SERNOVA CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Three and Nine Months Ended July 31, 2010

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, 2010 and 2009. This analysis should be read in conjunction with the interim unaudited Consolidated Financial Statements of the Company and related notes enclosed herein as at July 31, 2010. Such interim unaudited Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar figures are in Canadian dollars unless otherwise indicated. In this report where we say "we", "us", our", or "the Company", we mean Sernova Corp., unless otherwise indicated.

The information in this report is dated as of September 29, 2010.

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", or by such words as "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 the Board of Directors. The Audit Committee of the Company includes two Directors who are financially knowledgeable.

PERFORMANCE SUMMARY AND UPDATE

In May, 2006 the Company entered into a Joint Venture. The purpose of the Joint Venture is to develop a commercially viable treatment for insulin-dependent human diabetes using transplanted devices containing insulin producing cells. The technology involves the use of sertoli cells to provide immune-protection within a local environment to reduce or eliminate the need for anti-rejection drugs and is branded as "**Sertolin.**" As part of the joint venture agreement, STI exclusively licensed to the Company all patents, and patent applications for the therapeutic use of Sertoli cell technology, the key component of Sertolin. In exchange, the Company issued to STI 6,527,500 common shares and paid a licensing fee of $1,142,312, and agreed to pay certain other future royalties on income related to the patents. The payment shares were subject to a 3 year timed escrow agreement. As of the date of this MD&A, all payment shares have been released from escrow.

On July 26, 2007, the Company exercised its right under the Joint Venture to acquire the final one-third of the shares of Sertonex, and issued 2,315,000 common shares to Dr. David White and Mr. Justin Leushner. These common shares have been subject to timed escrow release and earn out escrow provisions. As of the date of this MD&A, 347,250 common shares remain subject to timed escrow release on July 26, 2010 and 3,472,500 common shares (the "**Performance Escrow Shares**") remain subject to a performance-based release as follows:

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

2. 1,736,250 common shares on the date the Company enrolls the first patient in a Phase III human clinical efficacy trial for a licensed product.

Any unreleased 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.

The escrow terms of the timed escrow agreement with White and Leushner is shown in the table below:

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

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

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

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

(ii) the balance of 1,736,250 common shares on the date that Sernova or an affiliate enrolls the first patient in a Phase III 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.

The Company's efforts and expenditures have been focused on obtaining preclinical data through research to support regulatory approval of clinical (human) trials of the Company's cell and implantable device technologies. The Company is planning to file an Investigational New Drug ("**IND**") or an Investigational Device Exemption ("**IDE**") 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. The Company's management, in conjunction with its Scientific Advisory Committee and regulatory consultants, periodically review and revises its regulatory approval strategy as needed.

On April 25, 2008 the Company was working on the possibility of using pig cells as an option for use in humans. The use of cells from one species to another is called xenotransplantation. The company met with the FDA to define the data necessary to file an IND application using porcine Sertoli cells, and islets placed within a prevascularized device, to commence human clinical trials within the United States. After review of the Company's pre-clinical testing data in rodents, the FDA suggested that a pre-clinical study of 12 months duration in a large-animal model with clear endpoints ("**Pivotal Trial**") could be used to support a Phase I/II human clinical study. Including planning and chamber manufacturing time, the Pivotal Trial was expected to take about 18 months to complete and would assess the long-term safety and durable efficacy of Sertolin™ and islets within the chamber. The Pivotal Trial as suggested by the FDA is very capital intensive and as a result of this and other issues surrounding xenotransplantion, the company did not complete this work and focused instead on a more efficient process to advance a product into the clinic.

As such, in the meantime, the Company focused on development of the Cell Pouch™ device for human cell transplantation. If the Company were to undertake clinical study of the Cell Pouch System™ in steps involving assessment of the device using human autografts from patients with chronic pancreatitis who are having a pancreatectomy without the need for immunosuppression agents and/or human islets from donor allografts using the standard care immunosuppression therapy, it is expected that the regulatory requirements may be less onerous from that required for clinical testing of the Sertolin™ technology with porcine tissues. The Company, with input from biologist and device engineers, has thus focused on the design of this cellular implantation chamber that would be suitable for humans. In addition, the Company manufactured a number of prototypes of the Cell Pouch System™ for preclinical assessment in a large animal model.

At the Annual General Meeting of the Shareholders of the Company held on April 28, 2009, the Board of Directors issued its report on the internal review of the Company's research and development, financing and partnering activities and strategies that had been conducted over the last three months by an independent director of the Company. Based on the analysis of the Company's scientific progress to

date, regulatory requirements, and financial and human resources, the Board of Directors approved the recommended strategic plan.

