



**SERNOVA CORP.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED  
APRIL 30, 2016 AND 2015**

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

700 Collip Circle  
The Stiller Centre, Suite 114  
London, ON N6G 4X8  
[www.sernova.com](http://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**  
**AS AT**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Note	April 30, 2016	October 31, 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 2,896,801	\$ 211,938
Marketable securities		–	2,669,025
Amounts receivable	4	136,644	219,315
Prepaid expenses		<u>23,055</u>	<u>23,832</u>
<b>Total current assets</b>		<u>3,056,500</u>	<u>3,124,110</u>
<b>Non-current assets</b>			
Property and equipment, net	5	<u>30,432</u>	<u>29,189</u>
<b>Total non-current assets</b>		<u>30,432</u>	<u>29,189</u>
<b>Total assets</b>		<u>\$ 3,086,932</u>	<u>\$ 3,153,299</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6	\$ 254,345	\$ 199,850
Deferred government assistance	7	<u>795,691</u>	<u>–</u>
<b>Total current liabilities</b>		<u>1,050,036</u>	<u>199,850</u>
<b>EQUITY</b>			
Common shares	8	28,885,049	28,588,449
Warrants	8	935,157	935,157
Contributed surplus		3,238,161	3,082,947
Deficit		<u>(31,021,471)</u>	<u>(29,653,104)</u>
<b>Total equity</b>		<u>2,036,896</u>	<u>2,953,449</u>
<b>Total liabilities and equity</b>		<u>\$ 3,086,932</u>	<u>\$ 3,153,299</u>

**Nature and continuance of operations** (Note 1)

**Commitments and contingencies** (Note 11)

**Events after the reporting period** (Note 12)

**Approved and authorized by the Board of Directors on June 28, 2016:**

<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**

FOR THE THREE AND SIX MONTHS ENDED APRIL 30,

(Expressed in Canadian Dollars)

(Unaudited)

	Note	Three Months Ended April 30,		Six Months Ended April 30,	
		2016	2015	2016	2015
<b>EXPENSES</b>					
Research and development	10	\$ 386,865	\$ 488,465	\$ 775,348	\$ 984,946
General and administrative	10	<u>266,461</u>	<u>194,424</u>	<u>546,964</u>	<u>336,587</u>
Total operating expenses		<u>653,326</u>	<u>682,889</u>	<u>1,322,312</u>	<u>1,321,533</u>
<b>OTHER ITEMS</b>					
Finance income		(5,127)	(7,037)	(11,657)	(16,023)
Finance costs		<u>43,718</u>	<u>360</u>	<u>57,712</u>	<u>996</u>
Net finance costs (income)		<u>38,591</u>	<u>(6,677)</u>	<u>46,055</u>	<u>(15,027)</u>
<b>Loss and comprehensive loss for the period</b>		<u>\$ 691,917</u>	<u>\$ 676,212</u>	<u>\$ 1,368,367</u>	<u>\$ 1,306,506</u>
<b>Weighted average number of common shares</b>					
<b>outstanding for the period</b>		<u>143,040,470</u>	<u>131,477,831</u>	<u>142,834,458</u>	<u>131,477,831</u>
<b>Basic and diluted loss per common share</b>					
		<u>\$ 0.00</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>

See accompanying notes to the interim condensed consolidated financial statements.

**SERNOVA CORP.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED APRIL 30,**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Six Months Ended April 30,	
	2016	2015
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,368,367)	\$ (1,306,506)
Adjustments for items not affecting cash:		
Depreciation of property and equipment	3,782	2,440
Patent licence and intellectual property amortization	–	492,075
Share-based compensation	264,002	37,095
Interest accrued on marketable securities	17,955	(4,815)
Changes in non-cash working capital balances:		
Amounts receivable	82,671	(7,649)
Prepaid expenses	777	26,396
Accounts payable and accrued liabilities	54,495	5,902
Deferred government assistance	795,691	–
Net cash used in operating activities	<u>(148,994)</u>	<u>(755,062)</u>
<b>INVESTING ACTIVITIES</b>		
Marketable securities, net	2,651,070	501,832
Acquisition of equipment	(5,025)	(2,814)
Acquisition of patent rights	–	(59,035)
Net cash provided by investing activities	<u>2,646,045</u>	<u>439,983</u>
<b>FINANCING ACTIVITIES</b>		
Issue of common shares on exercise of stock options	<u>187,812</u>	–
Net cash provided by financing activities	<u>187,812</u>	–
<b>Change in cash and cash equivalents during the period</b>	<b>2,684,863</b>	<b>(315,079)</b>
<b>Cash and cash equivalents, beginning of period</b>	<u><b>211,938</b></u>	<u><b>463,808</b></u>
<b>Cash and cash equivalents, end of period</b>	<u><b>\$ 2,896,801</b></u>	<u><b>\$ 148,729</b></u>

See accompanying notes to the interim condensed consolidated financial statements.

**SERNOVA CORP.****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED APRIL 30, 2016 AND 2015**

(Expressed in Canadian Dollars)

(Unaudited)

	<b>Common Shares</b>		<b>Warrants</b>		<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
	<b>Number</b>	<b>(Note 8) Amount</b>	<b>Number</b>	<b>(Note 8) Amount</b>			
<b>Balance, October 31, 2015</b>	141,821,720	\$ 28,588,449	19,026,040	\$ 935,157	\$ 3,082,947	\$ (29,653,104)	\$ 2,953,449
Loss and comprehensive loss for the period	–	–	–	–	–	(1,368,367)	(1,368,367)
Transactions with owners of the Company, recognized directly in equity							
Exercise of stock options	1,208,750	296,600	–	–	(108,788)	–	187,812
Warrants expired unexercised	–	–	(10,000,000)	–	–	–	–
Share-based compensation	–	–	–	–	264,002	–	264,002
<b>Balance, April 30, 2016</b>	<b>143,030,470</b>	<b>\$ 28,885,049</b>	<b>9,026,040</b>	<b>\$ 935,157</b>	<b>\$ 3,238,161</b>	<b>\$ (31,021,471)</b>	<b>\$ 2,036,896</b>
<b>Balance, October 31, 2014</b>	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	–	–	–	–	–	(1,306,506)	(1,306,506)
Transactions with owners of the Company, recognized directly in equity							
Warrants expired unexercised	–	–	(21,053,263)	–	–	–	–
Share-based compensation	–	–	–	–	37,095	–	37,095
<b>Balance, April 30, 2015</b>	<b>131,477,831</b>	<b>\$ 26,701,016</b>	<b>10,000,000</b>	<b>\$ 923,863</b>	<b>\$ 2,986,828</b>	<b>\$ (28,100,133)</b>	<b>\$ 2,511,574</b>

See accompanying notes to the interim condensed consolidated financial statements.

**SERNOVA CORP.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2016 AND 2015**

(Expressed in Canadian Dollars)

(Unaudited)

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**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. The Company is listed on the TSX Venture Exchange under the symbol SVA and is also listed on the OTCQB Venture Market under the symbol SEOVF.

Sernova Corp. is a regenerative medicine company engaged in the research and development of its proprietary Cell Pouch™ and associated technologies including immune-protected 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™), protected from immune system attack.

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“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 six months ended April 30, 2016 and 2015 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, 2015 and 2014, which were prepared in accordance with IFRS as issued by the IASB. Any subsequent changes to IFRS or their interpretation, that are given effect in the Company’s annual audited consolidated financial statements for the year ending October 31, 2016, could result in a restatement of these unaudited interim condensed consolidated financial statements. 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 six months ended April 30, 2016 and 2015 should be read together with the annual consolidated financial statements for the years ended October 31, 2015 and 2014.

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 June 28, 2016.

**SERNOVA CORP.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2016 AND 2015**

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

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value.

**(c) Functional and presentation currency**

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its wholly-owned and controlled subsidiaries.

**(d) Use of estimates and judgements**

The preparation of these interim condensed consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities and expenses, as well as the Company's ability to continue as a going concern. The estimates and assumptions made are continually evaluated and have been based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are inherently uncertain. Actual results could differ materially from these estimates and assumptions. Revisions to estimates are recognized in the period in which the estimate is revised and may impact future periods.

Management has applied significant estimates and assumptions to the following:

**Valuation of 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: option life, volatility, risk-free interest rate, forfeiture rates, stock option exercise behaviours, dividend yield and corporate performance. Changes in these assumptions affect the fair value estimate for share-based compensation.

**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 *Financial Instruments: Recognition and Measurement*. 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. In September 2015, the IASB issued an amendment to IFRS 15 reflecting a one-year

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FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2016 AND 2015**

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

deferral of the effective date of the standard to January 1, 2018. 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 16 Leases*

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), its new lease standard that requires lessees to recognize assets and liabilities for most leases on the statement of financial position. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard will be effective from January 1, 2019 with limited early application permitted. The Company has not yet begun the process of evaluating the impact of this standard 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.

**4. AMOUNTS RECEIVABLE**

As at	April 30, 2016	October 31, 2015
Government programs receivable	\$ 120,688	\$ 164,633
Sales tax credits receivable	<u>15,956</u>	<u>54,682</u>
	<u>\$ 136,644</u>	<u>\$ 219,315</u>

**5. PROPERTY AND EQUIPMENT**

	Computer Equipment	Office Furniture	Laboratory Equipment	Total
<b>Cost</b>				
Balance, October 31, 2015	\$ 25,285	\$ 735	\$ 27,002	\$ 53,022
Additions	<u>—</u>	<u>—</u>	<u>5,025</u>	<u>5,025</u>
Balance, April 30, 2016	<u>\$ 25,285</u>	<u>\$ 735</u>	<u>\$ 32,027</u>	<u>\$ 58,047</u>
<b>Accumulated depreciation</b>				
Balance, October 31, 2015	\$ 18,061	\$ 359	\$ 5,413	\$ 23,833
Depreciation for the period	<u>1,083</u>	<u>38</u>	<u>2,661</u>	<u>3,782</u>
Balance, April 30, 2016	<u>\$ 19,144</u>	<u>\$ 397</u>	<u>\$ 8,074</u>	<u>\$ 27,615</u>
<b>Net carrying amounts</b>				
October 31, 2015	\$ 7,224	\$ 376	\$ 21,589	\$ 29,189
April 30, 2016	<u>\$ 6,141</u>	<u>\$ 338</u>	<u>\$ 23,953</u>	<u>\$ 30,432</u>



**SERNOVA CORP.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2016 AND 2015**

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**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

As at	April 30, 2016	October 31, 2015
Accounts payable	\$ 99,399	\$ 53,880
Accrued liabilities	152,831	143,849
Due to related parties (Note 9)	2,115	2,121
	<u>\$ 254,345</u>	<u>\$ 199,850</u>

**7. DEFERRED GOVERNMENT ASSISTANCE**

In December 2015, the Company was awarded a €5.6 million (approximately \$8.5 million) non-dilutive grant by the European Commission's Horizon 2020 program, as part of a consortium. The Company expects to receive total funding in the amount of €944,178 (approximately \$1.4 million), representing its portion of the grant, based upon the terms of the grant agreement.

In January 2016, the Company received an initial funding payment related to the grant in the amount of €566,607 (\$873,213). Expenditures incurred by the Company related to the grant to April 30, 2016 amounted to \$77,522 leaving \$795,691 of the grant received as deferred government assistance, which will be recognized against future expenditures covered by the grant. Amounts claimed by the Company against the grant will be subject to an audit by the European Commission.

**8. COMMON SHARES AND WARRANTS****Authorized**

Unlimited number of common shares, without par value.

**Share capital transactions – six months ended April 30, 2016 and 2015**

For the six months ended April 30, 2015, 1,208,750 stock options were exercised for cash proceeds of \$187,812.

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

**Performance escrow shares**

Included in issued common shares and representing escrow shares as at April 30, 2016 are 3,472,500 (October 31, 2015 – 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:

- 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™;
- 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.

**SERNOVA CORP.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2016 AND 2015**

(Expressed in Canadian Dollars)

(Unaudited)

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

The following table summarizes warrants outstanding as at April 30, 2016:

	Number of Warrants	Exercise Price	Expiry Date
	5,893,464	\$0.30	May 8, 2017
	<u>3,132,576</u>	\$0.30	May 14, 2017
	9,026,040		

All warrants are exercisable on issuance. Changes in the number of warrants outstanding during the six months ended April 30, 2016 and 2015 were as follows:

	2016		2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance outstanding, beginning of period	19,026,040	\$ 0.35	31,053,263	\$ 0.35
Warrants – scheduled exercise price increase	–	–	(10,000,000)	0.35
Warrants – scheduled exercise price increase	–	–	10,000,000	0.40
Expired	(10,000,000)	0.40	(21,053,263)	0.34
Balance outstanding, end of period	9,026,040	\$ 0.30	10,000,000	\$ 0.40

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. The warrants expired unexercised in February 2016.

**2015 Incentive Plan**

Under the 2015 Incentive Plan (the "Plan"), most recently approved by the Company's shareholders on April 29, 2016, the Board of Directors may grant stock options to directors, officers, employees or consultants of the Company and deferred share units ("DSU's") to directors and officers 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.

Options granted under the Plan have lives of up to ten 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 be in accordance with the policies of the TSX Venture Exchange.

**SERNOVA CORP.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(Expressed in Canadian Dollars)

(Unaudited)

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

The following table summarizes options outstanding as at April 30, 2016:

	Number of Options	Exercise Price	Expiry Date
	460,000	\$ 0.140	March 6, 2017
	270,000	0.180	March 6, 2017
	1,890,000	0.180	April 18, 2017
	500,000	0.180	April 19, 2017
	1,935,000	0.150	January 27, 2019
	150,000	0.150	February 11, 2019
	2,235,000	0.260	June 25, 2025
	<u>3,005,000</u>	0.225	March 14, 2026
	10,445,000		

As at April 30, 2016 there were 10,445,000 options outstanding, representing 7.3% of the Company's issued and outstanding common shares (October 31, 2015 – 8,873,750 options outstanding representing 6.3%).

Changes in the number of options outstanding during the six months ended April 30, 2016 and 2015, were as follows:

	2016		2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance outstanding, beginning of period	8,873,750	\$ 0.19	7,988,750	\$ 0.16
Granted	3,080,000	0.23	–	–
Cancelled	(300,000)	0.25	–	–
Exercised	(1,208,750)	0.16	–	–
<b>Balance outstanding, end of period</b>	<b>10,445,000</b>	<b>\$ 0.20</b>	<b>7,988,750</b>	<b>\$ 0.16</b>
<b>Options exercisable, end of period</b>	<b>5,505,000</b>	<b>\$ 0.17</b>	<b>7,488,125</b>	<b>\$ 0.16</b>

In the six months ended April 30, 2015, the Company granted 3,080,000 stock options to directors, officers, employees and consultants at an exercise price of \$0.225 per share with expiry dates of March 2026. No options were granted in the six months ended April 30, 2015. The weighted average grant-date fair value of the stock options granted during the six months ended April 30, 2016 was \$0.19.

**SERNOVA CORP.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**8. COMMON SHARES AND WARRANTS (cont'd...)****2015 Incentive Plan (cont'd...)**

The following table reflects details of the stock options outstanding by range of exercise prices as at April 30, 2016:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.14 to \$ 0.18	5,205,000	1.7	\$ 0.16	5,205,000	\$ 0.16
\$ 0.22 to \$ 0.26	5,240,000	9.6	0.24	300,000	0.25
<b>\$ 0.14 to \$ 0.26</b>	<b>10,445,000</b>	<b>5.6</b>	<b>\$ 0.20</b>	<b>5,505,000</b>	<b>\$ 0.17</b>

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:

Six months ended April 30,	2016	2015
Dividend yield	0.0%	n/a
Expected volatility	113.2%	n/a
Risk free interest rate	1.5%	n/a
Expected life of options	6 years	n/a

The Company's Plan allows for the issuance of DSU's to Directors and Officers of the Company in the form of a 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. On June 25, 2015 and March 14, 2016, the Company issued 625,000 and 450,000 DSU's to directors, respectively. The DSU's vest over a three year period after the date of grant. Up to April 30, 2016 the Company had expensed \$99,427 related to the DSU's issued and no DSU's had vested to that date.

**9. RELATED PARTY TRANSACTIONS**

The key management personnel of the Company are the Directors, the President and Chief Executive Officer 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, 2016 was \$2,115 due to key management personnel (October 31, 2015 – \$2,121).

Compensation for key management personnel for the three and six months ended April 30, 2016 and 2015 was as follows:

	Three months ended April 30,		Six months ended April 30,	
	2016	2015	2016	2015
Salaries, benefits and consulting fees	\$ 113,528	\$ 82,570	\$ 270,561	\$ 169,195
Director fees and benefits	24,984	30,700	50,796	59,138
DSU's issued for director compensation	33,626	–	61,143	–
Share-based compensation	<u>58,554</u>	<u>10,242</u>	<u>100,499</u>	<u>17,981</u>
<b>Total related party transactions</b>	<b>\$ 230,692</b>	<b>\$ 123,512</b>	<b>\$ 482,999</b>	<b>\$ 246,314</b>

**SERNOVA CORP.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2016 AND 2015**

(Expressed in Canadian Dollars)

(Unaudited)

**9. RELATED PARTY TRANSACTIONS (cont'd)...**

Key management personnel control approximately 2% of the issued common shares of the Company as at April 30, 2016 (October 31, 2015 – 2%).

**10. STATEMENT OF LOSS AND COMPREHENSIVE LOSS SUPPLEMENTARY INFORMATION**

Components of the research and development expenses for the three and six months ended April 30, 2016 and 2015 were as follows:

	Three months ended April 30,		Six months ended April 30,	
	2016	2015	2016	2015
Salaries, supplies and contract payments	\$ 313,214	\$ 278,819	\$ 694,838	\$ 509,096
Patent fees and costs	31,922	25,513	83,711	49,132
Depreciation of property and equipment	1,775	1,189	3,552	2,378
Amortization of intangible assets	–	267,650	–	492,075
Share-based compensation	79,403	11,903	122,892	28,874
Contributions and tax credits	<u>(39,449)</u>	<u>(96,609)</u>	<u>(129,645)</u>	<u>(96,609)</u>
<b>Total research and development expenses</b>	<b>\$ 386,865</b>	<b>\$ 488,465</b>	<b>\$ 775,348</b>	<b>\$ 984,946</b>

Components of the general and administrative expenses for the three and six months ended April 30, 2016 and 2015 were as follows:

	Three months ended April 30,		Six months ended April 30,	
	2016	2015	2016	2015
Salaries, benefits and consulting fees	\$ 47,874	\$ 16,402	\$ 102,798	\$ 34,369
Professional fees	17,910	50,283	44,965	73,764
Director fees and benefits	24,984	28,438	50,796	56,876
Investor relations	40,802	36,115	109,132	78,100
Travel and other costs	53,513	62,673	97,933	85,195
Depreciation of property and equipment	115	31	230	62
DSU's issued for director compensation	33,626	–	61,143	–
Share-based compensation	<u>47,637</u>	<u>482</u>	<u>79,967</u>	<u>8,221</u>
<b>Total general and administrative expenses</b>	<b>\$ 266,461</b>	<b>\$ 194,424</b>	<b>\$ 546,964</b>	<b>\$ 336,587</b>

**SERNOVA CORP.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2016 AND 2015**

(Expressed in Canadian Dollars)

(Unaudited)

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**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 expected future payments will be impacted by such factors as the rate of enrollment, the location in which the patient resides and the specifics of patient insurance.

By participating in the HemAcure consortium and accepting grant funding, the Company has committed to perform certain product development activities, as outlined in the grant agreement with the European Commission's Horizon 2020 program.

The Company expects to make future payments of approximately \$300,000 for the year ending October 31, 2016 in order to maintain and expand its patent portfolio in good standing. For the six months ended April 30, 2016 and 2015, such payments amounted to \$83,711 and \$108,167, respectively.

The Company entered into a lease commitment beginning on August 1, 2015, with remaining gross payments required under the lease of approximately \$84,000 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. EVENTS AFTER THE REPORTING PERIOD**

On June 27, 2016, the Company closed \$2,000,000 in the first tranche of a non-brokered private placement. The offering consisted of 8,000,000 units sold at a price of \$0.25 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 \$0.35 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 average price of the Company's common share shares exceeds \$0.50.