SERNOVA CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three and Nine Months Ended July 31, 2008

The following discussion and analysis explains the variations in the consolidated operating results and financial position and cash flows of the Company for the Three and Nine Months Ended July 31, 2008 and 2007. This analysis should be read in conjunction with the Unaudited Interim Consolidated Financial Statements of the Company and related notes enclosed herein as at July 31, 2007. The Unaudited Interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar figures are in Canadian dollars unless otherwise indicated. In this report where we say "we", "us", our", or "the Company", we mean Sernova Corp., unless otherwise indicated.

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

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

This discussion and analysis has been reviewed and approved by the Audit Committee and Board of Directors. The Audit Committee of the Company includes one financial expert.

PERORMANCE SUMMARY AND UPDATE

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

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

On April 25, 2008 the Company met with the U.S. Food and Drug Administration (FDA) to establish definitive requirements for the filing of an Investigational New Drug (IND) application, which is required for the Company to commence human Clinical Trials. After review of Sernova's pre-clinical testing data in rodents to date, the FDA specified the next stage to be a pivotal pre-clinical trial consisting of a single 12 month large-animal trial with clear endpoints, leading to a PhaseI/II human Clinical Trial. Including trial planning and chamber

manufacturing time, the pivotal pre-clinical trial is expected to take about 18 months in total to complete and will assess the long-term safety and durable activity of Sertolin.

Sernova is now focusing on the FDA-mandated pivotal pre-clinical trial, including the scale-up and design of the chamber for the trial, contracting with FDA-GLP facilities to perform the trial, finalizing arrangements to secure porcine cells for this trial and future human trials, and evaluating alternatives for securing additional financing for the trial and general working capital purposes.

On July 26, 2007, the Company exercised its right to acquire the final one-third of the shares of Sertonex as part of the Joint Venture, and issued the final tranche of 2,315,000 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 are 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;

(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 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 Company Technologies, Inc. The escrow terms of the timed escrow agreement with STI are shown below.

Release Dates	Total Number of Escrowed Securities to be Released
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

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

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

Harvard Medical School, and Dr. Shinichi Matsumoto, a pancreatic islet transplant expert and Director of the Baylor All Saints Islet Cell Laboratory at the Baylor Research Institute.

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

Results of Operations

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, 2008 the Company recorded a loss of $2,189,422 or $0.04 per share versus a loss of $2,588,541 or $0.05 per share for the Nine Months Ended July 31, 2007.

Revenue for the Nine Months Ended July 31, 2008 was $64,630 compared to $98,738 for the same period of the in the prior year, a decrease of $34,108 or 34%. The decrease in revenues is the result of lower interest income arising from reduced cash and term deposit balance year over year.

Amortization of the capital assets and patent assets amounted to $566,161 compared to $363,302 for the Nine Months Ended July 31, 2007.

Of the current loss recorded for the period, $505,025 is related to the non-cash expense from stock based compensation ($258,670 for the Nine Months Ended July 31, 2007).

Research costs for the Nine Months Ended July 31, 2008 were $666,446 compared to $1,417,140 for the Nine Months Ended July 31, 2007.

General and administrative expenses for the Nine Months Ended July 31, 2008 were $482,894 compared to $401,812 for the same period in the prior year. Significant operating costs for the Nine Months Ended July 31, 2008 (defined as individual expense categories of approximately 10% of the total costs) included consulting costs of $124,974, professional fees of $113,729 and patent fees of $52,827. Significant operating costs for the Nine Months Ended July 31, 2007 included consulting fees of $228,185 and professional fees of $250,613.

No provision for income taxes or income tax recovery on either the current year or prior year earnings has been recorded in the Statement of Operations due to the existence of non-capital losses of $6,733,000 in Canada and $1,884,000 operating losses in the United States as at October 31, 2007. In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependant upon the generation of future taxable income.

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

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

SUMMARY OF QUARTERLY RESULTS

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2006	Net loss	(98,315)	(451,772)	(107,385)	(585,228)
	Net loss per share	(0.01)	(0.01)	(0.01)	(0.01)
2007	Net loss	(413,308)	(1,119,456)	(1,055,777)	(1,003,679)
	Net loss per share	(0.01)	(0.02)	(0.02)	(0.01)
2008	Net loss	(623,179)	(1,077,250)	(488,993)	
	Net loss per share	(0.01)	(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)

CASH FLOWS

Cash flows used by operating activities for the Nine Months Ended July 31, 2008 were $1,118,236 compared with cash flows used by operations of $1,967,569 for the same quarter in the prior year, representing an improvement of $849,333. This change year over year is the result principally of lower fees to consultants and professionals and lower research expenditures.

Cash provided by working capital balances for the Nine Months Ended July 31, 2008 was $61,554 compared with cash used by working capital of $224,386 for the same period in the prior year. The change in the Nine Months Ended July 31, 2007 arose from both an decrease in accounts payable and accrued liabilities in the fiscal period and the reduction in the prepaid expenditures as explained previously in the MD&A.

Regarding financing activities, there was no cash generated from such sources in the Nine Months Ended July 31, 2008 compared to $2,475,625 in the same period in the prior year. The financing activities in the Nine Months Ended July 31, 2007 resulted from the issue of share capital, net of issuance costs as explained in Note 5 to the Unaudited Interim Consolidated Financial Statements.

With respect to investing activities, cash invested in patents and trademarks amounted to $30,831 for the Nine Months Ended July 31, 2008 compared to $1,142,312 for the Nine Months Ended July 31, 2007.

LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2008, the Company had cash of $712,692 compared to $1,800,205 as at October 31, 2007. Cash used for operations in the Nine Months Ended July 31, 2008 was $1,056,682 compared to $2,191,955 for the Nine Months Ended July 31, 2007.

GOING CONCERN

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

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

BALANCE SHEET

Total assets as at July 31, 2008 were $5,546,680 compared with $7,232,426 at the end of the Company's latest year end, representing a decrease of 23% or $1,685,746. Substantially all of the decrease is accounted for by the use of cash resources to fund operations and the amortization of the intangible assets. As at July 31, 2007 the total assets of the Company were $7,545,699.

Total current assets of $728,805 are substantially reduced from the balance of $1,879,221 as at October 31, 2007, and reflect the use of such resources to cover operations.

The equipment of the Company remained relatively unchanged in the Nine Months Ended July 31, 2008 and reflects the decision of management not to invest in new additions, and the change in value can be attributed to the amortization of such assets.

There were no changes in capital stock during the Nine Months Ended July 31, 2008. During the Nine Months Ended July 31, 2007 the Company received net proceeds of $2,475,625 resulting from the exercise of both warrants and options as explained in Note 5 to the Unaudited Interim Consolidated Financial Statements.

There were no changes in stock options in the Nine Months Ended July 31, 2008.

Accordingly, there are 5,039,500 options outstanding to employees, consultants, officers and directors as at July 31, 2008, which is unchanged from the balance outstanding as at October 31, 2007. During the Nine Months Ended July 31, 2007 the Company granted 325,000 stock options to directors, officers, employees and consultants at an exercise price of $0.30 per common share.

There were no changes in Common Share Purchase Warrants during the Nine Months Ended July 31, 2008. During the Nine Months Ended July 31, 2007 4,036,375 warrants were exercised at an average price of $0.60 per warrant for net proceeds of $2,421,825. There are no outstanding warrants as at October 31, 2007 or July 31, 2008.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

During the Nine Months Ended July 31, 2008, the Company paid $20,000 to Patrick Groening, acting as the Chief Financial Officer of the Company for his services. Consulting fees in the amount of $40,625 were paid to a company controlled by Phil Morehouse, the Executive Vice President of the Company during most of the same period.

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

PROPOSED TRANSACTIONS

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

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Unaudited Interim Consolidated Financial Statements are prepared following accounting policies consistent with the Company's audited Annual Consolidated Financial Statements and notes thereto for the Year Ended October 31, 2007.

On November 1, 2007, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3855 "Financial Instruments – Recognition and Measurement", 3861 "Financial Instruments – Disclosure and Presentation", 3865 "Hedges", 1530 "Comprehensive Income", and 3251 "Equity", for fiscal years beginning on or after January 1, 2007. These standards have been adopted on a prospective basis with no restatement to prior period financial statements.

Financial instruments - Recognition and measurement

Section 3855 establishes standards for the recognition and measurement of all financial instruments, provides a characteristics-based definition of a derivative financial instrument, provides criteria to be used to determine when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished. Under this standard, all financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. The Company has implemented the following classifications for its financial instruments:
a) Cash equivalents and short term investments have been classified as held-for trading.
b) Receivables have been classified as loans and receivables and measured at amortized cost.
c) Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

Comprehensive Income

Section 1530 establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale. As of April 30, 2008, the Company does not have any financial instruments classified as available-for-sales.

Financing charges

Financing charges that reflect the cost to obtain new debt financing are expensed as incurred. Financing charges that reflect the cost to obtain new equity financing are deducted from shareholders equity.

The CICA has issued six new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The Company has adopted the requirements commencing in the interim period ended July 31, 2008.

Section 1400 – Assessing Going Concern

This Section was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

Section 1535 – Capital Disclosures

This Section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

i. qualitative information about its objectives, policies and processes for managing capital,

ii. summary quantitative data about what it manages as capital.

iii. whether during the period it complied with any externally imposed capital requirements to which it is subject.

iv. when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

Section 3862 – Financial Instruments – Disclosures

This Section requires entities to provide disclosure of quantitative and qualitative information 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 management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:

i. designating financial assets and liabilities as held for trading;

ii. designating financial assets as available-for-sale; and

iii. determining when impairment is recorded against the related financial asset or when an allowance account is used.

Section 3863 – Financial Instruments - Presentation

This Section was issued 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.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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.

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.

OUTSTANDING SHARE DATA

As at September 29, 2008, the Company has 56,797,358 common shares issued and outstanding. The Company also has a total of 5,039,500 outstanding stock options comprised of 4,049,500 options priced at $0.40 a share, 325,000 at $0.30 per share, 30,000 at $0.16 per share and 150,000 at $0.13 per share, 150,000 at $1.00 and 335,000 at $0.88. There are no outstanding warrants.

FINANCIAL INSTRUMENTS

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

RISKS AND UNCERTAINTIES

The Company has a technology that is in the commercialization stage and has not yet been approved for commercialization by regulatory authorities in any jurisdiction, nor marketed commercially. Our business entails significant risks, including the costs and time involved in obtaining the required regulatory approvals, the adequacy of patent protection, the uncertainties involved in clinical testing, the availability of capital to continue commercialization of our products, and competition from pharmaceutical and other biotechnology companies.

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

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

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

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Unaudited Interim Consolidated Financial Statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and have been approved by the Board of Directors. The integrity and objectivity of the Unaudited Interim Consolidated Financial Statements are the responsibility of management. The Company's independent auditor has not preformed a review of the Unaudited Interim Consolidated Financial Statements.

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

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board. The Audit Committee meets periodically with management and the external auditor to discuss controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities.

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

There have been no significant changes to the Company's internal control environment during the Three and Nine Months Ended July 31, 2008 and subsequent to that date that would have materially effected the Company's internal controls over financial reporting.

The Audit Committee reports its findings to the Board for consideration when approving the Unaudited Interim Consolidated Financial Statements for issuance to the shareholders. The Audit Committee also considers, for recommendation by the Board and approval by the shareholders, the re-appointment of the external auditor.

The external auditor has full and free access to the Audit Committee with respect to his findings concerning the fairness of the financial reporting and the adequacy of internal controls.