SERNOVA CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2015 AND 2014

Dated June 25, 2015

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The following management's discussion and analysis ("MD&A") explains the variations in the consolidated operating results, financial position and cash flows of Sernova Corp. ("Sernova", the "Company", "We", "Us" or "Our") for the three and six months ended April 30, 2015 and 2014. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and six months ended April 30, 2015 and 2014 and its audited consolidated financial statements and related notes for the years ended October 31, 2014 and 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's accounting policies under IFRS are set out in Note 3 of the audited consolidated financial statements for the years ended October 31, 2014 and 2013.

The information in this report is dated as of June 25, 2015.

FORWARD-LOOKING STATEMENTS

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 words such as "will", "intend", "believe", "estimate", "consider", "expect", "anticipate", and "objective" or similar expressions and 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.

The Company's statements of "belief" with respect to its product candidates are based primarily upon results derived to date from its pre-clinical and initial clinical research and development and the Company's research and development programs. The Company also uses the term "demonstrated" in this MD&A to describe certain findings that it makes arising from its research and development including any pre-clinical and clinical studies that the Company has conducted to date.

Specifically, this MD&A contains forward-looking statements which include, but are not limited to, statements regarding:

- The Company's corporate strategies and objectives;
- General business and economic events;
- The availability of various forms of financing;
- The initiation and completion of pre-clinical studies and clinical trials of our Cell Pouch™ for the treatment of insulin-dependent diabetes and other diseases;
- The expected benefit of the Cell Pouch™ with therapeutic cells;
- The intention to protect therapeutic cells within the Cell Pouch™ from immune attack using local immune protection such as Sertolin™ or microencapsulation, or systemic antirejection regimens and/or a combination thereof;
- The intention to use human autograft cells, or human donor cells for treatment, or human stem cell derived cells or xenogeneic cells as virtually unlimited cell sources for our Cell Pouch™ for the potential treatment of chronic diseases;
- The intention to receive regulatory approval and commercialize the Cell Pouch™ for the treatment of insulin-dependent diabetes and other potential indications such as hemophilia and thyroid disease;

- Expectations with respect to the cost of Sernova's products, clinical trials and commercialization of our products;
- Sales and marketing strategy;
- Expectations to secure the UHN technology;
- Sernova's intentions to secure academic and industrial collaborations and to develop and implement partnering strategies; and
- Intentions regarding the development and protection of Sernova's intellectual property.

In developing the forward-looking statements in the MD&A, the Company has applied several material assumptions, including the availability of financing on reasonable terms, the Company's ability to form and maintain strategic alliances with other business entities and general business and economic conditions.

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 described 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.

The MD&A has been prepared to help investors understand the financial performance of Sernova in the broader context of the Company's strategic direction, the risks and opportunities as understood by management, and some of the key metrics that are relevant to the Company's performance. This MD&A has been reviewed and approved by the Company's Audit Committee and the Board of Directors. The Company's Audit Committee includes three Directors who are financially knowledgeable.

ABOUT SERNOVA

Sernova Corp. is a Canadian-based regenerative medicine company, focused on commercializing its proprietary Cell Pouch™ and associated technologies. The Cell Pouch™ is a scalable, implantable, medical device, designed to create an ideal microvessel rich, tissue environment for the transplantation and engraftment of therapeutic cells, which then release proteins and/or hormones for the long-term treatment of a number of serious, chronic diseases such as diabetes, hemophilia and thyroid disease. Depending on the clinical indication, the therapeutic cells may be obtained directly from human donors (autograft (self-cells) or allograft cells (other's donor cells), or derived from sources known to provide a virtually unlimited supply of cells such as from a stem cell derived or xenogeneic (non-human) source. Depending on the need, the therapeutic cells may be protected, within the Cell Pouch™ using systemic or local immune protection technologies such as our patented Sertolin™ or microencapsulation being developed to create an immune privileged environment and protect the Cell Pouch™ transplant from rejection.

Our initial studies have focused on the treatment of insulin-dependent diabetes through the transplantation of pancreatic islets, which control blood glucose levels. To date, we have successfully transplanted donor islets in our Cell Pouch™ to treat insulin-dependent diabetes in multiple animal models, and initiated a proof of principle clinical trial for the treatment of human subjects with diabetes receiving an islet transplant, protected by the standard of care antirejection drug regimen. In this study, interim results in a small cohort of patients have shown the Cell Pouch™ to be safe alone and with donor islets. With these encouraging results, the Company is seeking to secure unlimited sources of cells which are not limited by donor availability, through license agreements and/or partnerships which can then be immune-protected within the Cell Pouch™ as a product to enable potential treatment of millions of people with diabetes. The Company is also investigating other diseases amenable to treatment with therapeutic cells such as hemophilia and thyroid disease.

