Form 51-102F2

SERNOVA CORP.

Management's Discussion and Analysis of Results of Operations and Financial condition for the nine months ended July 31, 2007.

The following discussion and analysis should be read in conjunction with the third quarter unaudited financial statements and related notes dated July 31, 2007. This discussion and analysis provides an update to the Management's Discussion and Analysis ("MD&A") and financial statements contained in the audited, October 31, 2006 year end report and financial statements.

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

The information contained in this report is made as of August 28, 2007.

Performance Summary and Update

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

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

Under the terms of the Joint Venture agreement, Sernova had the exclusive right to acquire 100% of the project by funding the development of the technology for a minimum of $3,500,000 in three stages. The first stage required $1,000,000 and was due within 90 days of Exchange approval, the second stage required $1,000,000 and was due within 6 months of Exchange approval, and the third stage required $1,500,000 and was due within 12 months of Exchange approval. The Company completed all its financing obligations under the joint venture and announced this on May 10, 2007. As each stage of the project was financed, Sernova acquired one third of the project by issuing 1,157,500 shares to each of the two shareholders of Sertonex, Dr. David White and Mr. Justin Leushner.

Performance Summary and Update (cont'd…)

On May 25, 2006 the Company also announced it had completed a private placement financing for gross proceeds of $3,229,100. The funds will be used to fund research on the diabetes project and for operating expenses.

On August 9, 2006, with the first two stages completed, the company exercised its option under the joint venture agreement to concurrently acquire 67% of the project. Dr. White and Mr. Leushner each received 2,315,000 common shares of Sernova, subject to timed and performance earn-out escrow agreements. Mr. Leushner joined the board of directors of the Company and Dr. White was engaged as the principal researcher on the project and Chair of Sernova's Scientific Advisory Board.

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

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

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

Performance Summary and Update (cont'd…)

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

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

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

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

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

As part of the agreement, STI exclusively licensed to Sernova all patents, and patent applications for the therapeutic use of Sertoli cell technology, the key component of the diabetes research project. In exchange, Sernova issued to STI 6,527,500 common shares and a licensing fee of $1,142,312, and certain other future royalties on income related to the patents. The payment shares are subject to a 3 year timed escrow agreement. STI is controlled by Research Corporation Technologies, Inc., a not for profit organization setup to facilitate the commercialization of bio medical research. As part of the agreement STI could appoint one Director and they appointed Mr. Charles R. Allard of Edmonton, Alberta.

The escrow terms of the timed escrow agreement with STI is shown below.

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

On June 14, 2006 the Company incorporated a wholly owned US subsidiary in the state of Nevada, called Sertocell Biotechnology (US) Inc., to remove cross-border issues related to pursuing USFDA approvals, US patents, and future joint venture arrangements with US based pharmaceutical companies.

On September 20, 2006 the Company announced its name had been changed from Pheromone Sciences Corp. to Sernova Corp. Shareholders approved the name change at the Company's annual general meeting held on August 18, 2006.

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

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

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

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

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

Results of Operations

The Company continues to focus on research and development and as such has incurred losses since its inception. For the nine months ended July 31, 2007 the company recorded a loss of $2,588,541 or $0.05 per share versus a loss of $1,332,944 or $0.04 per share in the prior year. Of the current loss recorded for the period, $258,670 is related to the non-cash expense from stock based compensation. Not including stock based compensation, the net loss for the period would be $2,338,369. General and administrative expenses for the nine months ending July 31, 2007 were $2,687,279 compared to $1,374,906 for the nine months ended July 31, 2006.

