SERNOVA CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JANUARY 31, 2014 and 2013

(Expressed in Canadian Dollars)
(Unaudited)

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These unaudited interim condensed consolidated financial statements of Sernova Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

SERNOVA CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
(Unaudited)
AS AT

	Note	January 31, 2014	October 31, 2013
ASSETS			
Current assets			
Cash		$ 221,205	$ 273,605
Short-term investments		4,411,127	4,702,301
Amounts receivable	4	37,400	51,091
Prepaid expenses		41,141	131,348
Total current assets		4,710,873	5,158,345
Non-current assets			
Equipment and furniture, net	5	18,451	19,671
Intangible assets, net	6	906,996	1,065,755
Total non-current assets		925,447	1,085,426
Total assets		$ 5,636,320	$ 6,243,771
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 188,057	$ 225,148
Total current liabilities		188,057	225,148
EQUITY			
Common shares	8	26,314,323	26,314,323
Warrants	8	929,973	929,973
Contributed surplus	8	2,845,640	2,845,640
Deficit		(24,641,673)	(24,047,568)
Total equity		5,448,263	6,018,623
Total liabilities and equity		$ 5,636,320	$ 6,243,771

Corporate information (Note 1)
Commitments and contingencies (Note 11)

Approved and authorized by the Board on March 28, 2014:

"Dr. George Adams" Director
Dr. George Adams

"Dr. Philip Toleikis" Director
Dr. Philip Toleikis

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED

	Note	January 31, 2014	January 31, 2013
EXPENSES			
Research and development	10	$ 435,710	$ 421,687
General and administrative	10	173,214	121,856
Total operating expenses		608,924	543,543
OTHER ITEMS			
Finance income		(15,461)	(12,476)
Finance costs		642	313
Net finance income		(14,819)	(12,163)
Loss and comprehensive loss for the period		$ 594,105	$ 531,380
Weighted average number of common shares		129,643,636	119,623,636
Basic and diluted loss per common share		$ (0.00)	$ (0.01)

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED

	January 31, 2014	January 31, 2013
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Loss for the period	$ (594,105)	$ (531,380)
Non-cash items:		
Depreciation of equipment and furniture	1,221	420
Patent licence and intellectual property amortization	181,399	174,565
Share-based compensation	23,745	58,169
Interest accrued on short-term investments	(15,461)	(12,476)
	(403,201)	(310,702)
Changes in non-cash working capital balances:		
Amounts receivable	13,691	(2,675)
Prepaid expenses	90,206	(9,623)
Accounts payable and accrued liabilities	(37,091)	11,444
Changes in working capital balances:	66,806	854
Net cash used in operating activities	(336,395)	(311,556)
INVESTING ACTIVITIES		
Short-term investments, net	306,635	(1,395,628)
Acquisition of equipment	--	--
Acquisition of patent rights	(22,640)	(3,549)
Net cash provided by (used in) investing activities	283,995	(1,399,177)
FINANCING ACTIVITIES		
Subscription received in advance (net of costs)	--	1,980,052
Net cash provided by financing activities	--	1,098,052
Change in cash during the period	(52,400)	269,319
Cash, beginning of period	273,605	255,557
Cash, end of period	$ 221,205	$ 524,876

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian dollars)
(Unaudited)

	Common Shares	(Note 8)	Warrants	(Note 8)				
	Number	**Amount**	**Number**	**Amount**	**Contributed Surplus**	**Subscriptions Received in Advance**	**Deficit**	**Total**
Balance, October 31, 2013	129,643,636	$ 26,314,323	31,153,263	$ 929,973	$ 2,821,895	-	$ (24,047,568)	$ 6,018,623
Loss and comprehensive loss for the period	-	-	-	-	-	-	(594,105)	(594,105)
Transactions with owners of the Company, recognized directly in equity						-		
Share-based compensation (Note 8)	-	-	-	-	23,745	-	-	23,745
Balance, January 31, 2014	129,643,636	26,314,323	31,153,263	929,973	2,845,640	-	(24,641,673)	5,448,263
Balance, October 31, 2012	119,623,636	24,761,758	29,161,942	648,281	2,703,297	-	(22,044,647)	6,068,689
Loss and comprehensive loss for the period	-	-	-	-	-	-	(531,380)	(531,380)
Transactions with owners of the Company, recognized directly in equity								
Subscriptions received in advance (Note 8)	-	-	-	-	-	1,980,052	-	1,980,052
Warrants expired	-	-	(2,350,284)	-	-	-	-	
Share-based compensation (Note 8)	-	-	-	-	58,169	-	-	58,169
Balance, January 31, 2013	119,623,636	$ 24,761,758	26,811,658	$ 648,281	$ 2,761,466	$ 1,980,952	$ (22,576,027)	$ 7,575,530

See accompanying notes to the interim condensed consolidated financial statements.