Research and Development

Sernova has been a development stage company since inception. Our research and development efforts are focused principally on the development of the Cell Pouch™ with therapeutic cells for the treatment of chronic diseases, and on local immune protection technologies (e.g. Sertolin™, microencapsulation) that may protect the therapeutic cells within the Cell Pouch™ from immune system attack. We have not been profitable since inception, and we expect to continue to incur substantial losses as we continue our research and development efforts. We do not expect to realize material revenues until, if and when, our medical technologies become commercially viable.

Our objective is to advance our medical technologies through the various stages required to develop a commercial product. To achieve this goal, our primary activities include the following:

1. Conducting clinical trials required to gain marketing approval for the Cell Pouch™ device in countries that have a significant market opportunity. Our first product is for the treatment of insulin-dependent diabetes. Our first clinical trial, designed to demonstrate the proof of concept of the Cell Pouch™ and therapeutic cells, was initiated in Canada. That clinical trial is evaluating the Cell Pouch™ transplanted with human donor islets, protected using the standard of care antirejection drug regimen, in subjects with insulin-dependent diabetes with hypoglycemia unawareness. Our goal is for the treatment of diabetes using the Cell Pouch™ transplanted with locally immune protected cells from an unlimited source of cells such as glucose-responsive stem cell derived cells or xenogeneic cells to treat insulin-dependent diabetes. These programs may involve third party collaborations and corporate partnerships in addition to our internal clinical development efforts;
2. Conducting pre-clinical research programs to examine a range of therapeutic indications for our platform Cell Pouch™ technology which may include: diabetes, hemophilia, thyroid gland disease, and other chronic diseases that require a hormone or protein which is missing or in short supply in the body. These programs may involve third party collaborations in addition to our internal research and development efforts;
3. Identification and development of complementary technologies which may improve the safety and efficacy of cells within the Cell Pouch™, including local immune protection technologies such as Sertolin™ and/or microencapsulation. These programs may involve third party collaborations in addition to our internal research and development efforts;
4. Development of various sources of therapeutic cells for transplantation within our Cell Pouch™, including, depending on the clinical application, autologous cells, allogeneic cells such as donor cells or glucose responsive stem cell derived cells that could be used to treat large numbers of patients as well as xenogeneic cells. These programs may involve third party collaborations in addition to our internal research and development efforts;
5. Manufacturing and supply of the Cell Pouch™ and the processing and supply of therapeutic cells; and,
6. Generation and/or licensing of Intellectual Property.

Corporate Update for the six months ended April 30, 2015 and to the date of this MD&A

In November 2014 we announced an update of the clinical assessment of the Cell Pouch™ in diabetic patients with hypoglycemia unawareness who has received an islet transplant. In the first small cohort of patients in interim analysis, the Cell Pouch™ was biocompatible and safe following implant and transplant with safety being the primary endpoint of the study. Initial data from the study have also shown that islets within the Cell

Pouch™, as shown by histological analysis, are well-vascularized, living within a natural tissue matrix and are able to make insulin, glucagon and somatostatin, key hormones in the control of blood glucose levels. We believe such revascularization of islets and islet metabolic function within an implantable medical device for therapeutic cells in humans in this patient population is a first in the regenerative medicine field. These findings also suggest that the Cell Pouch™ may form a suitable environment for the survival and function of multiple types of therapeutic cells including human stem cells which can represent a virtually unlimited supply of cells for treating disease.

In February, 2015 we announced that the patent offices in China, Israel, Singapore and New Zealand issued Notices of Allowance and issued patents to Sernova for its patent application entitled "Methods and Devices for Cellular Transplantation." These patents help protect Sernova's entire Cell Pouch™ system, including the Cell Pouch™ itself, as well as the Cell Pouch™ combined with therapeutic cells and surgical tools for cell transplantation. These issued patents, in addition to patent rights already granted or actively being pursued in other countries, provide Sernova with patent protection through 2030.

In March 2015, we announced that Frank Holler was appointed Chairman of the Board and that Dr. George Adams was retiring as a director of Sernova at the end of his term and has stepped down as Chairman of the Board. Mr. Holler brings a wide-range of experience to his role as Sernova's Chairman of the Board as an active investor and successful entrepreneur.

In May 2015, we appointed Mr. Ralph Deiterding, CPA, CA, CMA, CPA (Illinois) as CFO to replace Interim CFO, Mr. David Garland. Mr. Deiterding has extensive public company experience including Controller positions at MKS Inc. and Workbrain Corporation, both of which were Toronto Stock Exchange listed software vendors.

Research and Development Outlook for the 2015 Calendar Year

Our product development program for 2015 includes the following:

- Continued Cell Pouch™ clinical evaluation in diabetes;
- Anticipated follow up from the collaborative agreement with Medicyte GmbH evaluating feasibility of the use of Medicyte's upcyte® cells in Sernova's Cell Pouch™;
- Anticipated selection and initiation of product development work of another disease indication such as thyroid disease in preparation for human evaluation in a clinical trial to assess the safety and efficacy of the Cell Pouch™;
- Completion of a definitive license agreement and preclinical assessment of glucose-responsive, insulin-producing, human-derived stem cells within Sernova's Cell Pouch™ for the treatment of insulin-dependent diabetes; and,
- Assessment of complementary immune protection technologies, under potential academic and /or corporate relationships to further develop and expand Sernova's therapeutic vision for diabetes of a product consisting of immune protected therapeutic cells within the Cell Pouch™ using cells from a virtually unlimited source.

