	12,500	Nil	Nil
	750,000	0.225	March 14, 2026	26,250	Nil	Nil
	750,000	0.260	June 25, 2025	Nil	Nil	Nil
	650,000	0.150	January 27, 2019	71,500	Nil	Nil
Scott Langille	400,000	0.250	August 14, 2027	4,000	Nil	Nil

Note:

1. Based on closing stock price of \$0.26 per Common Share as at October 31, 2017

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value vested or earned with respect to option-based awards and share-based awards for each NEO during the year ended October 31, 2017:

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Dr. Philip M. Toleikis	1,437	Nil	Nil
Scott Langille	Nil	Nil	Nil

Pension Plan Benefits

The Corporation does not have a Pension Plan for its NEOs and directors.

Termination and Change of Control Benefits

On April 29, 2009, the Corporation entered into an employment agreement with Dr. Philip M. Toleikis, its CEO. This agreement was amended on July 7, 2016. In addition to his base salary, Dr. Toleikis may also receive an

annual bonus at the discretion of the Board. The agreement provides for severance pay of 18 months of salary, if the agreement is terminated without cause for any reason. If Dr. Toleikis employment is terminated without cause in connection with a change in control, all unvested stock options will also immediately vest. The estimated additional payment to Dr. Toleikis in the event of termination without cause, assuming that a termination took place on October 31, 2017 is \$450,000. In the case of termination without cause in connection with a change of control, the incremental severance plus the in the money value of accelerated vesting of stock options is \$660,250.

As CFO, Scott Langille provides his service through a Consulting Agreement. No severance would be owed to Mr. Langille if the agreement is terminated without cause for any reason.

Director Compensation

Directors of the Corporation who are not full-time employees or consultants of the Corporation receive cash fees for their services. Each non-management director is also eligible to receive an option or DSU grant annually. In addition, Directors are entitled to be reimbursed for their reasonable out-of-pocket expenses incurred in respect of the business of the Corporation.

The compensations provided to the directors, excluding a director who is included in disclosure for a NEO, for the Corporation's most recently completed financial year ending October 31, 2017 are as follows:

Name	Fees earned (\$)	Share-based awards (\$) ⁽¹⁾	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Frank A. Holler	31,250	11,989	Nil	Nil	Nil	Nil	43,239
Jeffrey Bacha	23,750	11,989	Nil	Nil	Nil	Nil	35,739
James T. Parsons	21,250	11,989	Nil	Nil	Nil	Nil	33,239
Bruce A. Weber	20,000	11,989	Nil	Nil	Nil	Nil	31,989

Note:

- On August 14, 2017, directors were granted DSUs as follows: Frank A. Holler 59,945; Jeffrey A. Bacha 59,944; James T. Parsons 59,945; and Bruce A. Weber 59,944. The DSUs granted on August 14, 2017 will vest over a three year period, beginning on the first anniversary of the grant date. The fair value of the DSUs issued was calculated based upon the fair value of the Common Shares at the time the DSUs were granted.

Director Outstanding Option-based Awards and Share-based Awards

The following table sets out all awards outstanding to each director as at October 31, 2017, excluding a director who is included above in disclosure as a NEO of the Corporation.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#) ⁽²⁾	Market or payout value of share-based awards that have not vested (\$) ⁽¹⁾
Frank A. Holler	Nil	N/A	N/A	Nil	301,613	78,419
	150,000	0.15	February 11, 2019	16,500	Nil	Nil
Jeffrey A. Bacha	Nil	N/A	N/A	Nil	193,278	50,252
	150,000	0.15	January 27, 2019	16,500	Nil	Nil
James T. Parsons	Nil	N/A	N/A	Nil	193,279	50,252
	150,000	0.15	January 27, 2019	16,500	Nil	Nil
Bruce A. Weber	Nil	N/A	N/A	Nil	193,278	50,252
	150,000	0.15	January 27, 2019	16,500	Nil	Nil

Notes:

1. Based on closing price of \$0.26 per Common Share as at October 31, 2017.
2. On June 25, 2015 directors were granted DSUs as follows: Frank A. Holler 250,000; Jeffrey A. Bacha 125,000; James T. Parsons 125,000; and Bruce A. Weber 125,000. The DSUs granted on June 25, 2015 will vest over a three year period, beginning on the first anniversary of the grant date. On March 14, 2016, directors were granted DSUs as follows: Frank A. Holler 150,000; Jeffrey A. Bacha 100,000; James T. Parsons 100,000; and Bruce A. Weber 100,000. The DSUs granted on March 14, 2016 will vest over a three year period, beginning on the first anniversary of the grant date. On August 14, 2017, directors were granted DSUs as follows: Frank A. Holler 59,945; Jeffrey A. Bacha 59,944; James T. Parsons 59,945; and Bruce A. Weber 59,944. The DSUs granted on August 14, 2017 will vest over a three year period, beginning on the first anniversary of the grant date. The fair values of DSUs issued was calculated using the fair value of the Common Shares at the time the DSUs were granted.

Directors Incentive Plan Awards – Value Vested or Earned During the Year

The following table shows the incentive plan awards value vested or earned during the year ended October 31, 2017, for each director, excluding a director who is set out above in disclosure as a NEO of the Corporation:

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Frank A. Holler	Nil	38,750	Nil
Jeffrey A. Bacha	Nil	22,500	Nil
James T. Parsons	Nil	22,500	Nil
Bruce A. Weber	Nil	22,500	Nil

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Corporation has an Incentive Option Plan & Deferred Share Unit Plan (the “Incentive Plan”) in place which was last approved by the shareholders on April 26, 2017.

The following table sets out, as at the Corporation’s fiscal year end of October 31, 2017, all required information with respect to compensation plans under which equity securities of the Corporation are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	10,548,600 (Options) 1,314,778 (DSUs)	\$0.23 (Options) N/A (DSUs)	4,074,071 (Options) Nil (DSUs)
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	10,548,600 (Options) 1,314,778 (DSUs)	\$0.23 (Options) N/A (DSUs)	4,074,071 (Options) Nil (DSUs)

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Except as herein disclosed, no directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Corporation were indebted to the Corporation as of the end of the most recently completed financial year or as at the date hereof.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set out herein, none of the persons who were directors or executive officers of the Corporation or a subsidiary of the Corporation at any time during the Corporation's last financial year, the proposed nominees for election to the Board, any person or company who beneficially owns, directly or indirectly, or who exercises control or direction over (or a combination of both) more than 10% of the issued and outstanding common shares of the Corporation, nor any associate or affiliate of any such person, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction during the year ended October 31, 2017, or has any such interest in any proposed transaction, which has materially affected or would materially affect the Corporation.

During the year ended October 31, 2017 the Corporation paid \$57,053 (2016: \$20,314) in consulting fees for the services of the Chief Financial Officer.

The above transaction was in the normal course of operations and was 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.

MANAGEMENT CONTRACTS

The business of the Corporation is managed by its directors and officers and the Corporation has no management agreements with persons who are not officers or directors of the Corporation.

CORPORATE GOVERNANCE

General

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the shareholders of the company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board of the Corporation is committed to sound corporate governance practices; as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. The Canadian Securities Administrators (the "CSA") have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Corporation. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101"), which prescribes certain disclosure by the Corporation of its corporate governance practices. This section sets out the Corporation's approach to corporate governance and addresses the Corporation's compliance with NI 58-101.

Board of Directors

Directors are considered to be independent if they have no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the Board's view, be reasonably expected to interfere with the exercise of a director's independent judgment.

The Board facilitates its independent supervision over management by having a majority of independent directors on both the Board and committees of the Board. The independent members of the Board as of the date hereof are: Frank A. Holler (Chair), Jeffrey A. Bacha, James T. Parsons and Bruce A. Weber. Dr. Philip M. Toleikis (President and Chief Executive Officer of the Corporation) is not an independent director. A majority of the Board is independent.

The Board uses regular in-camera sessions in order to ensure that the Board can function independently of management. The Board believes that its current composition, in which only one director is a member of management, is sufficient to ensure that the Board can function independently of management.