The Company is thus evaluating various options involving a tiered entry of its technologies into the clinic and eventual marketplace with additional focus on the use of human islets. For example, the Company is examining the strategy of obtaining regulatory approval for the Cell Pouch System™ as a cellular transplantation device for patients with chronic pancreatitis who will be having their pancreas removed to alleviate intractable pain. The Company proposes that the islets from the removed pancreas could be placed into the Cell Pouch System™ which has been previously placed under the skin of the patient. In this autograft clinical indication, no immunosuppressant drugs or Sertolin™ would be required.

To further expand the clinical indications for the Company's technologies the Cell Pouch System™ may be used in patients who are planning on having an allograft transplant as an alternative to injecting islets into the portal vein of the liver which can result in the death of up to 90% of islets due to an immediate inflammatory reaction and thrombosis. Such patients would also normally be treated with immunosuppressant drugs to prevent islet rejection. The patients with the Cell Pouch System™ who have had an allograft transplant may be given either immunosuppressant drugs or could be given Sertolin™ from a human source to reduce or eliminate the need for immunosuppressant drugs.Due to the expectation that the Cell Pouch System™ will incorporate with tissue and become vascularized, providing a more organ-like environment for the transplanted islets and avoid the blood -mediated inflammatory reactions associated with islets transplanted into the portal vein, it may also be possible that the device may require less islet cells per patient than the conventional procedure and so would be "islet-sparing". All of these options could serve to eventually increase the market share of the Cell Pouch System™. Thus, the Company has a number of options to expand its technology in the marketplace using human-derived cells within the Cell Pouch System™.

In addition to the internal research and development activities, the Company plans to seek scientific collaborations with key international transplant centres that currently offer islet transplantation (known as the "**Edmonton Protocol**") to patients suffering from insulin-dependent diabetes. The Company's proprietary technology, which utilizes a unique transplantation device for therapeutic cells, offers a potential significant technological leap forward over the Edmonton Protocol, the current standard of care where cells are injected into the portal vein of the liver. Briefly, the Company's technology is expected to provide a safer protected environment for the islets, which could result in healthier and longer living islets, and result in a more robust and natural long-lasting insulin response, among other benefits. The use of the proprietary cell chamber may in itself provide distinct benefits to diabetic patients over the current method of injecting islets into the portal vein of the liver even using current immunosuppressive agent protocols. It is expected that the Cell Pouch System™ may be used for autograft cellular transplants, for allograft cellular transplants with the use of immunosuppressive drugs or in conjunction with co-transplantation of islets and Sertolin™.

The Company has initiated discussions with several key transplant centres in North America with a view to establishing scientific and potential future clinical collaborations to demonstrate proof of concept and commercialize its proprietary technology. One such collaboration with the University of Illinois has been announced. Initially, these collaborations may include pilot studies to assess the various aspects of the Company's technology as well as safety and efficacy studies, which may contribute to the data sufficient for filing an IDE or IND as discussed above. It is the Company's position that by collaborating with leading transplant centres, the Company can conduct various studies in parallel, while ensuring the highest quality of work to meet the standards of the FDA, Health Canada and the international scientific community. The Company may also choose to conduct these studies without collaborators depending on the needs of the Company at the time. The Company may also seek corporate collaborations for such purposes.

While the initial primary focus of the Company's development efforts will be assessment of the Cell Pouch System™ for insulin-dependent diabetes, the Company is planning to develop partnerships with academic and corporate collaborators to develop the Cell Pouch for other chronic metabolic, hematologic and neurological diseases. Furthermore, the Company will be seeking to investigate the use of the device for implantation of multiple cell types including natural cells, stem cells and genetically engineered cells.

The Board of Directors also announced on April 28, 2009 the appointment of Dr. Philip Toleikis as President and Chief Executive Officer of the Company. Dr. Toleikis is an experienced biotechnology executive, with over 20 years of research, intellectual property, product development, management and business experience in the pharmaceutical and biotechnology sectors. Some of this experience has come from his 10 year tenure at Angiotech Pharmaceuticals, Inc. which began in 1996. Dr. Toleikis' major achievements include building and managing a successful product development team of over 20 scientists, development and implementation of product development strategies for multiple combination products resulting in successful completion of Pivotal European Clinical Trials for a combination product which led to a CE Mark and product development from discovery to FDA approval for a second combination product, chairing a Joint Research Committee for a major corporate collaboration which resulted in multiple patent applications and product development opportunities and chairing key corporate collaborative product development programs, assessment of multiple technologies for in-licensing and out-licensing opportunities and a co-inventor of key patent applications and patents in the drug-device arena.

On May 29, 2009, the Company completed a private placement of 14,000,000 common shares at $0.03 per common share for gross proceeds of $420,000.