Cell Pouch™ Clinical Development Program

Sernova's lead program is the clinical development of the Cell Pouch™ for treatment of patients with insulin-dependent diabetes. Dr. James Shapiro, pioneer of the Edmonton Protocol, and his team at the University of

Alberta initiated a proof of concept human clinical study to evaluate the Cell Pouch™ with donor islets, in insulin-dependent diabetic subjects with hypoglycemia unawareness who are receiving islet transplantation.

The Edmonton Protocol is the current standard of care cell-based treatment for insulin-dependent diabetic patients with hypoglycemia unawareness that involves infusing donor pancreatic islets, often from multiple donors, into a patient's liver portal vein, followed by life-long administration of immunosuppressive drugs to prevent rejection of the transplant. Overall, benefits of islet transplantation may include a reduction in the incidence of hypoglycemia unawareness, a reduced requirement for exogenous insulin and reduced diabetes-induced microvascular damage and potential insulin independence. It is believed, however, following islet infusion, that with portal vein deliver of islets, there is an initial significant reduction in surviving islets due to an immediate blood-mediated inflammatory reaction, which may damage and destroy a significant proportion of the islets infused into the portal vein. In addition, the proportion of patients with insulin-independence decreases over time likely due to continued islet destruction with multiple etiologies. A further limitation is that infusion of cells into the portal vein is limited to donor islets and is not amenable to advanced technologies such as glucose-responsive insulin producing stem cell derived cells or xenogenic cells being developed to overcome the limited supply of donor islet cells.

There is thus a need for an improved environment in which to place therapeutic cells that more closely mimics the natural environment of cells which are surrounded by tissue matrix and in close proximity to microvessels but not actually bathed in blood. Furthermore, and of critical importance is the fact that the portal vein is not a suitable location for alternative but virtually unlimited sources of cells such as glucose responsive insulin producing stem cell derived cells or xenogeneic cells that are locally immune protected that could be used to treat the large numbers of patients with insulin-dependent diabetes.

We believe our Cell Pouch™ may offer significant benefits over portal vein delivery, the current standard-of care, to restore the body's insulin production and glucose control in insulin-dependent diabetic patients. The Cell Pouch™ was designed to take into consideration the biological requirements of therapeutic cells. A tissue matrix rich in microvessels forms within the Cell Pouch™ when implanted subcutaneously prior to islet transplantation, providing an ideal environment for placement of therapeutic cells, including insulin-producing islets. We believe these conditions are key for maintaining long term survival and function of therapeutic cells. We have demonstrated in a series of ISO10993 biocompatibility studies and multiple animal studies that the Cell Pouch™ is biocompatible and safe. Long-term studies in multiple animal models have demonstrated that the islets become well-supported with microvessels and even infiltrated with microvessels as in their natural pancreatic environment following islet transplantation into the Cell Pouch™.

Benefits of the Cell Pouch™ are anticipated to be enhanced long-term islet graft survival and function. It is important for islets to have close contact with microvessels to monitor blood glucose levels and produce the appropriate amount of insulin throughout the day and night and after meals. The Cell Pouch™ achieves this ideal islet/microvessel connection and should allow for improved glucose control. Our studies have shown that the Cell Pouch™ with islets can control glucose levels in small and large animal models of diabetes over extended periods.

We believe the immediate blood-mediated inflammatory reaction will also be prevented, as the therapeutic cells are surrounded by microvessels similar to the islets' natural microenvironment in the pancreas rather than being bathed in a constant flow of blood. This reduced inflammatory response should enable improved islet survival and potentially lead to the need to implant fewer islets or other sources of insulin producing cells. In the case of donor islets, this could potentially enable patients with diabetes to be treated with fewer donor pancreata than are currently being used. It can take up to three pancreata to treat a single patient and achieve a reduction in insulin injections using the Edmonton Protocol.

The Cell Pouch™ enables islets to be transplanted subcutaneously or even in the omentum space, which we believe will offer significant advantages over portal vein delivery as it can be monitored, imaged and if required, retrieved and replaced. Known side effects such as portal vein hypertension, thrombosis, and liver steatosis (fatty liver), along with the costs of treating them, should be eliminated.

While the Cell Pouch™ cells can function with system immune protection it may accommodate local immunoprotection technologies reducing or eliminating the need for lifelong systemic antirejection drug treatment. Local immune protection of islets could result in a significant reduction or even elimination in the need for antirejection drugs and their ongoing prohibitive costs, as well as associated healthcare costs related to side effects of these drugs. In addition, local immunoprotection may provide a safer environment for the transplanted islets.

