SERNOVA CORP.

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2007

AUDITORS' REPORT

To the Shareholders of
Sernova Corp.

We have audited the consolidated balance sheets of Sernova Corp. as at October 31, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

January 30, 2008

SERNOVA CORP.
CONSOLIDATED BALANCE SHEETS
AS AT OCTOBER 31

	2007	2006 (Restated – Note 14)
ASSETS		
Current		
Cash	$ 1,800,205	$ 2,874,736
Receivables	61,591	61,015
Prepaid expenses	17,425	33,418
	1,879,221	2,969,169
Equipment (Note 4)	8,307	11,933
Intangible assets (Note 5)	5,344,898	3,267,132
	$ 7,232,426	$ 6,248,234

	2007	2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 34,286	$ 122,151
Shareholders' equity		
Capital stock (Note 6)	17,232,859	13,128,789
Contributed surplus (Note 6)	1,307,075	746,868
Deficit	(11,341,794)	(7,749,574)
	7,198,140	6,126,083
	$ 7,232,426	$ 6,248,234

Nature and continuance of operations (Note 1)
Commitments (Note 7)

On behalf of the Board:

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

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

SERNOVA CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED OCTOBER 31

	2007	2006 (Restated – Note 14)
GENERAL AND ADMINISTRATIVE EXPENSES		
Amortization on equipment	$ 3,626	$ 762
Amortization on intangible assets	791,839	105,392
Business development and conferences	71,974	-
Consulting fees and wages	310,133	191,122
Investor relations	7,500	-
Office and miscellaneous	68,526	66,589
Marketing and promotion	6,340	44,111
Professional fees	175,449	83,943
Regulatory and filing fees	9,233	-
Rent	13,409	-
Research	1,603,292	258,279
Shareholder communications	18,028	-
Stock-based compensation (Note 6)	614,452	568,094
Transfer agent	19,024	-
Travel	4,426	3,191
	(3,717,251)	(1,321,483)
OTHER ITEMS		
Foreign currency loss	(6,226)	-
Interest income	91,449	59,684
Royalty income	39,808	19,099
	125,031	78,783
Loss for the year	(3,592,220)	(1,242,700)
Deficit, beginning of year	(7,749,574)	(6,506,874)
Deficit, end of year	$ (11,341,794)	$ (7,749,574)
Basic and diluted loss per common share	$ (0.07)	$ (0.04)
Weighted average number of common shares outstanding	48,874,390	35,631,031

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

SERNOVA CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31

	2007	2006 (Restated – Note 14)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (3,592,220)	$ (1,242,700)
Items not affecting cash:		
Amortization on equipment	3,626	762
Amortization on intangible assets	791,839	105,392
Stock-based compensation	614,452	568,094
Changes in non-cash working capital items:		
Increase in receivables	(576)	(56,983)
(Increase) decrease in prepaid expenses	15,993	(20,126)
Decrease in accounts payable and accrued liabilities	(58,436)	(113,070)
Net cash used in operating activities	(2,225,322)	(758,631)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	2,475,625	3,558,680
Share issuance costs	-	(169,065)
Net cash provided by operating activities	2,475,625	3,389,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary	-	(29,599)
Intangible assets	(1,324,834)	(94,407)
Equipment	-	(6,580)
Net cash used for investing activities	(1,324,834)	(130,586)
Change in cash during the year	(1,074,531)	2,500,398
Cash, beginning of year	2,874,736	374,338
Cash, end of year	$ 1,800,205	$ 2,874,736

Supplemental disclosure with respect to cash flows (Note 8)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

The Company acquired a sublicense to certain patents (Note 5) and a subsidiary, Sertonex Inc. ("Sertonex") (Note 3), and became engaged in the research and development of a commercially viable treatment for Type 1 human diabetes using transplanted devices containing porcine cells. The Company has no products in commercial production or use and is in the development stage.

Going concern

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

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

October 31	2007	2006
Working capital	$ 1,844,935	$ 2,847,018
Deficit	(11,341,794)	(7,749,574)

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Sertocell Technologies Inc. ("Sertocell") and Sertonex from its date of acquisition (Note 3). All significant inter-company balances and transactions have been eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Significant accounts that require estimates relate to the impairment of the intangible assets, valuation allowance for future income tax assets, stock-based compensation and valuation of warrants in private placements.

Computer equipment

Computer equipment is recorded at cost less accumulated amortization and related investment tax credits and government grants. Amortization is provided annually on assets placed in use on a 30% declining balance basis.

Intangible assets

Costs incurred in obtaining patent licenses and non-patented intellectual property associated with the patents are capitalized and amortized on a straight-line basis over the remaining legal life of the respective patent licenses, or their economic life, if shorter. The cost of servicing the Company's patent licenses' is expensed as incurred.

Impairment of long-lived assets

The Company reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the undiscounted future net cash flows expected to be generated by the asset. When the carrying amount of an asset exceeds such cash flows, an impairment charge is recognized for the excess.

Research and development

All research costs are charged to operations in the year of expenditure. Development costs are capitalized if they meet the criteria for capitalization and amortized over the period of the expected life. Development costs are written off when there is no longer expectation of future benefits.

Investment tax credits and government grants

The Company follows the cost reduction method of accounting for investment tax credits. Investment tax credits related to acquisition of equipment are deducted from the related asset with amortization being calculated on the net amount. Investment tax credits related to current expenditures are included in the determination of net income as the expenditures are incurred when there is reasonable assurance they will be realized.

Non-refundable government grants are recorded as a reduction of expenditures when directly related to such expenditures. Grants in excess of expenditures are deferred to future periods, to be offset against any future expenditures to be incurred or credited to development costs if they exceed future expenditures on that project.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Escrow shares

Company shares placed in escrow to be released upon achievement of certain performance criteria in connection with an acquisition are considered to be contingently issueable and compensatory in nature. Accordingly, the fair value of these shares upon satisfaction of the performance criteria is accounted for as compensation expense in the period of satisfaction.

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation over the period of vesting. Any consideration received from option holders to purchase shares is credited to capital stock.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollar equivalents using the temporal method. The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at rates approximating those in effect at the time of the transaction. Exchange gains and losses arising on translation are included in the statement of operations.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. For convertible securities, the weighted average number of outstanding shares is adjusted for the shares to be issued on conversion.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

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

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

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

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

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. The common shares issued pursuant to the acquisition agreement are subject to time release escrow agreements, of which 50% are performance based escrow shares that are considered compensatory in nature. The compensatory escrow shares are released in accordance with the performance criteria disclosed in Note 6 and do not comprise acquisition costs.

On August 9, 2006, the Company acquired 66.67% of the issued and outstanding shares of Sertonex, in consideration for the issuance of 4,630,000 common shares of the Company, of which 3,472,500 are compensatory and 1,157,500 are non-compensatory (Note 14), and completed $2,000,000 of the required $3,500,000 equity financing. The acquisition was accounted for using the purchase method.

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

3. ACQUISITION OF SUBSIDIARY (cont'd…)

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

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

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

4. EQUIPMENT

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 12,695	$ 4,388	$ 8,307	$ 12,695	$ 762	$ 11,933

5. INTANGIBLE ASSETS

	October 31, 2007			October 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patent licenses	$ 4,050,273	$ 597,599	$ 3,452,674	$ 2,754,868	$ 86,090	$ 2,668,778
Intellectual property	2,191,856	299,632	1,892,224	617,656	19,302	598,354
	$ 6,242,129	$ 897,231	$ 5,344,898	$ 3,372,524	$ 105,392	$ 3,267,132

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.

6. 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	$ 6,577,524	$ 178,774
Private placement	8,072,750	3,229,100	-
Shares issued on conversion of debentures (Note 10)	674,231	87,650	-
Shares issued for patent licenses (Note 5)	6,527,500	2,611,000	-
Shares issued on acquisition (Note 3 and 14)	4,630,000	463,000	-
Share issuance costs	-	(169,065)	-
Exercise of warrants	2,535,231	329,580	-
Stock-based compensation	-	-	568,094
Balance as at October 31, 2006	50,305,483	13,128,789	746,868
Exercise of warrants	4,036,375	2,421,825	-
Exercise of options	140,500	108,045	(54,245)
Shares issued on acquisition (Note 3)	2,315,000	1,574,200	-
Stock-based compensation	-	-	614,452
Balance as at October 31, 2007	56,797,358	$ 17,232,859	$ 1,307,075

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 consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share, all of which were exercised in fiscal 2007. In connection with the placement, the Company paid finder's fees of $119,385 and administration fees of $3,200.

Escrow shares

Included in issued capital stock at October 31, 2007 are 9,472,500 common shares held in escrow which were subject to time release escrow agreements and will not be released, transferred or assigned without the consent of the regulatory authorities.

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

Performance escrow shares

Included in issued capital stock and part of the escrow shares mentioned above at October 31, 2007 are 3,472,500 common shares also 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.

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

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, October 31, 2007	4,714,500	$ 0.44	-	$ -
Exercisable, October 31, 2007	3,017,417	$ 0.40	-	$ -

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

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

	Number of Shares	Exercise Price	Expiry Date
Options	150,000	$ 0.13	March 28, 2010
	30,000	0.16	January 3, 2010
	2,339,500	0.40	March 20, 2011
	1,410,000	0.40	September 11, 2011
	300,000	0.40	November 22, 2011
	335,000	0.88	June 22, 2012
	150,000	1.00	June 22, 2012
Total	4,714,500		

Stock-based Compensation

The Company used the Black-Scholes option pricing model to determine the fair value of options granted. During the fiscal 2007, the Company granted 785,000 (2006 – 3,880,000) options with a weighted average fair value of $0.36 (2006 - $0.36) per option, which is being recognized over the vesting periods of the options. Total stock-based compensation recognized in the Statement of Operations and Deficit for the year ended December 31, 2007 was $614,452 (2006 – $568,094). This amount represents the value of vested options.

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

Year ended October 31	2007	2006
Dividend yield	$0.00	$0.00
Expected volatility	67.79%	88.39%
Risk free interest rate	4.39%	4.04%
Expected life of options	5 years	5 years

7. COMMITMENTS

Pursuant to an agreement with a shareholder, the Company has exclusive rights to use certain patents and technology utilized in the Fertilité-OV ™. Under the agreement, the shareholder earns a royalty of 2% of cumulative royalties in excess of $1.5 million to a maximum lifetime royalty of $570,000.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2006	2005
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd…)

Significant non-cash transactions for the year ended October 31, 2007 included:

a) Issuance of 2,315,000 common shares valued at $1,574,200 pursuant to the acquisition of a subsidiary.

b) Accrued $20,032 in patent costs.

Significant non-cash transactions for the year ended October 31, 2006 included:

a) Issuance of 6,527,500 common shares valued at $2,611,000 pursuant to the acquisition of certain patent licenses.

b) Issuance of 674,231 units pursuant to the conversion of a debenture with a principal balance of $87,650.

c) Accrued $49,461 in patent costs.

d) Issuance of 4,630,000 common shares valued at $463,000 pursuant to the acquisition of a subsidiary (Note 14).

9. RELATED PARTY TRANSACTIONS

During fiscal 2007 the Company paid or accrued $129,800 (2006 - $153,692) in consulting fees and wages to a director, an officer and former officer, and a company controlled by a director.

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.

10. CONVERTIBLE DEBENTURES

Effective March 2, 2004, the Company issued non-interest bearing convertible debentures with a principal balance of $335,250. The debentures were convertible at any time prior to February 4, 2005, into units consisting of one common share and one common share purchase warrant at $0.10 of principal outstanding. Each unit consisted of one common share and one warrant entitling the holder to acquire one additional common share at $0.10 expiring February 4, 2005.

During fiscal 2005, the Company amended the terms of the remaining principal balance of $87,650. Pursuant to the amendment, the debentures are convertible at any time prior to February 3, 2006 into units consisting of one common share and one common share purchase warrant at $0.13 of principal outstanding. Each amended unit consists of one common share and one warrant entitling the holder to acquire one additional common share at $0.13 expiring February 3, 2006. The Company also amended the terms of the warrants issued pursuant to the prior conversions to an exercise price of $0.13 expiring February 3, 2006.

During fiscal 2006, all the outstanding debentures were converted into units and all associated warrants were exercised.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2007	2006
Loss before income taxes	$ (3,592,220)	$ (1,242,700)
Expected income tax recovery	$ 1,221,000	$ 424,000
Excess of amortization over capital cost allowance	(270,000)	(36,000)
Other items	(194,000)	(158,000)
Unrecognized benefits of losses	(757,000)	(230,000)
Income tax recovery	$ -	$ -

The significant components of the Company's future income tax assets and liabilities are as follows:

	2007	2006
Future income tax assets:		
Losses available for future periods	$ 2,458,000	$ 1,825,000
Share issuance costs	30,000	119,000
Other items	330,000	122,000
	2,818,000	2,066,000
Less: valuation allowance	(2,818,000)	(2,066,000)
Net future income tax assets	$ -	$ -

The Company has Canadian non-capital losses of approximately $6,733,000 and United States operating losses of approximately $1,884,000 available to reduce future years' taxable income. These losses, if not utilized, will expire through to 2027. Future tax benefits, which may arise as a result of these non-capital losses and other items have not been recognized in these financial statements and have been offset by a valuation allowance.

12. 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.

13. FINANCIAL INSTRUMENTS

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

14. RESTATEMENT

On August 9, 2006, the Company issued 4,630,000 common shares as consideration for the acquisition of Sertonex, of which 3,472,500 are compensatory and 1,157,500 are non-compensatory (Note 3). The number of non-compensatory common shares issued was reduced from 2,315,000 common shares to 1,157,500, resulting in reduction of the costs of the acquisition from $1,057,540 to $594,540. The reduction in the cost of the acquisition was allocated to the intellectual property, also resulting in an adjustment to the amortization of $14,469. There was no impact to loss per common share.

The effect of these adjustments as at October 31, 2006 and for the year then ended was as follows:

	As restated	As previously reported
Intangible assets	$ 3,267,132	$ 3,715,663
Share capital	13,128,789	13,591,789
Loss for the year	$ 1,242,700	$ 1,257,169

Form 51-102F1

SERNOVA CORP.

Management's Discussion and Analysis of Results of Operations and Financial condition for the year ended October 31, 2007.

The following discussion and analysis should be read in conjunction with the year end audited financial statements and related notes dated October 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, 2007 year end report and financial statements.

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

The information contained in this report is made as of February 22, 2008.

Performance Summary and Update

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

The Company's efforts and expenditures 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 its Scientific Advisory Committee and FDA consultants, periodically reviews and revises its regulatory approval strategy as needed.

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.

<u>Performance Summary and Update</u> (cont'd…)

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

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

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

The 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;

Performance Summary and Update (cont'd…)

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

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

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

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

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

Performance Summary and Update (Cont'd…)

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

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

Also on the Scientific Advisory Board are Dr. Norman Wong, co-founder of Resverlogix and a Professor in the Departments of Medicine and Biochemistry & Molecular Biology at the University of Calgary, Dr. Jannette Dufour, an expert in Sertoli cells and Assistant Professor in the Department of Cell Biology and Biochemistry at Texas Tech University Health Sciences Center, Dr. Clive Patience a leading expert on biological safety of xenotransplants and currently Associate Director of Bioanalytical Quality Control at Biogen Idec. Inc., 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 year ended October 31, 2007 the company recorded a loss of $3,592,220 or $0.07 per share versus a loss of $1,242,700 or $0.04 per share in the prior year. Of the current loss recorded for the period, $614,452 is related to the non-cash expense from stock based compensation. Not including stock based compensation, the net loss for the period would be $2,977,768. General and administrative expenses for the year ended October 31, 2007 were $3,717,251 compared to $1,321,483 for the year ended October 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)	(585,228)
	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)	(1,003,679)
		(0.01)	(0.02)	(0.02)	(0.01)

Selected Annual Information

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

Outstanding Share Data

As at February 22, 2008, the Company has 56,797,358 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 October 31, 2007, the Company had cash of $1,800,205 compared to $2,874,736 as at October 31, 2006. Cash used for operations in the year ended October 31, 2007 was $2,225,318 compared to $758,631 for the year ended October 31, 2006. The increase in consumption of cash in the current year can be attributed to increased research costs. As at October 31, 2007, the Company had no long-term obligations.

Going Concern

The 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.

October 31	2007	2006
Working capital	$ 1,844,935	$ 2,847,018
Deficit	(11,341,794)	(7,749,574)

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.

Fourth Quarter

See Performance Summary and Updates for additional fourth quarter transactions.

Transactions with Related Parties

During the year ended October 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. Patrick Groening, the Chief Financial Officer of the Company, received $30,000 for his services, and a company controlled by Phil Morehouse, the Executive Vice President of the Company, received $69,800 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.

Financial instruments

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

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

Financial Instruments (Cont'd….)

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

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

New and Upcoming Accounting Pronouncements

Assessing Going Concern

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

Financial Instruments

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

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

New and Upcoming Accounting Pronouncements (Cont'd…)

Capital Disclosures

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

Accounting Changes

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

Disclosure Controls and Procedures

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

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

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

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