On July 20, 2009, the Company was awarded a non–repayable financial contribution of up to $486,000 from the National Research Council of Canada Industrial Research Assistance Program, along with technical and business oriented advisory services, to support a pre-clinical study to validate and optimize the Company's novel Cell Pouch System™ device for cell transplantation into humans. The Company will be reimbursed for 100% of designated salary costs to a maximum of $262,000, and 69% of contractor fees to a maximum of $224,000. The contribution will be payable to a maximum of $344,000 in the period to March 31, 2010, and a further $142,000 in the year ending March 31, 2011.

Since August 2009, the Company has reactivated its research and development activities, filed for patent protection on the composition and methods of use of the Cell Pouch System™ and commenced a study, which is expected to be completed within 12 months, to establish device parameters and optimize its performance. The study, which is an autograft assessment of the Cell Pouch System™, involves the implantation, under the skin of pigs, of the Company's novel medical device to assess the degree of tissue incorporation and angiogenesis into the device. The animals with implanted devices will then be made diabetic and their own islets transplanted into the device. The safety and efficacy of the Cell Pouch System™ will then be assessed over time.

The large animal preclinical study, and the subsequent proposed Phase I/II human clinical study, may assess the Cell Pouch System™ in an autograft or allograft model of diabetes. The allograft model may involve use of immunosuppressive agents or an immune protective cell type to protect the islets.

On August 6, 2009, the Company announced the appointment of Dr. Annemarie Moseley to the Company's Business Advisory Board. Dr. Moseley brings technical and business experience in the cell therapy arena that will be of significant benefit to the Company. Dr. Moseley's depth of experience in cell-based product development, clinical and regulatory affairs, as well as financing and partnering, will be a strategic asset for the Company's commercialization and partnering opportunities.

On August 31, 2009, the Company announced that the Canadian Patent Office issued a Notice of Allowance for a key patent related to its genetically modified Sertoli cell platform. The patent entitled "Production of a Biological Factor and Creation of an Immunologically Privileged Environment Using Genetically Altered Sertoli Cells," claims the use of Sertoli cells that have been genetically modified to produce biological factors important in the prevention and treatment of a wide variety of diseases. The

Notice of Allowance was issued July 13, 2009 to Sertoli Technologies, Inc., the exclusive licensor to Sernova Corp.

On October 27, 2009, the Company appointed Dr. Moseley from the Business Advisory Board to the Board of Directors and Mr. Devindar Randhawa from the Board of Directors to the Business Advisory Board. On November 10, 2009, the Company announced that Mr. Hans Mader had joined Mr. Randhawa on the Business Advisory Board.

On December 23, 2009, the Company completed a private placement of units, raising gross proceeds of $500,000 through the issuance of 5,000,000 units at a price of $0.10 per unit, with each unit consisting of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of $0.20 per share for a period of two years from the date of issuance. The units were issued in two tranches – 3,659,000 units on October 30, 2009 for gross proceeds of $365,900, and 1,341,000 units on December 23, 2009 for gross proceeds of $134,100. A total of $20,512 was paid to finders in connection with the private placement.

On March 2, 2010 the Company entered into a research agreement with the University of Illinois to conduct studies with its proprietary Cell Pouch System™ in non-human primates. Initial studies in the collaboration will evaluate the pouches sized for humans which were originally shown to form "organ-like" networks of microvessels and tissue incorporation in porcine models and represents a key validation step towards the initiation of future human clinical trails. Establishing this first collaboration represents a key milestone in the Company's strategy to work closely with leading transplant centers worldwide for the validation and commercialization of the Cell Pouch System™.

The Company will continue to seek both Government and private grants to fund key projects within the overall development plan.

On March 16, 2010, the Company announced the interim results from the porcine diabetes study. From an efficacy perspective, all transplant recipients showed graft function, demonstrated by a reduction in blood glucose and glycemic control (intravenous glucose tolerance test and glucose area under curve ("**AUC**") measures). Following the removal of the transplanted Cell Pouch System™, up to the 72 day time point there was a significant reduction in glucose disappearance rate and glucose AUC indicating the Cell Pouch System™ had been functioning to modulate glucose levels. Functionality was achieved using approximately 5% to 10% of the equivalent number of functional adult islets normally transplanted using the Edmonton Protocol procedure. From a safety perspective, no adverse events occurred, related to the Cell Pouch System™, throughout the study following implantation of the device. The devices were well-incorporated with collagen and microvessels at all time points and were not visible under the skin. Quantitative blinded analysis of blood vessel growth showed significant microvasulature development in the pouches at all time points assessed. Specific differences between the device configurations will enable selection of the final device design.