Finally, the Cell Pouch™ could be used with a variety of sources of cells, such as glucose responsive-producing cells derived from stem cells and xenogeneic cells, addressing the limited availability of donors and allowing the widespread treatment of insulin-dependent diabetes. Thus, we believe our approach offers substantial benefit over the currently-used Edmonton Protocol, and its ease of use may provide an opportunity for the Cell Pouch™ to become the standard of care in therapeutic cell transplantation, if it proves to be safe and effective in clinical trials. In fact, Sernova believes it has the only such device technology of its kind in which therapeutic cells have been definitely proven to survive in a tissue matrix integrated with microvessels in close association with the therapeutic cells.

In our human clinical trial, subjects who meet the entry criteria are implanted with the Cell Pouch™, which is allowed to incorporate with tissue and microvessels prior to transplantation of donor human islets. In this "first-in-human" study, to prevent islet graft rejection, patients are treated with the state of the art standard of care Alemtuzumab-induction protocol and provided maintenance immunosuppression. This regimen has been shown to be a substantial improvement over previous antirejection protocols.

In November 2014, the Company released additional results from the clinical study. To date, in a small cohort of patients in interim analysis, which Dr. Shapiro has presented in a number of international transplantation conferences, the Cell Pouch™ demonstrated biocompatibility and safety following implant and transplant. Safety is the primary endpoint of the study. These initial data from the study have shown the following three important findings:

- First, biocompatibility and a positive safety profile of the Cell Pouch™ have been shown in the first cohort of patients;
- Second, the islets within the Cell Pouch™, as shown by histological analysis, are well-vascularized, living within a natural tissue matrix and are able to make insulin, glucagon and somatostatin, key hormones in the control of blood glucose levels. We believe such revascularization of islets and islet metabolic function within an implantable medical device for therapeutic cells in humans in this patient population is a first in the regenerative medicine field; and,
- Third, these encouraging developments of the study suggest that Sernova's Cell Pouch™ may form a suitable environment for the survival and function of multiple types of therapeutic cells including glucose responsive cells derived from human stem cells which can represent a virtually unlimited supply of cells for treating disease.

In addition to the clinical evaluation of the Cell Pouch™, the Company has a preclinical collaboration with Dr. Shapiro of the University of Alberta with the goal to achieve long term efficacy with a minimal islet mass to increase the number of subjects that can be treated with the Cell Pouch™. An independent pre-clinical

study of the Cell Pouch™ with islets, demonstrated that the Cell Pouch™ provided insulin independence for the length of the study (100 days), in a small animal model of diabetes using a marginal (minimal) transplanted islet mass. This study supports the concept that the Cell Pouch™ may require a smaller than anticipated number of cells to achieve efficacy, one of the parameters being considered to achieve glucose control in the current clinical trial.

Developing the Cell Pouch™ for Other Indications

Hemophilia

As part of our strategy to develop the Cell Pouch™ for different therapeutic indications, we announced a material transfer agreement with Medicyte GmbH to jointly evaluate the use of Medicyte's upcyte® cell technology in Sernova's Cell Pouch™ for the treatment of patients with hemophilia A. Both parties have also entered into a non-binding term sheet describing the general terms of a collaboration, outlining the pre-clinical and clinical development of the novel Cell Pouch™/upcyte® product for the treatment of hemophilia A.

The research and development teams at Medicyte and Sernova are working to develop a product to treat Hemophilia A patients. This product involves taking a small blood sample from the patient, correcting the genetic defect in isolated cells and then using Medicyte's upcyte® technology to expand the cell numbers for placement into Sernova's Cell Pouch™ for release of Factor VIII. The teams are currently conducting proof of concept studies which include cell isolation, processing and scale-up, product release and pilot studies for preclinical evaluation. With successful completion of these studies, the next steps will include production of cells and the required pre-clinical studies that will become part of a regulatory package in preparation for human clinical trials.

New Cell Pouch™ Indications for Metabolic Disorders

As the Company continues its work on the diabetes and hemophilia indications, we are exploring new indications to further expand the application of our cell therapy platform technologies including for the treatment of thyroid disease.

Local Immune Protection & Other Complementary Technologies

When transplanted into a recipient, Sertoli cells ("Sertolin™") provide an immune privileged environment for therapeutic cells. Sernova has conducted preclinical investigations of the Cell Pouch™ and Sertolin™ transplantation, with the goal to reduce or eliminate the need for anti-rejection medications.

On March 25, 2013, we announced our receipt of an award of a non-repayable financial contribution of up to $254,300 from the National Research Council of Canada for the optimization of our Sertolin™ technology within our Cell Pouch™ to treat chronic diseases. This financial contribution was used to continue a series of studies to optimize the safety and efficacy of Sertolin™ with insulin-producing islets in the Cell Pouch™.

To broaden Sernova's local immune protection technologies, we continue to evaluate additional advanced technologies such as microencapsulation. We believe that microencapsulation of therapeutic cells within the Cell Pouch™ may provide a means to contain therapeutic cells within the Cell Pouch™ while providing close association of therapeutic cells with the required microvessels and tissue matrix for long-term survival and function of cells for our disease indications.