1. CORPORATE INFORMATION

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

The Company's head office is located at 700 Collip Circle, Suite 114, London, Ontario, N6G 4X8. The Company's registered address is Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 2N7.

In fiscal 2006, the Company acquired a sublicense to certain patent licences and intellectual property (note 6) and a subsidiary, Sertonex Inc. ("Sertonex"), and became engaged in the research and development of a commercially-viable treatment for insulin-dependent human diabetes and other metabolic, blood and neurological diseases with therapeutic cells placed into implanted prevascularized medical devices and protected from immune system attack. The Company is focused on the manufacture and clinical evaluation of the Cell Pouch™ for insulin-dependent diabetes, and research and development of the Cell Pouch™ to treat other chronic diseases. As at the date of this report no products are in commercial production or use.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in compliance with International Accounting Standard 34 ("IAS 34") Interim Financial Reporting. The notes presented in these condensed consolidated interim financial statements include only significant events and transactions occurring since our last fiscal year end and are not fully inclusive of all matters required to be disclosed in our annual audited consolidated financial statements.

The policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standards ("IFRS") issued and in effect as of March 28, 2014, the date the Board of Directors approved the statements. Any subsequent changes to IFRS or their interpretation, that are given effect in the Company's annual consolidated financial statements for the year ended October 31, 2014, could result in a restatement of these unaudited interim condensed consolidated financial statements.

(b) Basis of measurement and going concern

These interim condensed consolidated financial statements have been prepared on the historical cost basis, except for held-for-trading financial assets which are measured at fair value. These consolidated financial statements include the accounts of Sernova Corp., Sertocell Biotechnology (US) Inc. ("Sertocell") and Sertonex, its wholly-owned and controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All significant intercompany transactions and balances have been eliminated.

2. BASIS OF PRESENTATION (cont'd…)

(b) Basis of measurement and going concern (cont'd…)

These consolidated financial statements have been prepared using IFRS that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. The Company has experienced operating losses and cash outflows from operations since inception, it will require ongoing financing in order to continue its research and development activities, and it has not earned significant revenue or reached successful commercialization of its products. The Company will seek new funding from additional equity financings and/or licensing and collaboration arrangements with development partners, however, there is no assurance that these funding initiatives will be successful. Management believes that the Company has sufficient working capital to maintain its operations for the next twelve months.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses and the related disclosure of contingent assets and liabilities and the determination of the Company's ability to continue as a going concern. Actual results could differ materially from these estimates and assumptions. The Company reviews its estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and may impact future periods.

Management has applied significant estimates and assumptions to the measurement of share-based compensation and warrants, measurement of the period of use and potential impairment of intangible assets, as well as estimates of the future cash flows for assessing the support of the going concern uncertainty. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions that have been made relate to the following key estimates:

i. Intangible assets – impairment

The application of the Company's accounting policy for intangible assets expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

ii. Intangible assets – useful lives

Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

iii. Share-based compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 8.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company's principal accounting policies were outlined in the Company's annual audited consolidated financial statements for the year ended October 31, 2013 and have been applied consistently to all periods presented in these interim condensed consolidated financial statements. These statements should be read in conjunction with the annual audited consolidated financial statements for the year ended October 31, 2013.

New standards and interpretations not yet effective

IFRS 9, *Financial Instruments: Classification and Measurement*

IFRS 9 (2010) reflects the first phase of the IASB's work on the replacement of IAS 39, *Financial instruments: Recognition and Measurement* and deals with the classification and measurement of financial assets and financial liabilities. This standard establishes two primary measurement categories for financial assets, amortized cost and fair value, and eliminates the existing categories of held to maturity, available for sale, and loans and receivables. The new classification will depend on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard effective date is unknown due to postponement. The Company does not expect IFRS 9 (2010) to have a material impact on the financial statements. The classification and measurement of the Company's financial assets is not expected to change under IFRS 9 (2010) because of the nature of the Company's operations and the types of financial assets that it holds.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New standards and interpretations not yet effective (cont'd...)