On April 29, 2010 the Company announced an offering on a non-brokered private placement basis up to 8.0 million units ("The Units") at a price of $0.15 per Unit to raise proceeds of up to $1.2 million. The Company completed the first closing of the offering on April 28, 2010, raising gross proceeds of $405,250 through the issuance of 2,701,666 Units. Proceeds of the offering will be used to fund on-going development, including pre-clinical studies required by the FDA to support a future Phase I/II clinical study of insulin-dependent diabetes, and for general working capital. Each of the Units consists of one common share of the Company and one-half share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share at a price of $0.20 for a period of 24 months from closing. In connection with the first closing, the Company issued 46,923 finders' warrants and approximately $7,000 was paid to the finders. Each Finders warrant entitles the holder thereof to purchase one common share at $0.15 per share for a period of 24 months from closing.

On May 26, 2010, the Company announced the appointment of Mr. Stephen Nagler, LLB to the Company's Business Advisory Board. Mr. Nagler is a partner with Eaton Van Winkle LLC of New York, and is a venture partner in Frontier Ventures, an emerging venture capital fund focused on Canadian life sciences companies. Mr. Nagler is also Chair of Tristate Ventures LLC, a leading New York City based angel investor group focused on investments in microcap companies, mostly in healthcare sector.

On June 4, 2010, the Company completed the second closing of a non-brokered private placement offering through the issuance of 1,004,800 Units at $0.15 per unit for gross proceeds of $150,720. Each unit consists of one common share of the Company and one-half share purchase warrant. Each whole Warrant entitles the holder thereof to acquire one common share at a price of $0.20 for a period of 24 months from closing. In connection with the second closing, the Company issued 33,880 finders' warrants and approximately $5,082 was paid to the finders. Each Finder's warrant entitles the holder thereof to purchase one common share at $0.15 per share for a period of 24 months from closing. Share issue costs under the private placement totaled $9,051.

In August 2010 the long-term results of the porcine diabetes study were presented at the XXII International Congress of the Transplant Society in Vancouver, Canada. In addition to the above findings, long-term results were as follows:

1. A number of diabetic animals implanted with the Cell Pouch System™ were able to be taken off insulin for 72 days, the duration of the study, because their blood glucose levels were being controlled by the islets in the Cell Pouch™. Thus, the Cell Pouch System™ showed reversal of diabetes in these animals.

2. Devices that were removed at the end of the study were demonstrated to have robust microvessel development into the device and surrounding the islets. This is very important because it shows that the Cell Pouch System™ is creating a natural environment for the islets to survive, possibly long-term.

3. Following removal of the Cell Pouch System™ it was demonstrated that the islets in the device were still producing insulin, indicating that the islets were healthy even after 72 days within the device.

4. Following removal of the devices, as expected, the animals became diabetic again.

During the next 2-3 months, the Issuer plans to complete the autograft study of the human-scaled device in a large porcine model of diabetes to identify the optimal parameters of the device for future manufacture, formal preclinical testing and eventual clinical study. This porcine study has helped to identify the ideal range of time the device could be placed in the body prior to insertion of cells. It also determined the degree of efficacy and safety of the device in the porcine diabetes model following islet transplant. Once the ideal parameters of the device are determined, the device parameters will be locked in place and the product will be manufactured under strict regulatory guidance and possibly cGMP. During the next 12 months the Issuer also plans to complete a series of biocompatibility studies. An agreement has been signed with the University of Illinois, Chicago if further primate work is required. Also, during the next 12 months with support from a second funded NRC-IRAP Contribution Agreement, the company plans to evaluate in a large animal of diabetes the islet-sparing capacity of the Cell Pouch System™ using allograft islets and standard anti-rejection drug therapy. This study will help to identify the fewest number of islets required to control diabetes using the Cell Pouch System™. As the company moves forward work will likely occur with allografts and a protector cell type such as sertoli cells along with the islets. This work plus some formal preclinical efficacy studies of the device is anticipated to allow the product to into clinical testing. The timing of entry into the clinic will depend

in part on identifying clinical investigators and obtaining sufficient preclinical data for a regulatory filing.

In August 2010, the Company reached an agreement with the National Research Council of Canada Industrial Research Assistance Program under which the Company will receive a non-repayable financial contribution of up to $275,000, along with technical and business oriented advisory services, to support a pre-clinical study to test the islet sparing hypothesis under controlled conditions using increasing doses of adult islets (allograft) transplanted into Sernova's cell Pouch System™ in mini-pigs. The Company will be reimbursed for 97 % of designated salary costs to a maximum of $182,000 and 75% of contractor fees to a maximum of $94,000.

To help guide the diabetes research efforts, the Company has a Scientific Advisory Board chaired by Dr. David White. He is a noted immunologist, formerly a professor at Cambridge University in England and now Professor 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 has also been 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. However, these royalty payments are currently in arrears, in the amount of approximately $10,000 USD, under circumstances as described in Results of Operations below.