The mandate of the Board is to manage corporate governance matters pertaining to the business and affairs of the Corporation. In fulfilling its mandate, the Board as a whole oversees the development and application of policies regarding corporate governance, deals with corporate governance issues, and is responsible for:

- a) adopting a strategic planning process for the Corporation;
- b) understanding the principal risks of the Corporation's business and ensuring the implementation of the appropriate systems to manage these risks;
- c) succession planning for the Corporation, including identifying, appointing, training and monitoring senior management;
- d) overseeing the integrity of the Corporation's internal controls and management information systems; and
- e) maintaining a continuing dialogue with management in order to ensure the ability to respond to changes, both internal and external, which may affect the Corporation and its business operations from time to time.

In carrying out its mandate, the Board holds regular meetings, and has established two committees with specific responsibilities, from its members. The frequency of meetings, as well as the nature of the matters dealt with, will vary from year to year depending on the state of the Corporation's business and the opportunities or risks, which the Corporation faces from time to time.

Directorships

Certain of the directors and officers currently serve as directors and officers of other private and public companies. Some of the directors and officers may be engaged in the search for additional business opportunities on behalf of other corporations, and situations may arise where these directors and officers may be serving another corporation with interests that could be in conflict with the Corporation. In the event of any conflicts of interest, such conflicts must be disclosed to the Corporation and dealt with in accordance with the provisions of the CBCA.

The following table sets out the proposed directors of the Corporation that are currently directors of other reporting issuers:

Name	Name of Reporting Issuer	Name of Exchange or Market
Frank A. Holler	Xenon Pharmaceuticals Inc.	NASDAQ
Jeffrey A. Bacha	DelMar Pharmaceuticals, Inc.	NASDAQ
James T. Parsons	DiaMedica Therapeutics Inc.	TSXV

Orientation and Continuing Education

When new directors are appointed, they receive orientation, commensurate with their previous experience, on the Corporation's business and on the responsibilities of directors. Board meetings may also include presentations by the Corporation's management to give the directors additional insight into the Corporation's business.

Ethical Business Conduct

The Board relies on the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation and securities laws to promote a culture of ethical business conduct.

To encourage corporate transparency and responsible corporate governance the Board has taken the further steps of approving and adopting both a Whistle Blower Policy and an Insider Trading Policy. Copies of each of these policies are available for review on the Corporation's website at www.sernova.com.

Nomination of Directors

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

Board Committees

The Board has established an Audit Committee and a Compensation Committee to perform certain advisory functions to make recommendations and to report to the Board. A brief description of these committees, and their respective mandates, is set forth below. The Audit Committee is described more definitively under "*Audit Committee and Relationship with Auditor*" above, and the Compensation Committee is described in more detail under "*Executive Compensation*" above.

Audit Committee

The current members of the Audit Committee are all independent directors, namely: James T. Parsons (Chair), Jeffrey A. Bacha and Frank A. Holler. The Audit Committee reviews the annual and quarterly financial statements of the Corporation and certain other public disclosure documents required by regulatory authorities, and makes recommendations to the Board with respect thereto. The Audit Committee also reviews with the auditors and management the adequacy of the Corporation's financial reporting and internal control procedures to ensure they are effective and appropriate.

Compensation Committee

The current members of the Compensation Committee are all independent directors, namely: Jeffrey A. Bacha (Chair), Frank A. Holler and Bruce A. Weber. The Compensation Committee reviews the Corporation's compensation policies and practices, compensation of senior management and succession planning and reviews the Corporation's corporate governance practices and makes recommendations to the Board.

There are no committees of the Board other than the Audit Committee and the Compensation Committee.

Assessments

The Board conducts an annual Board Effectiveness Survey of the Corporation's Directors to assess the effectiveness of the Board's function.

PARTICULARS OF MATTERS TO BE ACTED UPON

Amend and Restate Share Based Incentive Plan

On April 28, 2015, the shareholders approved adoption of the 2015 Incentive Plan (the "Incentive Plan"), which was subsequently approved by the TSX Venture Exchange ("**TSXV**") and which has two components: (i) a rolling Share Option Plan ("**Option Plan**") and (ii) a Deferred Share Unit Plan ("**DSU Plan**"), (together the "**Incentive Plan**"). The purpose of the Incentive Plan is to attract, retain, and motivate directors, officers, employees and consultants and to compensate them competitively for their contribution to the Corporation's long-term growth and development.