IFRS 10, *Consolidated Financial Statements*

This amendment provides a single model to be applied in the control analysis for all investees. The amendments issued in June 2012 simplify the process of adopting IFRS 10 and provide additional relief from certain disclosures. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the standard on the consolidated financial statements.

IFRS 12, *Disclosure of involvement with Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27, *Consolidated and Separate Financial Statements* related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31, *Investment in Associates.* These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the standard on the consolidated financial statements.

IFRS 13, *Fair Value Measurement*

In May 2011, the IASB published IFRS 13 *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on November 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

4. AMOUNTS RECEIVABLE

	January 31, 2014	October 31, 2013
Government programs receivable	$ 24,300	$ 29,537
Sales tax credit receivable	13,100	21,554
	$ 37,400	$ 51,091

(Expressed in Canadian dollars)

4. AMOUNTS RECEIVABLE (cont'd…)

The Company is eligible for both federal and provincial investment tax credits on its qualifying research activities. Federal investment tax credits are not refundable but can be used to reduce income taxes otherwise payable. Provincial investment tax credits are refundable and these amounts are recorded as an asset in the period in which there is reasonable assurance that such amounts will be received with a corresponding credit to research and development expense. The amounts are subject to a government tax audit and the final amounts received may differ from those recorded. There are no unfulfilled conditions or contingencies associated with the government assistance received.

On March 25, 2013, the Company was awarded a third non-repayable financial contribution of up to $254,300 from the National Research Council of Canada Industrial Research Assistance Program, along with technical and business orientated advisory services, for the optimization of its Sertolin™ technology within its Cell Pouch™ for the treatment of chronic disease. The Company will be reimbursed for 80% of designated salary costs to a maximum of $184,300, and 50% of contractor fees to a maximum of $70,000. The contribution will be payable to the Company to a maximum of $111,500 in the period to March 31, 2013 and a further $100,000 in the year ending March 31, 2014, and the balance of $42,800 in the year ending March 31, 2015.

To the end of January 31, 2014, the Company had claimed $211,500 of the grant receivable, leaving the balance of $42,800 to be claimed between April 1, 2014 and October 31, 2014.

5. EQUIPMENT AND FURNITURE

	Computer Equipment	Office Furniture	Laboratory Equipment	Total
Cost				
Balance, October 31, 2012	$ 16,758	$ -	$ -	$ 16,758
Additions	3,565	735	12,579	16,879
Balance, October 31, 2013 and January 31, 2014	$ 20,323	$ 735	$ 12,579	$ 33,637
Accumulated depreciation				
Balance, October 31, 2012	$ 11,206	$ -	$ -	$ 11,206
Depreciation for the year	2,020	111	629	2,760
Balance, October 31, 2013	13,226	111	629	13,966
Depreciation for the period	591	31	598	1,220
Balance, January 31, 2014	$ 13,817	$ 142	$ 1,227	$ 15,186
Net carrying amounts				
October 31, 2013	$ 5,552	$ -	$ -	$ 5,552
January 31, 2014	6,506	593	11,352	18,451

(Expressed in Canadian dollars)

6. INTANGIBLE ASSETS

	Patent Licenses	Intellectual Property	Total
Cost			
Balance, October 31, 2012	$ 4,490,326	$ 2,191,856	$ 6,682,182
Additions	35,680	-	35,680
Balance, October 31, 2013	4,526,006	2,191,856	6,717,862
Additions	22,640	-	22,640
Balance, January 31, 2014	$ 4,548,646	$ 2,191,856	$ 6,740,502
Accumulated amortization			
Balance, October 31, 2012	$ 3,300,394	$ 1,641,210	$ 4,941,604
Amortization for the year	490,245	220,258	710,503
Balance, October 31, 2013	3,790,639	1,861,468	5,652,107
Amortization for the period	126,334	55,065	181,399
Balance, January 31, 2014	$ 3,916,973	$ 1,916,533	$ 5,833,506
Net carrying amounts			
October 31, 2013	$ 735,367	$ 330,388	$ 1,065,755
January 31, 2014	631,673	275,323	906,996

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2014	October 31, 2013
Accounts payable	$ 128,625	$ 110,952
Accrued liabilities	59,432	114,196
	$ 188,057	$ 225,148

(Expressed in Canadian dollars)

8. COMMON SHARES, WARRANTS AND CONTRIBUTED SURPLUS

Authorized

Unlimited number of common shares, without par value.

Summary of Financings – three months ended January 31, 2014 and 2013

There was no financing activity during either period.

Performance escrow shares

Included in issued common shares and representing escrow shares as at January 31, 2014 are 3,472,500 (October 31, 2013 – 3,472,500) common shares which will not be released, transferred or assigned without the consent of the regulatory authorities, and which shares are subject to performance-based release terms as follows:

a) 1,736,250 common shares on the date the Company receives approval from authorities for the initiation of human trials for a licensed product involving Sertolin™;
b) 1,736,250 common shares on the date the Company enrolls the first patient in a Phase 3 human clinical efficacy trial for a licensed product involving Sertolin™.

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

Warrants

The following table summarizes warrants outstanding as at January 31, 2014:

	Number of Warrants	Exercise Price	Expiry Date
Warrants			
	19,395,110	$0.35	February 28, 2015
	772,222	$0.35	March 30, 2015
	985,931	$0.20	February 19, 2015(1)
	10,000,000	$0.35	February 19, 2015
		then at $0.40	February 19, 2016
	31,153,263		

(1) Subsequent to the three months ended January 31, 2014, 100,000 of these warrants were exercised.

(Expressed in Canadian dollars)

8. COMMON SHARES, WARRANTS AND CONTRIBUTED SURPLUS (cont'd…)

Warrants (cont'd…)

All warrants are exercisable on issuance. Changes in the number of warrants outstanding for the three months ended January 31 were as follows:

	2014		2013	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance outstanding, beginning of period	31,153,263	$0.35	29,161,942	$ 0.23
Expired	--	--	(2,350,284)	$0.20
Balance outstanding, end of period	31,153,263	$0.35	26,811,658	$0.24

Incentive stock option plan

The Company has adopted an Incentive Stock Option Plan (the "Plan") pursuant to which the Board of Directors may grant stock options to directors, officers, employees or consultants of the Company. The current terms of the Plan, approved by the Company shareholders on April 26, 2013, provides that the maximum number of common shares available for issuance under the plan does not exceed 10% of the Company's issued and outstanding shares at any time. The vesting schedule of all granted options is determined at the discretion of the Board.

As at January 31, 2014 there were 10,591,195 options outstanding, representing 8.2% of the Company's issued and outstanding common shares (October 31, 2013 – 7,675,445 options outstanding representing 5.8%).

(Expressed in Canadian dollars)

8. COMMON SHARES, WARRANTS AND CONTRIBUTED SURPLUS (cont'd…)

Incentive stock option plan (cont'd…)

The following table summarizes options outstanding as at January 31, 2014:

	Number of Options	Exercise Price	Expiry Date
Options	64,820	$ 0.18	March 6, 2014[(1)]
	700,000	0.10	April 28, 2014
	712,000	0.14	June 8, 2014
	265,625	0.17	January 27, 2015
	330,000	0.12	September 5, 2015[(2)]
	160,000	0.15	September 11, 2015
	250,000	0.20	October 28, 2015
	1,373,750	0.15	October 28, 2015
	300,000	0.15	November 7, 2015
	565,000	0.14	March 6, 2017
	270,000	0.18	March 6, 2017
	2,190,000	0.18	April 18, 2017
	500,000	0.18	April 19, 2017
	2,910,000	0.15	January 27, 2019
	10,591,195		

(1) Subsequent to the three months ended January 31, 2014, 64,820 of these options were exercised.
(2) Subsequent to the three months ended January 31, 2014, 20,000 of these options were exercised.
(3) Subsequent to the three months ended January 31, 2014, the Company granted 150,000 options with an exercise price of $0.15 for five years.

Changes in the number of options outstanding during the three months ended January 31 were as follows:

	2014		2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance outstanding, beginning of period	7,675,445	$0.16	8,001,376	$0.16
Granted	3,210,000	$0.15		
Cancelled	(294,250)	$0.15		
Balance outstanding, end of period	10,591,195	$0.16	8,001,376	$0.16
Options exercisable, end of period	7,206,660	$0.16	5,764,876	$0.16

(Expressed in Canadian dollars)

8. COMMON SHARES, WARRANTS AND CONTRIBUTED SURPLUS (cont'd…)

Incentive stock option plan (cont'd…)

The Black-Scholes model used by the Company to calculate option values was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company's stock options awards. This model also requires highly subjective assumptions, including future stock price volatility, average option life and forfeiture rates which greatly impact the calculated values.