Results of Operations

For the Three and Nine Months Ended July 31, 2010 the company recorded a loss of $478,497 and $1,352,467 respectively or $0.01 and $0.02 per share versus a loss of $342,677 and $1,004,986 or $0.01 and $0.02 per share for the corresponding period last year. Unlike the current year where the research and development team is fully activated, during the prior year, the company had suspended its research and development activities and carefully monitored its office, general and administrative costs which factors account for the lower costs and losses in those corresponding period. During the Three and Nine Months Ended July 31, 2010, the company recorded a contribution of $106,882 and $354,762 respectively from the National Research Council towards the costs of its product development, which amounts were netted from the research costs. There were no such contributions in the prior year to July 31, 2009.

Other Income for the Three and Nine Months Ended July 31, 2010 was $222 and $558 compared to $12,885 and $27,494 for the same period in the prior year, a decrease of $26,936 or 98% for the nine month period. The decrease in revenues is principally the result of the absence of royalty income for the reporting periods compared to a royalty income of $10,029 and $24,398 for the Three and Nine Months Ended July 31, 2009. The payment of royalties to the Company has been suspended due to financial difficulties of HealthWatch Systems Inc. and management has been unable to resolve the issue. No agreement on payment of the royalty arrears has been reached to date and payments are not expected to resume. Interest and other income has declined substantially to $558 for the Nine Months Ended July 31, 2010 compared to $3,096 which can be attributed to lower investment resources as funds were required for the research and development activities and lower interest rates.

Office, General and Administration expenses for the Three and Nine Months Ended July 31, 2010 were $49,178 and $129,583 compared to $36,458 and $82,104 for the same periods in the prior year representing an increase of $47,479 or 57% for the nine month period. The increased costs reflect the increased research and development activity and those costs that support that activity. Significant operating costs for the Nine Months Ended July 31, 2010 (defined as individual expense categories of approximately 10% of the total costs) included rent of $21,600, travel costs of $30,605, insurance of $13,215 and transfer agent costs of $13,700. Significant operating costs for the Nine Months Ended July 31, 2009 included travel expenses of $27,857, insurance of $16,179 and transfer agent costs of $13,999.

Amortization of the capital assets and patent assets for the Three and Nine Months Ended July 31, 2010 was relatively unchanged year over year and amounted to $213,263 and $631,916 compared to $209,933 and $624,871 for the Three and Nine Months Ended July 31, 2009.

Patent fees for the Three and Nine Months Ended July 31, 2010 were $20,339 and $61,100 compared to $8,450 and $35,022 for the same periods in the prior year. The changes in the expense can be regarded as a timing issue year over year and was reflected in later fiscal periods in 2009.

Of the loss recorded for the Three and Nine Months Ended July 31, 2010, $20,507 and $68,027 is related to the non-cash expense from stock based compensation ($11,164 and $83,151 for the same periods in the prior year) which is explained in Note 5 to the interim unaudited Consolidated Financial Statements.

Research costs for the Three and Nine Months Ended July 31, 2010 amounted to a net $18,244 and $169,302 after recording a contribution of $106,882 and $354,762 from the National Research Council for the Three and Nine Month Period. In addition, during the Three and Nine Months Ended July 31, 2010 the Company received $20,029 under the Scientific and Research Expenditure claim. Research costs for the Three and Nine Months Ended July 31, 2009 were $388. Unlike the current year, in the Three and Six Months Ended April 30, 2009 the company made the decision to suspend research and development activities as the Company prepared for the Pivotal Trial and attempted to arrange for financing of, and/or collaboration on, this trial. Research activities were re-activated in August 2009 following the hiring on the new President and CEO in April 2009, and the successful private placement in May 2009. During this time a revised strategy was put in place to enable the Company to advance toward clinical trials of its Cell Pouch System™ using an autograft clinical application and/or an allograft indication with immunosuppressant drugs or immunoprotective cells such as Sertolin™.

Consulting fees and non research salaries amounted to $144,324 and $245,037 respectively for the Three and Nine Months Ended July 31, 2010 (2009 - $69,453 and $168,193 for the same periods in the prior year). The increase year over year in the Three and Nine Months Ended July 31, 2010 can be accounted for principally by the payment of a bonus payment to a senior officer.

No provision for income taxes or income tax recovery on either the current year or prior year earnings has been recorded in the Statement of Operations due to the existence of non-capital losses of $4,600,000 in Canada and $2,709,000 operating losses in the United States as at October 31, 2009. In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependant upon the generation of future taxable income.

Net loss for the Nine Months Ended July 31, 2010 was $1,352,467 compared to a net loss of $1,004,986 for the same period in the prior year, an increase of $347,481 or an increase of 35% in the level of the loss. The significant portion of this change in the loss can be attributed to the net research and development costs of $169,302, payment of additional salaries and bonuses of $73,350, the payment of additional patent fees of $26,078, and general activities to support the scientific program. Basic and fully diluted loss per share for the Nine Months Ended July 31, 2010 was $0.02, compared with the basic and fully diluted loss per share of $0.02 for the Nine Months Ended July 31, 2009.

