SERNOVA CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – prepared by management)

APRIL 30, 2008

Unaudited Interim Financial Statements

Notice

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended April 30, 2008.

SERNOVA CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited – prepared by management)

	April 30, 2008	October 31, 2007
ASSETS		
Current		
Cash and cash equivalents	$ 1,018,466	$ 1,800,205
Receivables	55,247	61,591
Prepaid expenses	12,245	17,425
	1,085,958	1,879,221
Equipment	6,997	8,307
Intangible assets (Note 4)	4,999,600	5,344,898
	$ 6,095,555	$ 7,232,426
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 160,774	$ 34,286
Shareholders' equity		
Capital stock (Note 5)	17,232,859	17,232,859
Contributed Surplus (Note 5)	1,741,145	1,307,075
Deficit	(13,042,223)	(11,341,794)
	5,931,781	7,198,140
	$ 6,092,555	$ 7,232,426

Nature and continuance of operations (Note 1)

On behalf of the Board:

"George Adams" Director "Justin Leushner" Director

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

SERNOVA CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – prepared by management)

	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007	Six Months Ended April 30, 2008	Six Months Ended April 30, 2007
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization	$ 655	$ 133	$ 1,308	$ 266
Business development	4,432	21,959	38,697	22,901
Conferences	143	8,910	6,319	8,910
Consulting fees	31,677	83,714	62,414	165,687
Office and miscellaneous	9,355	7,172	23,399	20,325
Patent amortization	188,065	119,861	376,132	239,722
Patent fee	24,562	20,926	24,562	20,926
Professional fees	64,739	99,779	83,647	190,805
Regulatory fees	7,000	5,599	8,000	5,599
Rent	3,334	3,333	6,153	3,333
Research	350,000	508,372	591,799	641,247
Shareholder communications	4,428	10,380	5,759	14,115
Stock based compensation (Note 5)	368,879	235,418	434,070	243,842
Transfer agent	7,684	8,786	9,134	10,979
Travel	243	2,761	2,153	2,761
Wages	36,130	-	71,976	-
	(1,101,326)	(1,137,103)	(1,745,522)	(1,591,418)
OTHER ITEMS				
Foreign currency loss	(948)	(12,734)	(5,545)	(12,734)
Interest income	12,209	20,886	28,785	48,495
Royalty income	12,815	9,495	21,853	22,893
	24,076	17,647	45,093	58,654
Loss for the period	(1,077,250)	(1,119,456)	(1,700,429)	(1,532,764)
Deficit, beginning of period	(11,964,973)	(8,177,350)	(11,341,794)	(7,764,042)
Deficit, end of period	$ (13,042,223)	$ (9,296,806)	$ (13,042,223)	$ (9,296,806)
Basic and diluted loss per common share	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.03)
Weighted average number of common shares outstanding	56,797,358	50,548,247	56,797,358	50,512,919

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

SERNOVA CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – prepared by management)

	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007	Six Months Ended April 30, 2008	Six Months Ended April 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (1,077,250)	$ (1,119,456)	$ (1,700,429)	$ (1,532,764)
Items not affecting cash				
Amortization	655	133	1,308	266
Patent amortization	188,065	119,861	376,132	239,722
Stock based compensation	368,879	235,418	434,070	243,842
Changes in non-cash working capital items:				
Decrease (increase) in receivables	(4,141)	(5,271)	6,344	(31,692)
Decrease (increase) in prepaid expenses	(379)	73,468	5,180	26,218
Decrease in accounts payable and accrued liabilities	150,454	129,980	126,489	66,635
Net cash used for operating activities	(373,717)	(565,867)	(750,906)	(987,773)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of share capital (net of issuance costs)	-	1,099,300	-	1,099,300
Net cash provided by financing activities	-	1,099,300	-	1,099,300
CASH FLOWS FROM INVESTING ACTIVITIES				
Patents and trademarks	-	(1,142,312)	(30,833)	(1,142,312)
Net cash used for investing activities	-	(1,142,312)	(30,833)	(1,142,312)
Change in cash and equivalents during the period	(373,717)	(608,879)	(781,739)	(1,030,785)
Cash and equivalents, beginning of period	1,392,183	2,452,830	1,800,205	2,874,736
Cash and equivalents, end of period	$ 1,018,466	$ 1,843,951	$ 1,018,466	$ 1,843,951

Supplemental disclosure with respect to cash flows (Note 7)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Sernova Corp. (formerly Pheromone Sciences 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.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Sertocell Biotechnology (US) Inc. ("Sertocell") and Sertonex Inc. ("Sertonex"). All significant inter-company balances and transactions have been eliminated.

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

The interim period financial statements have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Corporation's latest annual filing. In the opinion of the Corporation, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Going Concern

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

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

	April 30, 2008	October 31, 2007
Working capital	$ 925,184	$ 1,844,935
Deficit	(13,042,223)	(11,341,794)

2. BASIS OF PRESENTATION

Change in accounting policy

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

Financial instruments - Recognition and measurement

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

a) Cash equivalents and short term investments have been classified as held-for-trading.

b) Receivables have been classified as loans and receivables and measured at amortized cost.

c) Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

Comprehensive Income

Section 1530 establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale. As of April 30, 2008, no financial instruments have been classified as available-for-sale.

Recent accounting pronouncements

The CICA has issued new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The Company has adopted the requirements commencing in the interim period ended April 30, 2008.

Section 1400 – Assessing going concern

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

2. BASIS OF PRESENTATION (cont'd…)

Recent accounting pronouncements (cont'd…)

Section 1535 – Capital disclosures

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

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

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

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

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

Section 3862 – Financial instruments – disclosures

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:
(i) designating financial assets and liabilities as held for trading;
(ii) designating financial assets as available-for-sale; and
(iii) determining when impairment is recorded against the related financial asset or when an allowance account is used.

Section 3863 – Financial instruments - presentation

This Section was issued to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

International financial reporting standards ("IFRS")

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

3. ACQUISITION OF SUBSIDIARY

The Company acquired an option to purchase 100% of the issued and outstanding common shares of Sertonex, a privately held company, in consideration of the staged issuance of 6,945,000 common shares of the Company and the completion of an aggregate of $3,500,000 in equity financing. The common shares issued pursuant to the acquisition agreement are subject to time release escrow agreements, of which 50% are performance based escrow shares that are considered compensatory in nature. The compensatory escrow shares are released in accordance with the performance criteria disclosed in Note 5 and do not comprise acquisition costs.

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

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

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

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

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

4. INTANGIBLE ASSETS

	April 30, 2008			October 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patent licenses	$ 4,081,106	$ 855,408	$ 3,225,698	$ 4,050,273	$ 597,599	$ 3,452,674
Intellectual property	2,191,856	417,954	1,773,902	2,191,856	299,632	1,892,224
	$ 6,272,962	$ 1,273,362	$ 4,999,600	$ 6,242,129	$ 897,231	$ 5,344,898

4. INTANGIBLE ASSETS (cont'd…)

In April 2007, the Company completed its option to purchase licenses and sublicenses on patents in consideration for the issuance of 6,527,500 common shares of the Company valued at $2,611,000 and payment of $1,142,312. The Company also incurred transaction costs of $143,868 and certain future royalty payments to complete acquisition.

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
An unlimited number of common shares, without par value			
Balance as at October 31, 2006	50,305,483	13,128,789	746,868
Exercise of warrants	4,036,375	2,421,825	-
Exercise of options	140,500	108,045	(54,245)
Shares issued on acquisition (Note 3)	2,315,000	1,574,200	-
Stock-based compensation	-	-	614,452
Balance as at October 31, 2007	56,797,358	17,232,859	1,307,075
Stock-based compensation	-	-	434,070
Balance as at April 30, 2008	56,797,358	$ 17,232,859	$ 1,741,145

Escrow shares

Included in the escrow shares at April 30, 2008 are 8,146,125 common shares also which were subject to time release escrow agreements and will not be released, transferred or assigned without the consent of the regulatory authorities.

Performance escrow shares

Included in issued capital stock and part of the escrow shares mentioned above at April 30, 2008 are 3,472,500 common shares subject to a performance based release as follows:

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

b) 1,736,250 common shares on the date the Company enrolls the first patient in a Phase 3 human clinical efficacy trial for a licensed product.

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

Stock options

Stock option transactions are summarized as follows:

	Stock options		
	Number of Shares		Weighted Average Exercise Price
Balance outstanding, October 31, 2007	4,714,500	$	0.44
Granted	325,000		0.30
Exercised	-		-
Balance outstanding, April 30, 2008	5,039,500	$	0.43
Number currently exercisable	3,973,250	$	0.44

The following table summarizes information about the stock options outstanding at April 30, 2008:

	Number of Shares	Exercise Price	Expiry Date
Options	150,000	$0.13	March 30, 2010
	30,000	0.16	January 3, 2010
	2,339,500	0.40	March 20, 2011
	1,410,000	0.40	September 11, 2011
	300,000	0.40	November 22, 2011
	335,000	0.88	June 22, 2012
	150,000	1.00	June 22, 2012
	325,000	0.30	March 13, 2013
Total	5,039,500		

Stock-based Compensation

The Company used the Black-Scholes option pricing model to determine the fair value of options granted. During the six months ended April 30, 2008, the Company granted 325,000 (2007 – 300,000) options with a weighted average fair value of $0.30 (2007 - $0.40) per option, which is being recognized over the vesting periods of the options. Total stock-based compensation recognized in the Statement of Operations and Deficit for the six months ended April 30, 2008 was $434,070 (2007 – $243,842). This amount represents the value of vested options.

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

Stock-based Compensation (cont'd…)

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

Six months ended April 30	2008	2007
Dividend yield	$0.00	$0.00
Expected volatility	89.15%	53.87%
Risk free interest rate	2.86%	3.88%
Expected life of options	5 years	5 years

6. COMMITMENTS

Pursuant to an agreement with a certain shareholder, the Company has exclusive rights to use certain patents and technology utilized in the Fertilité-OV ™. Under the agreement, the shareholder earns a royalty of 2% of cumulative revenues in excess of $1.5 million to a maximum lifetime royalty of $570,000. The shareholder will retain a security interest over the patents until the royalty is paid in full.

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO THE STATEMENTS OF CASH FLOWS

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	April 30, 2008	October 31, 2007
Cash	$ 67,116	$ 65,145
Short-term investments	951,350	1,735,060
	$ 1,018,466	$ 1,800,205

8. RELATED PARTY TRANSACTIONS

The Company paid or accrued the following amounts to related parties:

Six Month Period Ended April 30	2008	2007
Consulting fees	$ 52,500	$ 140,300

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.

Included in accounts payable is $2,660 due to a related party. Amounts due to related parties are non-interest bearing, unsecured and have no specific repayment terms.

9. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by management, in deciding how to allocate resources in assessing performance. All of the Company's operations are within research and development in the biotechnology sector with all of the Company's capital assets located in Canada.

10. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company depends on external financing to funds its activities. The capital structure of the Company currently consists of common shares and stock options. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash, cash equivalents, and short term investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and equivalents, short term investments, receivables, accounts payable and accrued liabilities. Cash equivalents and short term investments are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded on the statement of operations.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, foreign exchange, interest rate and price risks. The Company, may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's credit risk is primarily attributable to short term investments and accounts receivable. The Company's primary counterparties related to its money market investments carry investment grade ratings. The Company manages credit risk for trade and other receivables through established credit monitoring activities. The Company concentrates cash management through its Canadian banking relationships. The Company's maximum exposure to credit risk at the reporting date is the carrying value of its receivables and short term investments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity by maintaining sufficient cash, cash equivalents, and short term investment balances to meet its anticipated operational needs. Liquidity requirements are managed based on expected cash flows to ensure that there is adequate capital to meet short term and long term obligations.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Foreign Exchange Risk

The Company operates within North America; therefore, foreign exchange risk exposures arise from transactions denominated in foreign currencies. The majority of its business is conducted in Canadian dollars; however, its foreign subsidiary, Sertocell, is located in the US. As a result, exchange risk arises primarily with respect to the US dollar. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

Market Risk

The Company does not actively trade in marketable securities.

Form 51-102F2

SERNOVA CORP.

Management's Discussion and Analysis of Results of Operations and Financial Condition for the Six Months ended April 30, 2008.

The following discussion and analysis should be read in conjunction with the unaudited financial statements and related notes for the six months ended April 30, 2008. This discussion and analysis provides an update to the Management's Discussion and Analysis ("MD&A") and financial statements contained in the audited, October 31, 2007 year end report and financial statements and the unaudited January 31, 2008 financial statements.

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

The information contained in this report is made as of June 3, 2008.

Performance Summary and Update

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

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

On April 25, 2008 the Company met with the U.S. Food and Drug Administration (FDA) to establish definitive requirements for the filing of an Investigational New Drug (IND) application, which is required for the Company to commence human Clinical Trials. After review of Sernova's pre-clinical testing data in rodents to date, the FDA specified the next stage to be a pivotal pre-clinical trial consisting of a single 12 month large-animal trial with clear endpoints, leading to a PhaseI/II human Clinical Trial. Including trial planning and chamber manufacturing time, the pivotal pre-clinical trial is expected to take about 18 months in total to complete and will assess the long-term safety and durable activity of Sertolin.

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

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

On July 26, 2007, the Company exercised its right to acquire the final one third of the shares of Sertonex as part of the Joint Venture, and issued the final tranche of 2,315,000 shares to Dr. White and Mr. Leushner. These shares are subject to timed escrow release as shown in the table below, and the same earn out escrow provisions described below.

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

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

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

Performance Summary and Update (cont'd…)

The Shares will be released from escrow on the following basis:

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

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

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

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

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

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

Performance Summary and Update (Cont'd…)

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

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

Results of Operations

The Company continues to focus on research and development and as such has incurred losses since its inception. For the six months ended April 30, 2008 the company recorded a loss of $1,700,429 or $0.03 per share versus a loss of $1,532,764 or $0.03 per share for the six months ended April 30, 2007. Of the current loss recorded for the period, $434,070 is related to the non-cash expense from stock based compensation. General and administrative expenses for the six months ended April 30, 2008 were $1,745,522 compared to $1,604,152 for the six months ended April 30, 2007.

Summary of Quarterly Results

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

Selected Annual Information

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

Outstanding Share Data

As at June 3, 2008, the Company has 56,797,358 common shares issued and outstanding. The Company also has a total of 5,039,500 outstanding stock options comprised of 4,049,500 options priced at $0.40 a share, 325,000 at $0.30 per share, 30,000 at $0.16 per share, 150,000 at $0.13 per share, 150,000 at $1.00, and 335,000 at $0.88. There are no outstanding warrants.

Liquidity and Capital Resources

As at April 30, 2008, the Company had cash of $1,018,466 compared to $1,800,205 as at October 31, 2007. Cash used for operations in the six months ended April 30, 2008 was $750,906 compared to $987,773 for the six months ended April 30, 2007.

Going Concern

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

Going Concern (Cont'd…)

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

	April 30, 2008	October 31, 2007
Working capital	$ 925,184	$ 1,844,935
Deficit	(13,042,223)	(11,341,794)

Transactions with Related Parties

During the six months ended April 30, 2008, the Company paid $15,000 to Patrick Groening, the Chief Financial Officer of the Company for his services. Consulting fees in the amount of $37,500 were paid to a company controlled by Phil Morehouse, the Executive Vice President of the Company.

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.

Change in accounting policy

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

Change in accounting policy (cont'd…)

Financial instruments - Recognition and measurement

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

a) Cash equivalents and short term investments have been classified as held-for-trading.

b) Receivables have been classified as loans and receivables and measured at amortized cost.

c) Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

Comprehensive Income

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

Financing charges

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

The CICA has issued six new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The Company has adopted the requirements commencing in the interim period ended April 30, 2008.

Change in accounting policy (cont'd…)

Section 1400 – Assessing Going Concern

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

Section 1535 – Capital Disclosures

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

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

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

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

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

Section 3862 – Financial Instruments – Disclosures

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

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

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

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

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

Change in accounting policy (cont'd…)

Section 3863 – Financial Instruments - Presentation

This Section was issued to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

International Financial Reporting Standards ("IFRS")

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

Assessing Going Concern

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

Financial Instruments

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

Change in accounting policy (cont'd…)

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

Capital Disclosures

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

Accounting Changes

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

Financial Instruments

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