Option Plan

Under the Option Plan component of the Incentive Plan, the Corporation currently has shareholder approval to reserve a maximum of 10% of the Corporation's Common Shares outstanding from time to time for issuance for

Option grants pursuant to the Option Plan. As of the Record Date there were 9,818,600 Options outstanding under the Option Plan, representing approximately 6.14% of the currently issued and outstanding Common Shares. At the Meeting the Corporation will seek approval by a resolution of the disinterested shareholders to increase the rolling maximum percentage reserve of Common Shares to fifteen (15%) percent.

Continuation of Option Plan

At the Meeting, the Board will ask shareholders to consider, and if thought fit, to pass an ordinary resolution to approve the Option Plan component of the Incentive Plan for continuation until the next annual meeting of the shareholders.

Incentive Plan

Currently, under the Incentive Plan, the number of Common Shares that may be reserved for issuance for both Options and Deferred Share Units (“DSUs”) is subject to a maximum of 10% of the Corporation’s Common Shares outstanding from time to time. In addition, the number of Common Shares that may be reserved for issuance for DSUs is currently subject to a fixed maximum of 1,314,778 Common Shares. As a consequence, the number of Common Shares that may be reserved for Options granted under the Option Plan is subject to a maximum of 10% of the Corporation’s outstanding Common Shares less the number of Common Shares (currently up to 1,314,778) that are reserved for issuance for DSUs granted under the DSU Plan.

On March 19, 2018 the Board approved a resolution to seek disinterested shareholder approval at the Meeting to:

- a) an increase in the rolling maximum percentage reserve of Common Shares from 10 (10%) percent to fifteen (15%) percent; and
- b) an increase in the maximum number of DSUs available for grant under the DSU Plan by 3,482,019 DSUs to a total maximum of 4,796,797 DSUs. If such approval is obtained the 10% maximum Common Shares available for reserve under the Option Plan must include the 4,796,797 Common Shares reserved for DSUs.

DSU Plan

Except for (i) the increase in the rolling maximum percentage reserve of Common Shares from ten (10%) percent to fifteen (15%) percent pursuant to the Incentive Plan, and (ii) the increase in the total maximum number of DSUs available for grant under the DSU Plan, see *Disinterested Shareholder Approval* below the material terms of the DSU Plan will remain the same. Eligible participants may be granted DSUs in lieu of some or all of their compensation entitlement. The number of DSUs is calculated by dividing the amount that the recipient would have received in cash by the Market Price of the Common Shares on the relevant date. Upon the eligible participant ceasing to be a director or officer of (and not otherwise employed by) the Corporation or an affiliate, the redemption value of his or her DSUs would be determined on the date specified in the DSU Plan by multiplying the number of DSUs by the Market Price of the Common Shares as at such date, and would be settled prior to November 30th of the year following. The actual settlement of the account would be made by way of cash or shares, or a combination of both, at the discretion of the Board.

By incorporating the DSU Plan into its Incentive Plan, the Board has a compensation alternative available to promote the alignment of the long-term interests of its directors, officers and other DSU Plan participants with those of its shareholders by directly tying their compensation to share price performance.

Material Terms of Incentive Plan, as amended and restated

Following approval, the material terms of the Incentive Plan, as amended and restated, will be as follows:

- Reserve is a total maximum of 15% of outstanding Common Shares on a rolling basis, which will consist of: (i) up to a maximum of 4,796,797 Common Shares that may be reserved for issuance upon conversion of DSU Awards pursuant to the DSU Plan; and (ii) up to the balance for exercise of Options granted pursuant to the Option Plan (being, up to 15% of the outstanding Common Shares at the time of grant of Options, less the 4,796,797 Common Shares reserved for conversion of DSU awards).
- The maximum number of Common Shares that may be issued under the Incentive Plan and all of the Corporation's security based compensation arrangements is increased and is subject to the following limitations:
 - all participants options or DSUs may not exceed 15%, in aggregate, of the outstanding Common Shares at any time,
 - insiders, as a group, within any one-year period may not exceed 15% of the outstanding Common Shares at the time of the determination,
 - any one person within a one-year period may not exceed 5% of the outstanding Common Shares at the time of the determination.
- The Incentive Plan will be administered by the Board with the input of the Compensation Committee.
- Options may be granted to Directors, Officers, Employees, Management Company Employees, Consultants or Company Consultants (as such are defined in TSXV policies and referred to in the Option Plan).
- DSU awards may be granted to directors and officers but the Board has discretion (without shareholder approval) to expand awards to other eligible participants, including Employees, Management Company Employees, Consultants or Company Consultants (as such are defined in TSXV policies).
- The terms of Options may not exceed ten years and Options will be subject to vesting terms as determined by the Board. If the expiry date for an Option occurs during a blackout period, or within ten business days thereafter, the expiry date for such Option will be extended to the tenth business day after the expiry date of the blackout period.
- Options may not be exercised after an optionee's term of service to the Corporation has been terminated, except as follows:
 - in the case of the death, any vested Option held by him at the date of death will become exercisable by the Optionee's lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such Optionee and the date of expiration of the term otherwise applicable to such Option,
 - in the case of voluntary termination of services or termination without cause, an Option granted will expire 90 days (or such other time, generally not to exceed one year, as shall be determined by the Board as at the date of grant or agreed to by the Board and the Optionee at any time prior to expiry of the Option),
 - in case of termination for cause, all rights to acquire Common Shares will terminate immediately unless otherwise determined by the Board, and
 - in the event of a change of control of the Corporation or a take-over bid being made for Common Shares, the Board may in its discretion provide in the case of a particular Optionee that the Options held by that Optionee may be exercised in full or in part at any time before vesting of those Options.
- Any DSU awards that are made subject to vesting will vest in the case of death, retirement, disability, or in the event of a change of control or take-over bid of the Corporation.
- Options and DSU awards are non-assignable and non-transferable.

- The exercise price of Options must be not less than the Discounted Market Price (as defined in the TSXV policies) and may not be re-priced without disinterested shareholder and applicable regulatory approval.
- The Board may not, without shareholder approval, amend the Incentive Plan to:
 - increase the number of Common Shares reserved for issuance under the Incentive Plan,
 - reduce the exercise price of an Option,
 - extend the term of any Option beyond ten years, except in the case where an Option will expire during a blackout period, in which case the term of the option may be extended to a date which is the 10th business day after the expiry date of the blackout period,
 - any right of a Participant under the DSU Plan beyond the date on which such right would originally have expired, and
 - change or delete the amending provisions of the Incentive Plan.
- The Board may amend the Incentive Plan without shareholder approval to:
 - ensure the Incentive Plan complies with applicable regulatory requirements,
 - make adjustments in the event of a change in the corporate status of the Corporation,
 - change the definition of “Participant” or the eligibility requirements for participating in the DSU Plan,
 - change the provisions relating to the redemption of DSUs and the dates for the redemption of the same, including the manner in which Participants may elect to participate or elect redemption dates,
 - cure or correct any typographical error, ambiguity, defective or inconsistent provision, clerical omission, mistake or manifest error,
 - changes that do not materially adversely affect the interests of the shareholders of the Corporation,
 - facilitate the administration of this Plan, and
 - make changes to the Incentive Plan that are of a “housekeeping nature”.

The foregoing is a summary of the principal terms of the Incentive Plan, which is qualified by reference to the entirety of the Incentive Plan itself, a copy of which will be available upon request from the Corporation on or about the same date as this Management Proxy Circular.

Disinterested Shareholder Approval of Incentive Plan, as Amended and Restated

To be effective, the Incentive Plan, as amended and restated, must be approved by a resolution of not less than a majority of the votes cast by the disinterested holders of Common Shares present in person, or represented by proxy at the Meeting. The term “*disinterested shareholder approval*” means approval by a majority of the votes cast at the Meeting other than votes attaching to Common Shares beneficially owned by insiders of the Corporation to whom Options and/or DSUs may be granted pursuant to the Incentive Plan and associates of such persons. The terms “*insiders*” and “*associates*” are defined in the Exchange policies and generally include directors and senior officers of the Corporation and its subsidiaries and holders of greater than 10% of the voting securities of the Corporation, and include certain related parties such as partners and family members. Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the Common Shares represented by such form of proxy, properly executed, in favour of each of the Incentive Plan resolutions.