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

SUMMARY OF QUARTERLY RESULTS

		Ist Quarter	2nd Quarter	3rd Quarter	4th Quarter
2008	Net Loss	($623,179)	($1,077,250)	($488,993)	($564,063)
	Net Loss Per Share	($0.01)	($0.02)	($0.01)	($0.01)
2009	Net Loss	($278,226)	($384,083)	($342,677)	($463,375)
	Net Loss Per Share	$0.00	($0.01)	($0.01)	$0.00
2010	Net Loss	($448,361)	($425,609)	($478,497)	
	Net Loss Per Share	($0.01)	$0.00	($0.01)	

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

It is anticipated that in the current economic and financial market volatility, management will continue to explore the opportunities to collaborate with other parties on all committed programs and expenditures especially in light of the demands on cash resources. The Company has developed an active research program and is faced with a significant number of expenditures and commitments that will be managed with a focus on the management of available resources and the success in securing new working capital funds and other collaborations and partnering opportunities to achieve the scientific goals.

CASH FLOWS

Cash flows used by the operating loss for the Three and Nine Months Ended July 31, 2010 were $244,727 and $652,524 respectively compared with cash flows used by the operating loss of $121,580 and $296,964 for the same periods in the prior year, representing an additional use of cash resources of $355,560 or 119% increase in the cash used by such operations for the Nine Months Ended July 31, 2010. This change year over year is the result principally of product development expenditures, additional consulting fees, salaries and patent fees. It should be noted that that during the Nine Months Ended July 31, 2010 the Company recorded a contribution of $354,762 from the National Research Council, which non-repayable contribution is paying for a significant portion of the product development program, and supplementing the cash resources of the Company.

Cash provided by working capital balances for the Three and Nine Months Ended July 31, 2010 was $186,835 and $67,833 respectively compared with cash used by working capital of $3,081 and $82,229 for the same periods in the prior year. The change in the Three Months Ended July 31, 2010 arose for a number of reasons including the changes in and timing of amounts receivable due under the grant from the National Research Council, Subscriptions Receivable from the issuance of capital stock and the timing of the accounts payable related to the research and development activities. In the Nine Months Ended July 31, 2010, the source of cash for working capital is attributable to the timing of Subscriptions Receivable from the issuance of capital stock and the change in prepaid expenses can be accounted for by insurance premiums and prepaid consulting fees being charged to the statement of loss. Accounts payable and accrued Liabilities were relatively stable. The change in the Three and Nine Months Ended July 31, 2009 arose principally from a reduction in accounts payable and accrued liabilities in the

period as management settled current liabilities and continued to maintain supplier relationships through prompt payment of amounts due.

Regarding financing activities, the company received $168,587 and $697,333 in net proceeds from the issuance of capital stock and the exercise of warrants in the Three and Nine Months Ended July 31, 2010, compared to $364,044 for the Three and Nine Months Ended July 31, 2009. The specific transactions are fully described in note 5 to the unaudited interim Consolidated Financial Statements.

With respect to investing activities, the only activity was cash invested in patents and trademarks which amounted to $22,015 and $47,802 for the Three and Nine Months Ended July 31, 2010 compared to $16,467 and $72,976 for the same periods in the prior year.

Accordingly, cash resources were increased by a net $88,680 for the Three Months Ended July 31, 2010 and by a net $64,840 in the Nine Months Ended July 31, 2010 as a result of the continued issuance of capital stock. Cash resources were increased by $222,916 in the Three Months Ended July 31, 2009 due to the issuance of capital stock but reduced by $88,125 for the Nine Months Ended July 31, 2009 due to continued operating expenses, patent and trade mark costs. As stated elsewhere, contributions under the non-repayable grant from the National Research Council were $354,762 in the Nine Months Ended July 31, 2010, compared to nil for the prior year, which grants assist with the cost of research activities.

LIQUIDITY AND CAPITAL RESOURCES

In the Three Months Ended July 31, 2010, the Company has experienced a reduction in working capital of $98,155 compared to a reduction of $2,993 for the Nine Months Ended July 31, 2010, and accordingly as at April 30, 2010 had working capital of $439,490. In the prior year as a result of the private placement, working capital improved by $225,997 in the Three Months Ended July 31, 2009 but experienced a reduction in working capital of $5,896 for the Nine Months then ended. Management will continue to explore opportunities to manage its operating costs, to raise additional capital and other funds, and to find collaborative partners for the commercialization of its technologies.

As at July 31, 2010, the Company had recorded a cumulative contribution of $480,790 of the non-repayable grant of $486,000, leaving the balance of $5,210 to be claimed in the period to September 19, 2010. The Company will be reimbursed for 100% of designated salary costs and 69% of contractor fees, and this will assist in managing the liquidity position.