Summary of Quarterly Results

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2005	Net Income (loss)	(80,737)	(158,248)	(77,423)	(117,156)
	Net Income (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)
2006	Net Income (loss)	(98,315)	(451,772)	(107,385)	(599,697)
	Net Income (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)
2007	Net Income (loss)	(413,308)	(1,119,456)	(1,055,777)	
		(0.01)	(0.02)	(0.02)	

Selected Annual Information

	2006	2005	2004
Loss for the year	$ (1,257,169)	$ (433,564)	$ (368,374)
Total assets	6,696,765	491,662	336,984
Total liabilities	122,151	242,238	174,780
Shareholders’ equity	6,574,614	249,424	162,204
Basic and diluted loss per share	$ (0.04)	$ (0.02)	$ (0.02)

Outstanding Share Data

As at August 28, 2007, the Company has 54,482,358 common shares issued and outstanding. The Company also has a total of 4,714,500 outstanding stock options comprised of 4,049,500 options priced at $0.40 a share, 30,000 at $0.16 per share, 150,000 at $0.13 per share, 150,000 at $1.00, and 335,000 at $0.88. There are no outstanding warrants.

Liquidity and Capital Resources

As at July 31, 2007, the Company had cash of $2,016,094 compared to $2,874,736 as at October 31, 2006. Cash used for operations in the nine months ended July 31, 2007 was $2,191,955 compared to $462,650 for the nine months ended July 31, 2006. As at July 31, 2007, the Company had no long-term obligations.

Financing

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

Transactions with Related Parties

During the nine months ended July 31, 2007, the Company paid management consulting fees in the amount of $30,000 to a company controlled by Devinder Randhawa, the former Chief Executive Officer and of the Company. Wages of $94,500 were paid to the new Chief Executive Officer, Justin Leushner, for services provided to the Company. Patrick Groening, the Chief Financial Officer of the Company, received $22,500 for his services, and a company controlled by Phil Morehouse, the Executive Vice President of the Company, received $51,050 for his services.

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

Disclosure Controls and Procedures

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

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

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

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

SERNOVA CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

July 31, 2007

Unaudited Interim Financial Statements

Notice

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended July 31, 2007.

SERNOVA CORP.
CONSOLIDATED BALANCE SHEETS

	July 31, 2007	October 31, 2006 (Audited)
ASSETS		
Current		
Cash and cash equivalents	$ 2,016,094	$ 2,874,736
Receivables	35,066	61,015
Prepaid expenses	199,834	33,418
	2,250,994	2,969,169
Equipment	9,213	11,933
Intangible assets (Note 4)	5,285,492	3,715,663
	$ 7,545,699	$ 6,696,765
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities	$ 38,230	$ 122,151
Shareholders' deficiency		
Capital stock (Note 5)	16,854,514	13,591,789
Contributed Surplus (Note 5)	1,005,538	746,868
Deficit	(10,352,583)	(7,764,043)
	7,507,469	6,574,614
	$ 7,545,699	$ 6,696,765

On behalf of the Board:

"Justin Leushner" Director "Dev Randhawa" Director

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

SERNOVA CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	For the Three Months Ended July 31, 2007	For the Three Months Ended July 31, 2006	For the Nine Months Ended July 31, 2007	For the Nine Months Ended July 31, 2006
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization	$ 2,453	$ 191	$ 2,719	$ 572
Business development	8,125	-	31,026	-
Conferences	3,908	-	12,818	-
Consulting fees and wages	62,498	29,594	228,185	142,094
Investors relations	7,500	-	7,500	-
Professional fees	59,809	82,118	250,613	145,662
Office and miscellaneous	19,550	17,834	39,875	42,544
Marketing and promotion	6,340	13,133	6,340	30,842
Patent amortization	119,861	-	359,583	-
Patent fee	3,134	-	24,061	-
Regulatory/Filing fees	-	-	5,599	-
Rent	5,763	-	9,096	-
Research	775,893	-	1,417,140	-
Shareholder communications	1,953	-	16,068	-
Stock based compensation (Note 5)	14,828	-	258,670	1,013,192
Transfer agent	4,246	-	15,225	-
Travel	-	-	2,761	-
	(1,095,861)	(142,870)	(2,687,279)	(1,374,906)
OTHER ITEMS				
Foreign currency gain	13,539	-	805	-
Interest income	18,047	27,152	66,542	33,629
Miscellaneous income	-	8,333		8,333
Royalty income	8,498	-	31,391	-
	40,084	35,485	98,738	41,962
Loss for the period	(1,055,777)	(107,385)	(2,588,541)	(1,332,944)
Deficit, beginning of period	(9,296,806)	(7,732,433)	(7,764,042)	(6,506,874)
Deficit, end of period	$ (10,352,583)	$ (7,839,818)	$ (10,352,583)	$ (7,839,818)
Basic and diluted loss per common share	$ (0.02)	$ (0.01)	$ (0.05)	$ (0.04)
Weighted average number of common shares outstanding	52,824,055	38,080,632	51,802,118	32,320,514

