



SERNOVA CORP.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED
JULY 31, 2015 AND 2014**

**(Expressed in Canadian Dollars)
(Unaudited)**

700 Collip Circle
The Stiller Centre, Suite 114
London, ON N6G 4X8
www.sernova.com

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

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

	Note	July 31, 2015	October 31, 2014
ASSETS			
Current assets			
Cash		\$ 193,912	\$ 463,808
Short-term investments		3,313,431	2,952,902
Amounts receivable	4	183,227	114,723
Prepaid expenses		<u>109,592</u>	<u>41,808</u>
Total current assets		<u>3,800,162</u>	<u>3,573,241</u>
Non-current assets			
Equipment and furniture, net	5	13,945	14,791
Intangible assets, net	6	<u>—</u>	<u>433,040</u>
Total non-current assets		<u>13,945</u>	<u>447,831</u>
Total assets		<u>\$ 3,814,107</u>	<u>\$ 4,021,072</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	<u>\$ 163,043</u>	<u>\$ 240,087</u>
Total current liabilities		<u>163,043</u>	<u>240,087</u>
EQUITY			
Common shares	8	28,510,999	26,701,016
Warrants	8	935,157	923,863
Contributed surplus		2,971,896	2,949,733
Deficit		<u>(28,766,988)</u>	<u>(26,793,627)</u>
Total equity		<u>3,651,064</u>	<u>3,780,985</u>
Total liabilities and equity		<u>\$ 3,814,107</u>	<u>\$ 4,021,072</u>
Nature and continuance of operations (Note 1)			
Commitments and contingencies (Note 11)			

Approved and authorized by the Board of Directors on September 22, 2015:

<u>“Frank Holler”</u>	Director	<u>“Dr. Philip Toleikis”</u>	Director
Frank Holler		Dr. Philip Toleikis	

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

	Note	Three Months Ended		Nine Months Ended	
		July 31, 2015	July 31, 2014	July 31, 2015	July 31, 2014
EXPENSES					
Research and development	10	\$ 311,225	\$ 555,480	\$ 1,296,171	\$ 1,467,442
General and administrative	10	<u>361,017</u>	<u>180,669</u>	<u>697,604</u>	<u>638,897</u>
Total operating expenses		<u>672,242</u>	<u>736,149</u>	<u>1,993,775</u>	<u>2,106,339</u>
OTHER ITEMS					
Finance income		(8,298)	(11,578)	(24,321)	(40,957)
Finance costs		<u>2,911</u>	<u>1,268</u>	<u>3,907</u>	<u>2,497</u>
Net finance income		<u>(5,387)</u>	<u>(10,310)</u>	<u>(20,414)</u>	<u>(38,460)</u>
Loss and comprehensive loss for the period		<u>\$ 666,855</u>	<u>\$ 725,839</u>	<u>\$ 1,973,361</u>	<u>\$ 2,067,879</u>
Weighted average number of common shares outstanding for the period					
		<u>139,763,506</u>	<u>130,911,058</u>	<u>134,270,073</u>	<u>130,109,159</u>
Basic and diluted loss per common share		<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Nine Months Ended	
	July 31, 2015	July 31, 2014
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Loss for the period	\$ (1,973,361)	\$ (2,067,879)
Non-cash items:		
Depreciation of equipment and furniture	3,660	3,660
Patent licence and intellectual property amortization	492,075	489,903
Share-based compensation	142,163	261,106
Interest accrued on short-term investments	(12,361)	(11,578)
Changes in non-cash working capital balances:		
Amounts receivable	(68,504)	(50,986)
Prepaid expenses	(67,784)	110,479
Accounts payable and accrued liabilities	(77,044)	(1,362)
Net cash used in operating activities	<u>(1,561,156)</u>	<u>(1,266,657)</u>
INVESTING ACTIVITIES		
Short-term investments, net	(348,168)	1,268,280
Acquisition of equipment	(2,814)	—
Acquisition of patent rights	(59,035)	(71,694)
Net cash provided by investing activities	<u>(410,017)</u>	<u>1,196,586</u>
FINANCING ACTIVITIES		
Issue of units under private placement	1,600,000	—
Share issue costs	(75,873)	—
Issue of common shares on exercise of warrants	—	20,000
Issue of common shares on exercise of stock options	177,150	210,180
Net cash provided by financing activities	<u>1,701,277</u>	<u>230,180</u>
Change in cash during the period	(269,896)	160,109
Cash, beginning of period	<u>463,808</u>	<u>273,605</u>
Cash, end of period	<u>\$ 193,912</u>	<u>\$ 433,714</u>
Supplementary cash flow information:		
Finder's warrants issued	\$ 11,294	\$ —