There are no significant commitments for equipment. Management will manage the investing activities related to patent and trademarks in light of the current cash resources and in the Three and Nine Months Ended July 31, 2010 invested $22,015 and $47,802 respectively compared to $16,467 and $72,976 for the same periods in the prior year.

The Company is committed to monthly payments of rental space of $2,400 per month on a short term arrangement and had recorded $21,600 as an expense for the Nine Months Ended July 31, 2010 compared to a nominal expense of $1,540 for the same period last year.

As at July 31, 2010, the Company had cash resources of $461,803 compared to $396,963 as at October 31, 2009. However, the Company has grants receivable of $72,859 as at July 31, 2010 which will provide additional cash resources to meet the cost of its programs in the near future. The Company may continue to face significant uncertainty relating to liquidity and intends to continue to search for additional sources of capital and working funds for research and administrative costs and to fund the planned projects, and/or to actively search for collaborative partners for various projects.

The current economic and financial market uncertainty is expected to have an impact on the Company's liquidity position. While the Company does not have available credit facilities, and will not be impacted by the changing environment, it will require cash to fund continuing operations, likely in the form of new capital or debt and new collaborations. It is expected that the current market conditions may negatively impact the ability to raise new capital or debt, and the cost of any new capital or debt that may be raised. There are no defaults under operating agreements and management does not anticipate any significant risks that there will be such a default in the period to October 31, 2010.

GOING CONCERN

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

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

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

BALANCE SHEET

Total assets as at July 31, 2010 were $3,914,420 compared with $4,492,018 at the end of the Company's last year end, representing a decrease of 13% or $577,598. Substantially all of the decrease is accounted for by the amortization of the intangible assets since the Company has been able to maintain the level of its cash resources through successful private placements.

Total current assets of $551,219 have increased from the balance of $544,703 as at October 31, 2009, and reflect cash received from the issue of capital stock under the private placements, net of resources used to cover operations and resources used to invest in intangible assets. The change in accounts receivable is described in note 3 to the unaudited interim Consolidated Financial Statements.

The net book value of equipment of $6,784 in the Company remains relatively unchanged from the balance as at October 31, 2009 and reflects the decision of management not to invest in new additions, and the change in value can be attributed to the amortization of such assets.

The net book value of patents and trademarks as at July 31, 2010 declined to $3,356,417 from $3,936,467 as at the end of the prior year. Additions in the Three and Nine Months Ended July 31, 2010 amounted to $22,015 and $47,802 respectively ($16,467 and $72,976 respectively in the prior year) and amortization of $211,863 and $627,852 for the same periods accounted for the decrease in net book

value. Amortization in the Three and Nine Months Ended July 31, 2009 amounted to $209,933 and $622,971 respectively.

Accounts payable and accrued liabilities were $111,729 at the July 31, 2010 compared to $102,220 as at October 31, 2009, an increase of $9,509. The change is the result of timing of receipt and settlement of contractor invoices for services related to the continuing research and development, the cyclical nature of certain expenses and settlement payments with its trade creditors on a current basis. It is anticipated that substantially all accounts payable and accrued liabilities as at July 31, 2010 will be settled in the current fiscal year.

In the Three Months Ended July 31, 2010, the Company completed the second closing of a non-brokered private placement through the issuance of 1,004,800 units at $0.15 per unit, raising gross proceeds of $150,720. Each unit consists of one common share of the Company and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at a price of $0.20 per share for a period of two years from the date of issuance. In connection with the second closing, the Company issued 33,880 finders' warrants and approximately $5,082 was paid to the finders'. Each Finder's warrant entitles the holder thereof to purchase one common share at $0.15 per share for a period of 24 months from closing. Share issue costs under the private placement were $9,051.

In addition in the Three Months Ended July 31, 2010, the Company received repayment of the $32,000 advanced to an officer in connection with the private placement in May 2009 to purchase common shares. Accordingly total net proceeds received in the Three Months Ended July 31, 2010 were $168,587.

In the Nine Months Ended July 31, 2010, the Company two additional closings of capital stock as fully described in note 5 to the unaudited interim Consolidated Financial Statements. In December 2009, the completed the second tranche involving an offering of 1,341,000 units at $0.10 per unit for gross proceeds of $134,100, and in April 2010, the Company completed the first closing of a non- brokered private placement offering through the issuance of 2,701,666 Units at $0.15 per unit for gross proceeds of $405,250. Share issue costs amounted to $6,167 and $26,937 respectively for the two closings.

There were no changes in capital stock during the Six Months Ended April 30, 2009.

On May 29, 2009 the Company completed a private placement of 14,000,000 common shares at $0.03 per common share for gross proceeds of $420,000. An agent's fee of $21,204 was paid, along with the issuance of 703,467 agent's warrants with a two year term exercisable into one common share per warrant as detailed in note 5 to the unaudited interim Consolidated Financial Statements. Share issue costs under the private placement totaled $23,954.