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

SERNOVA CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended July 31, 2007	For the Three Months Ended July 31, 2006	For the Nine Months Ended July 31, 2007	For the Nine Months Ended July 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (1,055,777)	$ (107,385)	$ (2,588,541)	$ (1,332,944)
Items not affecting cash				
Amortization	2,453	191	2,719	572
Patent amortization	119,861	-	359,583	-
Stock based compensation	14,828	-	258,670	1,013,192
Changes in non-cash working capital items:				
(Increase) decrease in receivables	57,639	(45,983)	25,947	(57,386)
Decrease in prepaid expenses	(192,632)	-	(166,414)	-
Increase (decrease) in accounts payable and accrued liabilities	(150,554)	4,245	(83,919)	(86,084)
Net cash provided by operating activities	(1,204,182)	(148,932)	(2,191,955)	(462,650)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of share capital (net of issuance costs)	1,376,325	2,976,578	2,475,625	3,405,983
	1,376,325	2,976,578	2,475,625	3,405,983
CASH FLOWS FROM INVESTING ACTIVITIES				
Deferred development costs	-	(76,000)	-	(138,144)
Patents and trademarks	-	-	(1,142,312)	-
Equipment	-	-	-	(2,541)
Net cash used for investing activities	-	(76,000)	(1,142,312)	(140,685)
Change in cash and equivalents during the period	172,143	2,751,646	(858,642)	2,802,648
Cash and equivalents, beginning of period	1,843,951	425,340	2,874,736	374,338
Cash and equivalents, end of period	$ 2,016,094	$ 3,176,986	$ 2,016,094	$ 3,176,986

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

1. INCORPORATION

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

2. BASIS OF PRESENTATION AND GOING CONCERN

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

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

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

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets.

	July 31, 2007	October 31, 2006
Working capital	$ 2,212,764	$ 2,847,018
Deficit	(10,352,583)	(7,764,043)

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

3. ACQUISITION OF SUBSIDIARY

The Company acquired an option to purchase 100% of the issued and outstanding common shares of Sertonex, a privately held company, in consideration of the staged issuance of 6,945,000 common shares of the Company and the completion of an aggregate of $3,500,000 in equity financing to be used on research and development. The common shares issued pursuant to the acquisition agreement will be subject to escrow agreements, of which 50% are time released escrow shares that comprise acquisition costs of Sertonex and 50% are performance based escrow shares that are

3. ACQUISITION OF SUBSIDIARY (cont'd…)

considered compensatory in nature. The compensatory escrow shares are released in accordance with the performance criteria disclosed in Note 5.

On August 9, 2006, the Company acquired 66.67% of the issued and outstanding shares of Sertonex, in consideration for the issuance of 4,630,000 common shares of the Company, of which 2,315,000 are compensatory and 2,315,000 are non-compensatory, and completed $2,000,000 of the required $3,500,000 equity financing. The acquisition is accounted for using the purchase method.

Total cost of acquisition was $1,057,540 consisting of the issuance of 2,315,000 non-compensatory common shares valued at $926,000 and transaction costs of $131,540. The operating results of Sertonex were recognized in the consolidated statement of operations beginning on August 9, 2006, the effective date of the first acquisition.

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

Cash	$ 1,941
Equipment	6,115
Due to related parties	(11,921)
Accounts Payable	(19,251)
Intellectual property	1,080,656
	$ 1,057,540

On July 26, 2007, the Company acquired the remaining 33.33% of the issued and outstanding shares of Sertonex, in consideration for the issuance of 2,315,000 common shares of the Company, valued at $787,100, of which 1,157,500 are compensatory and 1,157,500 are non-compensatory. The purchase cost of the assets of $787,100 has been allocated to intellectual property. The Company also completed the remaining $1,500,000 of the required $3,500,000 equity financing. As of July 26, 2007, all requirements have been met for 100% ownership of Sertonex.

4. INTANGIBLE ASSETS

	July 31, 2007			October 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patent licenses	$ 3,897,180	$ 344,360	$ 3,552,820	$ 2,754,868	$ 86,090	$ 2,668,778
Intellectual property	1,867,756	135,084	1,732,672	1,080,656	33,771	1,046,885
	$ 5,764,936	$ 479,444	$ 5,285,492	$ 3,835,524	$ 119,861	$ 3,715,663

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

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares		Capital Stock		Contributed Surplus
Authorized					
An unlimited number of common shares, without par value					
Balance as at October 31, 2005	27,865,771	$	6,577,522	$	178,774
Private placements	8,072,750		3,229,100		-
Shares issued on conversion of debentures	674,231		87,650		-
Shares issued for patent	6,527,500		2,611,000		-
Shares issued for 2/3 of project	4,630,000		926,000		-
Share issuance costs	-		(169,063)		-
Exercise of warrants	2,535,231		329,580		-
Stock-based compensation	-		-		568,094
Balance as at October 31, 2006	50,305,483		13,591,789		746,868
Exercise of warrants	4,036,375		2,421,825		-
Exercise of options	140,500		53,800		-
Shares issued for completion of project	2,315,000		787,100		-
Stock-based compensation	-		-		258,670
Balance as at July 31, 2007	56,797,358	$	16,854,514	$	1,005,538

Private placements

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

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

Escrow shares

Included in the escrow shares at July 31, 2007 are 10,451,625 common shares also which were subject to time release escrow agreements and will not be released, transferred or assigned without the consent of the regulatory authorities.

Performance escrow shares

Included in issued capital stock and part of the escrow shares mentioned above at July 31, 2007 are 3,472,500 common shares subject to a performance based release as follows:

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

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

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

Warrants and stock options

Stock option and warrant transactions are summarized as follows:

	Stock options			Warrants		
	Number of Shares		Weighted Average Exercise Price	Number of Shares		Weighted Average Exercise Price
Balance outstanding, October 31, 2005	915,000	$	0.18	1,861,000	$	0.13
Granted	3,880,000		0.40	4,710,606		0.53
Exercised	-		-	(2,535,231)		0.13
Cancelled/expired	(725,000)		0.20	-		-
Balance outstanding, October 31, 2006	4,070,000	$	0.39	4,036,375	$	0.60
Granted	785,000		0.72	-		-
Exercised	(140,500)		0.38	(4,036,375)		0.60
Balance outstanding, July 31, 2007	4,714,500	$	0.44	-	$	-
Number currently exercisable	2,387,417	$	0.53	-	$	-

The following table summarizes information about the stock options outstanding at July 31, 2007:

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

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

July 31	2007	2006
Dividend yield	$0.00	$0.00
Expected volatility	53.87%	94.32%
Risk free interest rate	3.88%	4.04%
Expected life of options	5 years	5 years

6. RELATED PARTY TRANSACTIONS

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

Nine month period ended July 31	2007	2006
Consulting fees	$ 198,050	$ 94,697

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

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

7. SEGMENTED INFORMATION

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