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Expressed in Canadian Dollars)

(Unaudited)

	Common Shares		Warrants		Contributed Surplus	Deficit	Total
	Number	Amount	Number	Amount			
Balance, October 31, 2014	131,477,831	\$ 26,701,016	31,053,263	\$ 923,863	\$ 2,949,733	\$ (26,793,627)	\$ 3,780,985
Loss and comprehensive loss for the period	–	–	–	–	–	(1,973,361)	(1,973,361)
Transactions with owners of the Company, recognized directly in equity							
Issue of units under private placement	8,888,889	1,600,000	8,888,889	–	–	–	1,600,000
Share issue costs	–	(87,167)	–	–	–	–	(87,167)
Finder's warrants issued	–	–	137,151	11,294	–	–	11,294
Warrants expired unexercised	–	–	(21,053,263)	–	–	–	–
Exercise of options	1,125,000	297,150	–	–	(120,000)	–	177,150
Share-based compensation (Note 8)	–	–	–	–	142,163	–	142,163
Balance, July 31, 2015	141,491,720	\$ 28,510,999	19,026,040	\$ 935,157	\$ 2,971,896	\$ (28,766,988)	\$ 3,651,064
Balance, October 31, 2013	129,643,636	\$ 26,314,323	31,153,263	\$ 929,973	\$ 2,821,895	\$ (24,047,568)	\$ 6,018,623
Loss and comprehensive loss for the period	–	–	–	–	–	(2,067,879)	(2,067,879)
Transactions with owners of the Company, recognized directly in equity							
Exercise of warrants	100,000	26,110	(100,000)	(6,110)	–	–	20,000
Exercise of options	1,634,195	385,137	–	–	(174,957)	–	210,180
Share-based compensation (Note 8)	–	–	–	–	261,106	–	261,106
Balance, July 31, 2014	131,377,831	\$ 26,725,570	31,053,263	\$ 923,863	\$ 2,908,044	\$ (26,115,447)	\$ 4,442,030

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2015 AND 2014

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

Sernova Corp. is a regenerative medicine company engaged in the research and development of its proprietary Cell Pouch™ and associated technologies including therapeutic cells. The Company is focused on developing a commercially-viable treatment for insulin-dependent human diabetes and other metabolic, blood and neurological diseases with therapeutic cells placed into its implanted, prevascularized and scalable medical device (the Cell Pouch™) and protected from immune system attack.

These 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. The ability of the Company to continue as a going concern in the long-term depends upon its ability to develop profitable operations and to continue to raise adequate financing. The Company will seek new funding from additional equity financings and/or licensing agreements and collaborations with development partners. Management believes that the Company has sufficient working capital to maintain its operations for at least the next twelve months.

2. BASIS OF PRESENTATION**(a) Statement of compliance**

These interim condensed consolidated financial statements for the three and nine months ended July 31, 2015 and 2014 were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”).

The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the annual consolidated financial statements for the years ended October 31, 2014 and 2013, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements for the three and nine months ended July 31, 2015 and 2014 should be read together with the annual consolidated financial statements for the years ended October 31, 2014 and 2013.

The preparation of interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. These interim condensed consolidated financial statements were authorized for issuance by the Company’s Board of Directors on September 22, 2015.

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2015 AND 2014

2. BASIS OF PRESENTATION (cont'd...)**(b) Basis of measurement:**

These interim condensed consolidated financial statements have been prepared on the historical cost basis, except for held-for-trading financial assets which are measured at fair value. These interim condensed consolidated financial statements include the accounts of Sernova Corp., Sertocell Biotechnology (US) Inc. and Sertonex Inc., the Company's wholly-owned and controlled subsidiaries. The financial statements of the Company's subsidiaries are prepared for the same reporting periods as the Company, using consistent accounting policies. All significant intercompany transactions and balances have been eliminated.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The Company makes estimates and judgements about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

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:

Share-based compensation

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

3. SIGNIFICANT ACCOUNTING POLICIES**New standards and interpretations not yet effective***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.

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2015 AND 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**New standards and interpretations not yet effective (cont'd...)***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.

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's interim condensed consolidated financial statements. The Company assesses the impact of adoption of future standards on its interim condensed consolidated financial statements, but does not anticipate significant changes for the Company.

4. AMOUNTS RECEIVABLE

	July 31, 2015	October 31, 2014
Government programs receivable	\$ 145,000	\$ 72,214
Sales tax credits receivable	<u>38,227</u>	<u>42,509</u>
	<u>\$ 183,227</u>	<u>\$ 114,723</u>

The Company is eligible for federal and provincial investment tax credits ("ITC's") on its qualifying research activities. Federal ITC's are not refundable but can be used to reduce income taxes otherwise payable. Provincial ITC's are refundable and these amounts are recorded as an asset in the period in which there is reasonable assurance that such amounts will be received as a credit to research and development expense. ITC's can be subject to an audit, so the final amounts received may differ from those initially recorded. There are no unfulfilled conditions or contingencies associated with government assistance received by the Company to the date these interim condensed consolidated financial statements were approved by the Company's Board of Directors.

5. EQUIPMENT AND FURNITURE

	Computer Equipment	Office Furniture	Laboratory Equipment	Total
Cost				
Balance, October 31, 2014	\$ 20,323	\$ 735	\$ 12,579	\$ 33,637
Additions	<u>2,814</u>	<u>—</u>	<u>—</u>	<u>2,814</u>
Balance, July 31, 2015	<u>\$ 23,137</u>	<u>\$ 735</u>	<u>\$ 12,579</u>	<u>\$ 36,451</u>
Accumulated depreciation				
Balance, October 31, 2014	\$ 15,590	\$ 235	\$ 3,021	\$ 18,846
Depreciation for the period	<u>1,773</u>	<u>93</u>	<u>1,794</u>	<u>3,660</u>
Balance, July 31, 2015	<u>\$ 17,363</u>	<u>\$ 328</u>	<u>\$ 4,815</u>	<u>\$ 22,506</u>
Net carrying amounts				
October 31, 2014	\$ 4,733	\$ 500	\$ 9,558	\$ 14,791
July 31, 2015	<u>\$ 5,774</u>	<u>\$ 407</u>	<u>\$ 7,764</u>	<u>\$ 13,945</u>

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2015 AND 2014

6. INTANGIBLE ASSETS

	Patent Licenses	Intellectual Property	Total
Cost			
Balance, October 31, 2014	\$ 4,667,399	\$ 2,191,856	\$ 6,859,255
Additions	59,035	—	59,035
Balance, July 31, 2015	\$ 4,726,434	\$ 2,191,856	\$ 6,918,290
Accumulated amortization			
Balance, October 31, 2014	\$ 4,344,489	\$ 2,081,726	\$ 6,426,215
Amortization for the period	381,945	110,130	492,075
Balance, July 31, 2015	\$ 4,726,434	\$ 2,191,856	\$ 6,918,290
Net carrying amounts			
October 31, 2014	\$ 322,910	\$ 110,130	\$ 433,040
July 31, 2015	\$ —	\$ —	\$ —

During fiscal 2006, the Company acquired various licenses and intellectual property on patents related to the Sertoli technology. Amortization was recognized in the consolidated statements of loss on a straight-line basis over the estimated useful lives of these intangible assets to April 30, 2015.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2015	October 31, 2014
Accounts payable	\$ 111,468	\$ 122,411
Accrued liabilities	51,575	117,676
	\$ 163,043	\$ 240,087

8. COMMON SHARES, WARRANTS AND CONTRIBUTED SURPLUS**Authorized**

Unlimited number of common shares, without par value.

Share capital transactions – nine months ended July 31, 2015 and 2014

In May 2015, the Company completed a non-brokered private placement for gross proceeds of \$1,600,000. The offering consisted of 8,888,889 units sold at a price of \$0.18 per unit. Each unit consisted of one common share and one common share purchase warrant, with each warrant entitling the holder 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 shares exceeds \$0.50. The warrants were ascribed a value of \$nil representing the difference between the issue price of the units and the fair market value of the shares received as part of the offering.

Costs associated with the private placement totaled \$87,167, including cash fees of \$75,873 and the issue of 137,151 finder's warrants valued at \$11,294, which have been deducted from the gross proceeds. Each finder's warrant entitles the holder to purchase one common share of the Company for a period of 24 months at a price of \$0.30 per share, subject to the same hold and abridgement conditions as the warrants included in each unit of the offering.

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2015 AND 2014

8. COMMON SHARES, WARRANTS AND CONTRIBUTED SURPLUS (cont'd...)**Share capital transactions – nine months ended July 31, 2015 and 2014 (cont'd...)**

For the nine months ended July 31, 2015, 1,125,000 stock options were exercised for gross proceeds of \$177,150.

For the nine months ended July 31, 2014, 1,634,195 stock options were exercised for gross proceeds of \$210,180 and 100,000 warrants were exercised for gross proceeds of \$20,000.

Performance escrow shares

Included in issued common shares and representing escrow shares as at July 31, 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 summarizes warrants outstanding as at July 31, 2015:

	Number of Warrants	Exercise Price	Expiry Date
Warrants	10,000,000	\$0.40	February 19, 2016
	5,893,464	\$0.30	May 8, 2017
	<u>3,132,576</u>	\$0.30	May 14, 2017
	<u>19,026,040</u>		

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2015 AND 2014

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

All warrants are exercisable on issuance. Changes in the number of warrants outstanding during the nine months ended July 31 were as follows:

	2015		2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance outstanding, beginning of period	31,053,263	\$ 0.35	31,153,263	\$ 0.35
Issued	9,026,040	\$ 0.30	–	–
Warrants – scheduled exercise price increase	(10,000,000)	\$ 0.35	–	–
Warrants – scheduled exercise price increase	10,000,000	\$ 0.40	–	–
Exercised	–	–	(100,000)	\$ 0.20
Expired	(21,053,263)	\$ 0.34	–	–
Balance outstanding, end of period	19,026,040	\$ 0.35	31,053,263	\$ 0.35

During the nine months ended July 31, 2015, 21,053,263 warrants expired unexercised and 9,026,040 warrants were issued related to the Company's May 2015 non-brokered private placement. In February 2015, the exercise price of 10,000,000 warrants that were issued related to the Company's February 2013 non-brokered private placement was increased from \$0.35 per share to \$0.40 per share, based upon the terms of those warrants at the time they were issued.

2015 Incentive Plan

Under the 2015 Incentive Plan (the "Plan"), approved by the Company's shareholders on April 28, 2015, the Board of Directors may grant stock options and deferred share units ("DSU's") to directors, officers, employees or consultants of the Company up to an aggregate of 10% of the Company's issued and outstanding common shares. The number of common shares reserved for issuance as DSU's under the Plan is fixed at a maximum of 1,314,778.

Most options granted under the Plan have lives of five years from the date of grant. The vesting schedule of all granted options is determined at the discretion of the Board. According to the terms of the Plan, the exercise price of any options granted must not be less than the closing price of the Company's common shares on the TSX Venture Exchange on the trading day immediately preceding the option's grant date.

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FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2015 AND 2014

8. COMMON SHARES, WARRANTS AND CONTRIBUTED SURPLUS (cont'd...)**2015 Incentive Plan (cont'd...)**

The following table summarizes options outstanding as at July 31, 2015:

	Number of Options	Exercise Price	Expiry Date
Options	205,000	\$ 0.12	September 9, 2015
	160,000	0.15	September 11, 2015
	1,043,750	0.15	October 28, 2015
	250,000	0.20	October 28, 2015
	460,000	0.14	March 6, 2017
	270,000	0.18	March 6, 2017
	1,890,000	0.18	April 18, 2017
	500,000	0.18	April 19, 2017
	1,935,000	0.15	January 27, 2019
	150,000	0.15	February 11, 2019
	<u>2,460,000</u>	0.26	June 25, 2025
	9,323,750		

As at July 31, 2015 there were 9,323,750 options outstanding, representing 6.6% of the Company's issued and outstanding common shares (October 31, 2014 – 7,998,750 options outstanding representing 6.1%).

Changes in the number of options outstanding during the nine months ended July 31 were as follows:

	2015		2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance outstanding, beginning of period	7,988,750	\$ 0.16	7,675,445	\$ 0.16
Granted	2,460,000	\$ 0.26	3,360,000	\$ 0.15
Expired	–	–	(143,250)	\$ 0.14
Cancelled	–	–	(1,044,250)	\$ 0.15
Exercised	(1,125,000)	\$ 0.16	(1,634,195)	\$ 0.13
Balance outstanding, end of period	9,323,750	\$ 0.19	8,213,750	\$ 0.16
Options exercisable, end of period	6,723,750	\$ 0.17	6,153,092	\$ 0.16

In June 2015, the Company granted 2,460,000 stock options to officers, employees and consultants at an exercise price of \$0.26 per share with expiry dates in June 2025. In the nine months ended July 31, 2014, the Company granted 3,360,000 stock options to directors, officers, employees and consultants at an exercise price of \$0.15 per share with expiry dates ranging from September 2015 to February 2019. The weighted average grant-date fair value of the stock options granted during the nine months ended July 31, 2015 and 2014 was \$0.23 and \$0.12, respectively.

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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8. COMMON SHARES, WARRANTS AND CONTRIBUTED SURPLUS (cont'd...)**2015 Incentive Plan (cont'd...)**

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

The risk-free interest rate is based on the implicit yield on a Canadian Government zero-coupon issued with a remaining term equal to the expected term of the option. The volatility is based solely on historical volatility for a period equivalent to the expected life of the option. The life of the option is estimated considering the vesting period at the grant date, the life of the option and the average length of time similar grants have remained outstanding in the past. The forfeiture rate has been assigned a zero rate and is an estimate based on the history of the Company's stock option grants.

The dividend yield has been assigned a zero value since it is the present policy of the Company to retain all earnings to finance operations and future growth.

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

Nine months ended July 31	2015	2014
Dividend yield	0.0%	0.0%
Expected volatility	122.6%	143.0%
Risk free interest rate	1.5%	1.7%
Expected life of options	6 years	4.6 years

The expense recognized for employee services received during the three and nine months ended July 31, 2015, which is included in the interim condensed consolidated statement of loss and comprehensive loss was \$94,301 and \$131,396, respectively (2014 – \$91,440 and \$261,106). The weighted average remaining contractual life for the stock options outstanding as at July 31, 2015 was 4.0 years (October 31, 2014 – 2.2 years). The range of exercise prices for the options outstanding as at July 31, 2015 was \$0.12 to \$0.26 (October 31, 2014 – \$0.12 to \$0.20).

The Company's DSU's plan allows for the issuance of DSU's to Directors and Officers of the Company in the form of a deferred cash payment or issuance of shares at the time the DSU holder leaves the Company. Since the method of settlement of the DSU's is at the discretion of the Company under the plan, it has been accounted for as an equity settled plan. In June 2015, the Company issued 625,000 DSU's to directors that vest over a three year period. As at July 31, 2015 the Company expensed \$10,767 related to the DSU's issued and no DSU's had vested to that date.

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2015 AND 2014

9. 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 generally 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 July 31, 2015 was \$2,916 due to key management personnel (October 31, 2014 – \$74,477).

Compensation for key management personnel for the three and nine months ended July 31 was as follows:

	Three months ended		Nine months ended	
	July 31, 2015	July 31, 2014	July 31, 2015	July 31, 2014
Salaries, benefits and consulting fees	\$ 95,219	\$ 95,596	\$ 264,414	\$ 305,215
Director's fees and benefits	25,532	29,725	84,670	62,538
DSU's issued for director compensation	10,767	–	10,767	–
Share-based compensation	<u>19,790</u>	<u>60,907</u>	<u>37,771</u>	<u>174,428</u>
Total related party transactions	\$ 151,308	\$ 186,228	\$ 397,622	\$ 542,181

Key management personnel controlled approximately 1.8% of the issued common shares of the Company as at July 31, 2015 (October 31, 2014 – 3.0%).

10. STATEMENT OF LOSS AND COMPREHENSIVE LOSS SUPPLEMENTARY INFORMATION

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

	Three months ended		Nine months ended	
	July 31, 2015	July 31, 2014	July 31, 2015	July 31, 2014
Salaries, supplies and contract payments	\$ 231,131	\$ 367,103	\$ 740,227	\$ 906,823
Patent fees and costs	101,936	35,168	151,068	130,177
Depreciation of equipment and furniture	1,189	1,189	3,567	3,567
Amortization of intangible assets	–	126,939	492,075	489,903
Share-based compensation	25,360	51,159	54,234	86,677
Contributions and tax credits	<u>(48,391)</u>	<u>(26,078)</u>	<u>(145,000)</u>	<u>(149,705)</u>
Total research and development expenses	\$ 311,225	\$ 555,480	\$ 1,296,171	\$ 1,467,442

SERNOVA CORP.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2015 AND 2014

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

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

	Three months ended		Nine months ended	
	July 31,	July 31,	July 31,	July 31,
	2015	2014	2015	2014
Salaries, benefits and consulting fees	\$ 162,741	\$ 56,603	\$ 197,110	\$ 129,427
Professional fees	20,438	15,493	94,202	86,756
Director's fees and benefits	27,794	29,725	84,670	69,258
Investor relations	34,457	35,385	112,557	119,340
Travel and other costs	35,848	3,151	121,043	59,594
Depreciation of equipment and furniture	31	31	93	93
DSU's issued for director's compensations	10,767	–	10,767	–
Share-based compensation	<u>68,941</u>	<u>40,281</u>	<u>77,162</u>	<u>174,429</u>
Total general and administrative expenses	\$ 361,017	\$ 180,669	\$ 697,604	\$ 638,897

11. 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 nine months ended July 31, 2015 and 2014, such payments amounted to \$201,103 and \$201,871, respectively.

The Company entered into a lease commitment beginning on August 1, 2015, with gross payments required under the lease of approximately \$131,000 related to the rental of laboratory space over a period of two years. The lease also includes options for the Company to extend the lease for two additional one year periods.

12. RECLASSIFICATION

Certain comparative figures for prior periods have been reclassified to conform to the current financial statement presentation.