In the Three and Nine Months Ended July 31, 2010, 450,000 agents' warrants were exercised at a price of $0.05 per share and 450,000 common shares were issued for gross cash proceeds of $22,500.

During the Three Months Ended July 31, 2010, the Company issued 502,400 share purchase warrants as part of the offering of units on June 4, 2010, and in connection with this offering issued 33,880 finders' warrants. During the Three Months Ended April 30, 2010, the Company issued 1,350,833 share purchase warrants as part of the offering of units on April 28, 2010, and in connection with this offering issued 46,923 finders' warrants, and in the Three Months Ended January 31, 2010 the Company issued 1,341,000 common share purchase warrants as part of the offering of units in December 2009, noted above.

There were no stock options granted for the Three and Nine Months Ended July 31, 2010. However, in the Nine Months Ended July 31, 2010 a total of 262,500 stock options were either cancelled or expired.

During the Three Months Ended July 31, 2009, the Company granted incentive stock options to Directors, Officers and to members of its scientific Advisory Board to purchase up to 883,875 common shares at $0.14 per share for a period of 5 years, expiring June 8, 2014. During the Nine Months Ended July 31, 2009, the Company granted incentive stock options to a senior officer to purchase up to 700,000 common shares at $0.10 per share for a period of 5 years, expiring April 28, 2014. These options with weighted average fair values of $0.14 and $0.10 per option respectively are being recognized over the vesting period of the options.

During the Three and Nine Months Ended July 31, 2009, a total of 700,000 and 2,274,500 options were cancelled or expired.

Accordingly, there are 3,396,375 options outstanding to employees, consultants, officers and directors as at July 31, 2010 compared to 3,658,875 as at October 31, 2009.

Details of the warrants and stock options are detailed in Note 5 to the interim unaudited Consolidated Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

During the Three and Nine Months Ended July 31, 2009, the Company paid nil and $30,000 respectively to Jeffrey Bacha, a Director of the Company for his services in conducting an internal review of the Company's research and development, financing and partnering activities and strategies. During the Three and Nine Months Ended July 31, 2010 the Company paid nil and $1,937 respectively to Mr. Bacha for his continuing services.

During the Three and Nine Months Ended July 31, 2010 the Company paid $18,750 and $56,250 (2009 -$9,000 and $25,425) in consulting fees for the services of the Chief Financial Officer, paid to a company controlled by the officer.

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.

NEW ACCOUNTING PRONOUNCEMENTS

Changes in accounting policies

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning November 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be November 1, 2011 and will require the restatement for comparative purposes of amounts reported for the year Ended October 31, 2011.

The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined but the Company has requested its finance department to commence a detailed assessment. The IFRS conversion project will consist of four phases: Diagnostic; Design and Planning/ Solution Development, Implementation; and Post Implementation. To date, the team is organizing for the Diagnostic phase, which will involve a high-level review of the major differences between Canadian GAAP and IFRS. This assessment will provide insight on the high risk and complex areas relating to conversion. The project philosophy is to align with current accounting policies and procedures, where possible, to minimize the impact of the changes to the business.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date of this report, the Company has 79,953,824 common shares issued and outstanding.

The Company also has a total of 3,726,375 outstanding stock options outstanding as at September 28, 2010 (July 31, 2009 – 3,693,875). Details of the number of such options, the exercise price and the expiry dates are outlined in Note 5 to the interim unaudited Consolidated Financial Statements. Of this total, 2,752,105 are exercisable as at July 31, 2010 compared to 2,312,505 as at October 31, 2009.

The Company has 7,187,503 common share purchase warrants outstanding as at September 28, 2010 compared to 4,362,467 as at October 31, 2009. There were 703,467 warrants outstanding as at July 31, 2009.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, short term investments, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted. The Company is subject to any significant financial risk arising from fluctuations in foreign currency exchange rates. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates. (Refer to Note 12 in the interim unaudited Consolidated Financial Statements).

RISKS AND UNCERTAINTIES

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

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

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

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

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

The Company maintains a set of disclosure controls and procedures designed to ensure that the information required to be disclosed in filings made pursuant to Multilateral Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators rules and forms. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures as of October 31, 2009 and in the Three and Nine Months Ended July 31, 2010, and concluded that the current disclosure controls and procedures are effective.

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

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

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

There are no changes to the critical accounting estimates as a result of the current market conditions that require any special disclosure at this time. Amounts included in the current assets are deemed collectible and do not require adjustment and management is comfortable as to the recoverability of the long term assets as at July 31, 2010.

There have been no significant changes to the Company's internal control environment during the Three and Nine Months Ended July 31, 2010 and subsequent to that date that would have materially effected the Company's internal controls over financial reporting.