Increase to Incentive Plan Rolling Percentage Maximum

The resolution to amend and restate the Incentive Plan to increase the rolling number maximum percentage for reserve of Common Shares for issuance upon exercise of Options and conversion of DSUs pursuant to the Incentive Plan, to be submitted at the Meeting for disinterested shareholder approval, with or without variation, is set forth below:

- “1. Be it RESOLVED as a resolution of the disinterested shareholders of the Corporation, subject to Exchange approval, that the Corporation amend and restate the Corporation’s Share Option Plan & Deferred Share Unit Plan (together the “Incentive Plan”) to increase the rolling maximum percentage reserve of Common Shares for exercise of Options pursuant to the Share Option Plan component of the Incentive Plan, and for conversion of Deferred Share Units pursuant to the Deferred Share Unit Plan component of the Incentive Plan, to a 15% maximum; and
2. Any one officer or director of the Corporation is authorized to take such steps or execute such documents, whether or not under corporate seal, which are in his or her opinion necessary or advisable in order to give effect to this resolution.”

The Board recommends that the shareholders vote in favour of the resolution to amend and restate the Incentive Plan to increase the rolling number maximum percentage. All Common Shares voted on the resolution by Insiders of the Corporation will be withheld from the voting tally on the resolution. A copy of the Incentive Plan, as amended and restated, can be received upon request from the Corporation

Increase Number of Common Shares to be Reserved for Conversion of DSUs

The resolution to further amend and restate the Incentive Plan to increase the fixed maximum number of DSUs available to be awarded pursuant to the DSU Plan component of the Incentive Plan, and to increase the number of Common Shares for reserve for conversion of DSUs, to be submitted at the Meeting for disinterested shareholder approval, with or without variation, is set forth below:

- “1. Be it RESOLVED as a resolution of the disinterested shareholders of the Corporation, and subject to Exchange approval, that the Corporation further amend and restate the Corporation’s Share Option Plan & Deferred Share Unit Plan (together the “Incentive Plan”) to increase the maximum number of Deferred Share Units (“DSUs”) available for awards pursuant to the Deferred Share Unit Plan (“DSU Plan”) component of the Incentive Plan, by 3,482,019 to a total maximum of 4,796,797 DSUs; and by making Common Shares of the Corporation available for reserve for conversion of such DSUs pursuant to the DSU Plan.
2. Any one officer or director of the Corporation is authorized to take such steps or execute such documents, whether or not under corporate seal, which are in his or her opinion necessary or advisable in order to give effect to this resolution.”

The Board recommends that the shareholders vote in favour of the resolution to amend and restate the Incentive Plan to increase the number of DSUs available for award pursuant to the DSU Plan. All Common Shares voted on the resolution by Insiders of the Corporation will be withheld from the voting tally on the resolution. A copy of the Incentive Plan, as amended and restated, can be received upon request from the Corporation

Approval of Continuation of Share Option Plan Component Incentive Plan

To continue the rolling Option Plan component of the Incentive Plan the Board will ask shareholders at the Meeting to consider, and if thought fit, to pass the following ordinary resolution, with or without variation:

“Be it RESOLVED that the Corporation’s Share Option Plan & Deferred Share Unit Plan (together the “Incentive Plan”), as amended and restated, effective as of March 19, 2018, be and is hereby ratified, confirmed and approved for continuation until the next annual meeting of the shareholders of the Corporation.”

The Board recommends that the shareholders vote in favour of continuation of the Option Plan. A copy of the Incentive Plan, amended and restated, can be received upon request from the Corporation.

SHAREHOLDER PROPOSALS

Shareholder proposals must be submitted no later than November 17, 2018 (being the 90th day before the anniversary date of the notice of meeting is sent to shareholders for the 2018 annual shareholder meeting), to be considered for inclusion in the management proxy circular to be prepared for the 2019 annual meeting of shareholders of the Corporation.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is on www.sedar.com. Financial information is provided in the Corporation’s comparative financial statements and management discussion and analysis, which is filed on www.sedar.com. The Corporation will provide to any person or company, upon request to the Chief Financial Officer of the Corporation, one copy of the comparative financial statements of the Corporation filed with the applicable securities regulatory authorities for the Corporation’s most recently completed financial year in respect of which such financial statements have been issued, together with the report of the auditor, related management’s discussion and analysis and any interim financial statements of the Corporation filed with the applicable securities regulatory authorities subsequent to the filing of the annual financial statements.