Alternative Sources of Cells

Our transplantation technologies may incorporate autologous cells, donor cells or other sources of cells including insulin responsive cells derived from human-stem cells or islet derived from xenogeneic sources, depending on the clinical indication under evaluation and the need for expanded numbers of cells for treatment of larger populations. As such, we will continue to work with academic collaborators and industry partners to identify and secure the required cells for our therapeutic indications. In this regard, Sernova has agreed on key terms with the University Health Network of Toronto (UHN) to gain access to worldwide, exclusive rights to certain patent-pending technologies developed by distinguished UHN researchers, Dr. Cristina Nostro and Dr. Gordon Keller, for the advancement of glucose-responsive insulin-producing stem cells for the treatment of patients with insulin-dependent diabetes. Sernova and UHN have entered into a non-binding Term Sheet with an exclusive negotiation period which outlines the terms of the definitive license agreement for the granting of an exclusive license to Sernova covering all patent rights relating to the UHN stem cell technologies including for the treatment of diabetes. A manufacture and product development program is also being developed. Sernova's rights to the UHN stem cell technologies are subject to negotiation and execution of a definitive license agreement with UHN.

Manufacturing

Our contract manufacturer has the required expertise to manufacture both our Cell Pouch™ and mini-Cell Pouch™ for preclinical and clinical evaluation in a number of clinical indications. Device specifications were set, a semi-automated manufacturing process developed and the product manufactured, packaged and sterilized under strict regulatory guidelines (ISO 13485:2003) suitable for testing in clinical trials in North America and Europe. Sterilization verification studies have been completed and the product has been released for assessment in human clinical trials by Health Canada and for potential clinical trials in other regulatory jurisdictions. A two-year packaging and product stability study has been successfully completed.

Intellectual Property

Our patent portfolio currently consists of 52 issued pending patents in nine families covering our enabling platforms. We strive to obtain broad claims in our patents, including exclusivity of our Cell Pouch™ device and related technologies in combination with a wide range of therapeutic cell types and to treat a number of chronic diseases. Importantly, our Cell Pouch™ patent extends to 2030. We intend to continue to expand our patent and licensing portfolio through proprietary internal inventions as well as strategic in-licensing, to maximize the commercial potential for our platform technologies.

Business Development

Sernova is committed to business development activities to in-license complementary technologies to expand Sernova's product development portfolio, and intellectual property base that is of key importance for partnering activities. This work is also expected to result in corporate partnerships to develop products with other Companies. Furthermore, Sernova is actively pursuing potential pharmaceutical and medical device corporate partners to develop and market its products.

RESULTS OF OPERATIONS

Selected Financial Information

Selected financial information from the statements of loss and comprehensive loss for the three and six months ended April 30, 2015 and 2014 were as follows:

	Three months ended		Six months ended	
(all amounts in Cdn$)	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Research and development expenses	$ 449,040	$ 451,171	$ 910,895	$ 866,881
General and administrative expenses	233,841	310,095	410,638	483,309
Loss and comprehensive loss for the period	676,212	747,935	1,306,506	1,322,040

For the three and six months ended April 30, 2015, the Company recorded a loss of $676,212 and $1,306,506, respectively, compared to $747,935 and $1,322,040, respectively, for the same periods in the prior year. The loss for the three months ended April 30, 2015 decreased by $71,723 or 9.6% from the comparable period of the prior fiscal year. The loss for the six months ended April 30, 2015 was comparable to the loss in the equivalent period of the prior fiscal year. The lower losses in fiscal 2015 were primarily a result of decreases in general and administrative expenses. The period to period changes in expenses are explained in greater detail in the following sections on research and development expenses and general and administrative expenses.

Research and Development Expenses

Research and development expenditures for the three and six months ended April 30, 2015 and 2014 were as follows:

	Three months ended		Six months ended	
(all amounts in Cdn$)	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Salaries, supplies and contract payments	$ 239,394	$ 276,988	$ 435,045	$ 514,639
Patent fees and costs	25,513	58,217	49,132	95,009
Depreciation of equipment and furniture	1,189	1,189	2,378	2,378
Amortization of intangible assets	267,650	181,565	492,075	362,964
Share-based compensation	11,903	32,539	28,874	35,518
Contributions and tax credits	(96,609)	(99,327)	(96,609)	(123,627)
Total research and development expense	$ 449,040	$ 451,171	$ 910,895	$ 886,881

Total research and development expenses, for the three months ended April 30, 2015, were comparable to the equivalent period of the prior fiscal year. Salaries, supplies and contract payments, for the three months ended April 30, 2015, decreased by $37,594, compared to the equivalent period of the prior fiscal year due to reduced

contract payments in the three months ended April 30, 2015, as compared to the same period in the previous fiscal year. Amortization of intangible assets, for the three months ended April 30, 2015, increased by $86,085, compared to the equivalent period of the prior fiscal year, due to the intangible assets coming to the end of their expected useful life at April 30, 2015.

Total research and development expenses, for the six months ended April 30, 2015, increased by $24,014 or 2.7% from the comparable period of the prior fiscal year. Salaries, supplies and contract payments, for the six months ended April 30, 2015, decreased by $79,594, compared to the equivalent period of the prior fiscal year due to reduced contract payments in the six months ended April 30, 2015, as compared to the same period in the previous fiscal year. Amortization of intangible assets, for the six month ended April 30, 2015, increased by $129,111, compared to the equivalent period of the prior fiscal year, due to the intangible assets coming to the end of their expected useful life at April 30, 2015.

The Company expects to pay certain future costs related to its pre-clinical and clinical trials. Such payments are expected to include 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 payments over the duration of the trial will be impacted by such factors as the rate of enrollment, the province in which the patient resides and the specifics of patient insurance.

General and administrative expenses

General and administrative costs for the three and six months ended April 30, 2015 and 2014 were as follows:

	Three months ended		Six months ended	
(all amounts in Cdn $)	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Salaries, benefits and consulting fees	$ 32,902	$ 22,089	$ 67,369	$ 43,148
Professional fees	50,283	48,643	73,764	71,263
Director's fees	28,438	39,596	56,876	39,596
Investor relations	36,115	41,464	78,100	83,955
Travel and other costs	85,598	44,890	126,246	111,137
Depreciation of equipment and furniture	31	31	62	62
Share-based compensation	482	113,382	8,221	134,148
Total general and administrative expenses	$ 233,849	$ 310,095	$ 410,638	$ 483,309

General and administrative expenses consist mainly of professional fees, personnel costs related to corporate activities, costs for shareholder-related activities including investor relations, director's fees, stock exchange fees and share-based compensation.

Total general and administrative expenses, for the three months ended April 30, 2015, decreased by $76,246 or 24.6%, as compared to the same period in the prior year. Salaries, benefits and consulting fees, for the three months ended April 30, 2015, increased by $10,813 compared to the same period in the prior year due to increased contract payments in the three months ended April 30, 2015, as compared to the same period in the previous fiscal year. Travel and other costs, for the three months ended April 30, 2015, increased by $40,708, as compared to the same period in the prior year due to an increased level of travel and an increase

in the costs related to the Company's Annual General Meeting in the three months ended April 30, 2015, as compared to the same period in the previous fiscal year. Share-based compensation, for the three months ended April 30, 2015, decreased by $112,900 due to stock options previously granted approaching the end of their vesting terms, such that substantially all of the stock-based compensation had previously been recognized prior to October 31, 2014.

Total general and administrative expenses, for the six months ended April 30, 2015, decreased by $72,671 or 15.0%, as compared to the same period in the prior year. Salaries, benefits and consulting fees, for the six months ended April 30, 2015, increased by $24,221, as compared to the same period in the prior year due to increased contract payments in the six months ended April 30, 2015, as compared to the same period in the previous fiscal year. Travel and other costs, for the six months ended April 30, 2015, increased by $15,109, as compared to the same period in the prior year due to an increased level of travel in the six months ended April 30, 2015, as compared to the same period in the previous fiscal year. Share-based compensation, for the six months ended April 30, 2015, decreased by $125,927 due to stock options previously granted approaching the end of their vesting terms, such that substantially all of the stock-based compensation had previously been recognized prior to October 31, 2014.

Finance Income

Finance income, represented primarily by interest income earned on the Company's term deposits, was $7,037 and $16,023, respectively, during the three and six months ended April 30, 2015, compared to $13,918 and $29,379, respectively, for the same periods in the prior year. The decreases were primarily due to a decrease in the average balances of cash and short-term investments in the most recent fiscal periods. In addition, a general decrease in the prevailing interest rates paid on short-term investments also contributed to the decreases.

LIQUIDITY AND CAPITAL RESOURCES

Selected financial information from the statements of financial position as at April 30, 2015 and October 31, 2014 follows:

	April 30, 2015	October 31, 2014
Cash and short-term investments	$ 2,604,614	$ 3,416,710
Total assets	2,757,562	4,021,072
Current liabilities	245,988	240,087
Share capital, warrants and contributed surplus	30,611,707	30,574,612
Deficit	(28,100,133)	(26,793,627)

As at April 30, 2015, the Company had cash and short-term investments of $2,604,614 compared to $3,416,710 as at October 31, 2014. Management believes the Company has sufficient working capital to maintain its operations for at least the next twelve months.

The Company does not have any debt or credit facilities.

Financing Activities

For the six months ended April 30, 2015, there were no share capital transactions.

For the six months ended April 30, 2014, 784,820 stock options were exercised for gross proceeds of $84,067 and 100,000 warrants were exercised for gross proceeds of $20,000.

In May 2015, the Company raised gross proceeds of $1.6 million in a non-brokered private placement. The offering consisted of 8,888,889 units sold at a price of $0.18 per unit. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder thereto to purchase one common share of the company for a period of 24 months at a price of $0.30 per share, subject to abridgement of the exercise period (after the expiry of the 4 month hold period) with 30 days' notice to holders in the event that the twenty-day volume weighted price of the Company's common share shares exceeds $0.50. Related to the private placement, cash share issue costs amounting to approximately $73,000 were incurred and 137,151 finder's warrants valued at approximately $12,000 were issued, exercisable at a price of $0.30 per share for a period of 24 months, subject to the same hold period and abridgement conditions as the warrants included in each unit of the offering.

Subsequent to April 30, 2015, the Company has issued an aggregate of 505,000 common shares pursuant to the exercise of stock options for gross proceeds of $75,750.

Historically, funding requirements have been met through the issuance of common shares from treasury and common share purchase warrants that are converted into common shares upon exercise. Management regularly monitors the capital markets and attempts to balance timing of new equity issues with the progress of our research and clinical development plan, general market conditions, and availability of capital. In addition, management actively targets additional sources of capital, such as grants and contributions, as well as collaborative partners which would assist in progressing our operations and research and clinical development programs.

We anticipate the cash requirements to fund our planned activities for 2015 will increase over the previous year. Our actual cash requirements for 2015 will depend on the clinical, pre-clinical, and collaborative activities that we ultimately undertake and the ability to secure partners, and non-dilutive funding in the form of government grants.

The interim condensed 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 its inception, and accordingly, it will require ongoing financing in order to continue its research and development activities. In addition, it has not yet earned significant revenue or reached successful commercialization of its products. The company will seek new funding from additional equity financings and/or licensing agreements and collaboration arrangements with development partners; however, there is no assurance that these funding initiatives will be successful.

Common Shares

Changes in the number of issued common shares from the most recent year ended October 31, 2014 to the date of this MD&A are as follows:

	Number of Common Shares
Balances as at October 31, 2014 and April 30, 2015	131,477,831
Shares issued related to non-brokered private placement	8,888,889
Shares issued on the exercise of stock options	505,000
Balance as at June 25, 2015	**140,871,720**

Performance Escrow Shares

Included in issued common shares and representing escrow shares as at April 30, 2015 are 3,472,500 (October 31, 2014 – 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 reflects the activity of the warrants from the most recent year ended October 31, 2014 to the date of this MD&A:

	Number of Warrants	Weighted Average Exercise Price
Balance as at October 31, 2014	31,053,263	$0.35
Warrants – re-pricing	(10,000,000)	$0.35
Warrants – re-pricing	10,000,000	$0.40
Expired	(21,053,263)	$0.34
Balance as at April 30, 2015	10,000,000	$0.40
Warrants issued related to non-brokered private placement	8,888,889	$0.30
Finder's warrants issued related to non-brokered private placement	137,151	$0.30
Balance as at June 25, 2015	**19,026,040**	**$0.35**

The warrants outstanding as at April 30, 2015 are described in note 8 to the interim condensed consolidated financial statements.

2015 Incentive Plan

The Company has a 2015 Incentive Plan (the "Plan"), the terms of which were approved by shareholders of the Company on April 28, 2015. The Plan includes both stock options and deferred share units ("DSU's"). Further details on the Company's 2015 Incentive Plan are provided in note 8 to the interim condensed consolidated financial statements for the three and six months ended April 30, 2015 and 2014.

The following table reflects the activity for stock options from the most recent year ended October 31, 2014 to the date of this MD&A:

	Number of Options	Weighted Average Exercise Price
Balance as at October 31, 2014 and April 30, 2015	7,988,750	$ 0.16
Granted	2,460,000	0.26
Exercised	(505,000)	0.15
Balance as at June 25, 2015	**9,943,750**	**$0.19**

The following table reflects the activity for deferred share units (DSU's) from the most recent year ended October 31, 2014 to the date of this MD&A:

	Number of DSU's
Balance as at October 31, 2014 and April 30, 2015	nil
Granted	625,000
Balance as at June 25, 2015	**625,000**

COMMITMENTS AND CONTINGENCIES

The Company expects to pay certain future costs related to its pre-clinical and clinical trials. Such payments are expected to include 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 payments over the duration of the trial 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 expects to make future payments to maintain and expand its patent portfolio in good standing. For the six months ended April 30, 3015 and 2014, such payments amounted to $108,167 and $95,009, respectively.

The Company has a commitment for the rental of laboratory space under a month-to-month lease.

RELATED PARTY TRANSACTIONS

The key management personnel of the company are the Directors, the 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. Included in accounts payable and accrued liabilities at April 30, 2015 was $35,813 due to key management personnel (October 31, 2014 - $74,477).

Compensation for key management personnel for the three and six months ended April 30, was as follows:

	Three months ended		Six months ended	
	2015	2014	2015	2014
Salaries, benefits and consulting fees	$ 82,570	$ 117,637	$ 169,195	$ 209,619
Director's fees and benefits	30,700	32,813	59,138	32,813
Share-based compensation	10,242	104,628	17,981	113,521
Total related party transactions	$ 123,512	$ 255,078	$ 246,314	$ 355,953

Executive officers and directors participate in the Company's 2015 Incentive Plan, so they are eligible to receive stock options and deferred share units. Executive officers also participate in the Company's health benefits plan. Key management personnel control 1.9% of the issued common shares of the Company as at April 30, 2015. (October 31, 2014 – 3.0%)

SUMMARY OF QUARTERLY RESULTS

Selected quarterly data with respect to the statement of loss and comprehensive loss is set out below:

Fiscal Year		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2015	Net loss	$630,294	$676,212		
	Net loss per share	0.00	0.01		
2014	Net loss	$594,105	$747,935	$725,839	$678,180
	Net loss per share	0.00	0.01	0.01	0.01
2013	Net loss	$531,380	$551,705	$382,393	537,443
	Net loss per share	0.01	0.00	0.01	0.00

It is important to note that historical patterns of expenditures cannot be taken as an indication of future expenditures. The amount and timing of expenditures, and therefore liquidity and capital resources, may vary substantially from period to period depending on the business and research activities being undertaken at any one time and the availability of funding from investors and prospective collaborative partners.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Company to select from possible alternative accounting policies and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date, and reported costs and expenditures during the reporting periods. Management believes that the estimates and assumptions upon which the Company relies are reasonable based upon information available at the time the estimates and assumptions are made. Estimates and assumptions may be revised as new information is acquired, and are subject to change. A summary of the Company's significant accounting policies and estimates under IFRS is found in Note 3 of the Company's audited consolidated financial statements for the years ended October 31, 2014 and 2013.

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 asset expenditures requires judgement 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 the consolidated statement of 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 each intangible asset's 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 the 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 of the interim condensed consolidated financial statements for the three and six months ended April 30, 2015 and 2014.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

As a result of the Company's limited administrative staffing levels, internal controls which rely on segregation of duties, in many cases, are not possible. Due to resource constraints and the present stage of the Company's development, the Company does not have sufficient size and scale to warrant the hiring of additional staff to address this potential weakness at this time. To help mitigate the impact of this, the Company is highly reliant on the performance of compensating procedures and senior management's review and approval.

As a venture issuer, the Company is not required to certify the design and evaluation of the Company's disclosure controls and procedure ("DC&P") and internal controls over financial reporting ("ICFR"), and as such has not completed such an evaluation. Investors should be aware that inherent limitations on the ability of the certifying officers of a venture issuer to design and implement, on a cost effective basis, DC&P and ICFR as defined in NI 52-109, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CHANGES IN ACCOUNTING POLICIES

New standards and interpretations not yet effective

Standards issued, but not yet effective up to the date of issuance of the Company's interim condensed consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects may be applicable at a future date. The Company intends to adopt those standards when they become effective.

Certain pronouncements were issued by the IASB or International Financial Reporting Interpretation Committee that are mandatory for annual periods beginning after January 1, 2015 or later periods. Many of these updates are not applicable or are inconsequential to the Company and have been excluded from the discussion below. The remaining pronouncements are being assessed to determine their impact on the Company's results and financial position.

IFRS 9 *Financial Instruments*

In October 2010, the IASB published amendments to IFRS 9 *Financial Instruments* ("IFRS 9") which provides added guidance on the classification and measurement of financial liabilities. In July 2014, the IASB issued its final version of IFRS 9, which completes the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. The final standard is mandatorily effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently monitoring the developments of this standard and assessing the impact that the adoption of this standard may have on the interim condensed consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15'), which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. In April 2015, the IASB agreed to publish an Exposure Draft proposing a one-year deferral of the effective date of the revenue standard to January 1, 2018. The Company is reviewing the standard to determine the impact on the interim condensed consolidated financial statements.

RISKS AND UNCERTAINTIES

The following is a summary list of risks and uncertainties for the Company. For a detailed description of each risk and uncertainty, please refer to the annual Management's Discussion and Analysis for the years ended October 31, 2014 and 2013 as filed on SEDAR.

Investment Risk

- *Volatility of Share Price, Absence of Dividends and Fluctuation of Operating Results.*

Issuer Risk

- *Early Stage Development and Scientific Uncertainty.*
- *Additional Financing Requirements and Access to Capital.*
- *Patents and Proprietary Technology.*
- *Dependence on Collaborative Partners, Licensors and Others.*
- *Clinical trials are long, expensive and uncertain processes and Health Canada or the FDA may ultimately not approve any of our products. We may never develop any commercial applications or products that generate revenues.*
- *Reliance on Key Personnel.*
- *Lack of Product Revenues and History of Losses. Conflict of Interest.*

Industry Risk

- *Government Regulations.*
- *Hazardous Materials and Environmental Matters.*
- *Rapid Technological Change. Competition.*
- *Status of Healthcare Reimbursement. Potential Product Liability.*

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.