The risk-free interest rate is based on the implicit yield on a Canadian Government zero-coupon issued with a remaining term equal to the expected term of the option. The volatility is based solely on historical volatility equal to the expected life of the option. The life of the option is estimated considering the vesting period at the grant date, the life of the option and the average length of time similar grants have remained outstanding in the past. The forfeiture rate has been assigned a zero rate and is an estimate based on history of the Company stock options. The dividend yield has been assigned a zero value since it is the present policy of the Company to retain all earnings to finance operations and future growth.

The share-based compensation expense was determined based on the fair value of all options at the date of measurement using the Black- Scholes option pricing model with the following weighted-average assumptions:

Period Ended January 31	2014	2013
Dividend yield	0%	na
Expected volatility	143%	na
Risk free interest rate	1.7%	na
Expected life of options	4.6 years	na

The expense recognized for employee services received during the three months ended January 31, 2014, which is included in the interim condensed consolidated statement of loss and comprehensive loss was $23,745 (2013-$14,687).

9. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are the Directors, Chief Executive Officer and President and the Chief Financial Officer.

Amounts due to related parties, including amounts due to key management personnel, at the period-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. There are no amounts due to or due from related parties as at January 31, 2014 and October 31, 2013.

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS (cont'd…)

The following transactions in which the directors had an interest were as follows:

	2014	2013
Consulting fees	$ -	$ -
Director fees	-	-
Share-based compensation	2,334	20,426
Total expense	$ 2,334	$ 20,426

Compensation for key management personnel of the Company other than directors for the three months ended January 31 was as follows:

	2014	2013
Salaries and consulting fees	$ 81,059	$ 80,625
Benefits	10,923	10,233
Share-based compensation	6,559	20,060
Total expense	$ 98,541	$ 110,918

Key management personnel, including the directors, control 2.0% of the issued common shares of the Company as at January 31, 2014.

During the quarter ended January 31, 2014 the Company paid $21,059 (2013- $20,625) in consulting fees for the services of the then chief financial officer, to a company controlled by the officer.

10. STATEMENT OF LOSS AND COMPREHENSIVE LOSS SUPPLEMENTARY INFORMATION

Components of the research and development expenses for the three months ended January 31 were as follows:

	2014	2013
Salaries, supplies and contract payments	$ 237,651	$ 181,974
Patent fees and costs	36,792	42,052
Depreciation of equipment and furniture	1,189	378
Amortization of intangible assets	181,399	174,565
Share-based compensation	2,979	31,712
Contributions and tax credits	(24,300)	(8,994)
Total expense	$ 435,710	$ 421,687

(Expressed in Canadian dollars)

10. STATEMENT OF LOSS AND COMPREHENSIVE LOSS SUPPLEMENTARY INFORMATION (cont'd…)

Components of the general and administrative expenses for the three months ended January 31 were as follows:

	2014	2013
Other costs	$ 88,867	$ 39,196
Investor relations	42,491	28,971
Consulting fees	21,059	27,190
Depreciation of equipment and furniture	31	42
Share-based compensation	20,766	26,457
Total expense	$ 173,214	$ 121,856

11. COMMITMENTS AND CONTINGENCIES

The Company is committed to the payment of certain costs under the clinical trial which commenced in the third quarter of the previous fiscal year. The study is a Phase I/II study with a primary endpoint of safety and a secondary endpoint of efficacy. The study is designed to allow for interim analyses at various points as sufficient data are collected. In this study patients will also be followed for a minimum of three years to assess longer-term safety and efficacy of the Cell Pouch™ with transplanted islets. The commitment under the agreement includes the cost of clinical staff and overhead thereon, trial insurance, and may include travel and a portion of drug-or procedure – related expenses or transplantation expenses not covered by insurance. The total commitment over the duration of the trial is expected to be approximately $2,000,000 but will be impacted by such factors as the rate of enrollment, the province in which the patient resides and the specifics of patient insurance.

The Company is committed to an estimated payment of approximately $66,000 USD in fees to maintain the patents in good standing for the year ending October 31, 2014. Similar payments will be required for subsequent years.

The Company has an annual commitment of $40,000 for the rental of laboratory space which is short-term in nature but essentially subject to an annual renewal.