Copies of the above documents are available without charge to shareholders upon written request to the Corporation by fax (519) 858-5099 or to:

Sernova Corp.
700 Collip Circle, Suite 114
London, Ontario
N6G 4X8

OTHER MATTERS

As of the date of this Management Proxy Circular, the Board and Management of the Corporation are not aware of any matters to come before the Meeting other than those matters specifically identified in the accompanying Notice of Meeting. However, if such other matters properly come before the Meeting or any adjournment(s) thereof, the persons designated in the accompanying form of proxy will vote thereon in accordance with their judgment, pursuant to the discretionary authority conferred by the form of proxy with respect to such matters.

BOARD APPROVAL

The contents of this Management Proxy Circular and its distribution to shareholders have been approved by the Board of Directors of the Corporation.

DATED this 19th day of March, 2018.

BY ORDER OF THE BOARD OF DIRECTORS

“Dr. Philip Toleikis”

Dr. Philip Toleikis
President and Chief Executive Officer

SCHEDULE “A” AUDIT COMMITTEE CHARTER

1. Mandate

The audit committee will assist the board of directors (the “Board”) in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the audit committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each audit committee member must obtain an understanding of the principal responsibilities of audit committee membership as well and the Company’s business, operations and risks.

2. Composition

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

2.1 Independence

All of the members of the audit committee must not be officers, employees or control persons of the Company.

2.2 Expertise of Committee Members

Each member of the audit committee must be financially literate. At least one member of the audit committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

3. Meetings

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company’s Chief Financial Officer and external auditors in separate executive sessions.

4. Roles and Responsibilities

The audit committee shall fulfill the following roles and discharge the following responsibilities:

4.1 External Audit

The audit committee shall be responsible for overseeing the work of the external auditors in preparing or issuing the auditor’s report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board the external auditor to be nominated and approved by the shareholders for the purpose of preparing or issuing an auditor’s report or performing other

audit, review or attest services for the Company;

- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors; and
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

4.2 *Internal Control*

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company; and
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

4.3 *Financial Reporting*

The audit committee shall review the financial statements, management's discussion and analysis, news releases and financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

General

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

Annual Financial Statements

- (a) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (b) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (c) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

Interim Financial Statements

- (a) review the draft interim financial statements and provide a recommendation to the Board with respect to the approval of the financial statements; and
- (b) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

Release of Financial Information

- (a) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

4.4 Non-Audit Services

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

Delegation of Authority

- (a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

De-Minimis Non-Audit Services

- (a) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
 - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
 - (ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

Pre-Approval Policies and Procedures

- (a) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
 - (i) the pre-approval policies and procedures are detailed as to the particular service;
 - (ii) the audit committee is informed of each non-audit service; and

- (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

4.5 *Other Responsibilities*

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management or external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

4.6 *Reporting Responsibilities*

The audit committee shall regularly update the Board about audit committee activities and make appropriate recommendations.

5. Resources and Authority of the Audit Committee

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the audit committee; and
- (c) communicate directly with the internal and external auditors.

6. Guidance – Roles & Responsibilities

The following guidance is intended to provide the audit committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

6.1 *Internal Control*

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;

- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

6.2 *Financial Reporting*

General

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks.

Annual Financial Statements

- (a) review the annual financial statements and consider whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;
- (b) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (c) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (d) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (e) ensure that the external auditors communicate all required matters to the committee.

Interim Financial Statements

- (a) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (b) meet with management and the auditors, either telephonically or in person if required; and
- (c) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
 - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
 - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financial statements are consistent with

- changes in the company's operations and financing practices;
- (iii) generally accepted accounting principles have been consistently applied;
- (iv) there are any actual or proposed changes in accounting or financial reporting practices;
- (v) there are any significant or unusual events or transactions;
- (vi) the Company's financial and operating controls are functioning effectively;
- (vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
- (viii) the interim financial statements contain adequate and appropriate disclosures.

6.3 *Compliance with Laws and Regulations*

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

6.4 *Other Responsibilities*

- (a) review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements.