ANNUAL INFORMATION FORM

SERNOVA CORP.
Stiller Centre
700 Collip Circle, #114
London, Ontario
Canada, N6G 4X8

Telephone: (519) 858-5185
Facsimile: (519) 858-5099
E-mail: info@sernova.com
Web: www.sernova.com

Unless otherwise indicated
all information in this Annual Information Form
is presented as at and for the financial year ended October 31, 2017

June 22, 2018

TABLE OF CONTENTS

CURRENCY AND MEASUREMENT

Unless otherwise indicated, all references to "dollars" or the use of the symbol "$" are to Canadian dollars, all references to "US dollars" or "US$" are to United States dollars.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Annual Information Form from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference are available under the Corporation's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") which can be accessed at www.sedar.com.

The management proxy circular of the Corporation dated March 19, 2018, and filed on SEDAR on April 4, 2018, is specifically incorporated by reference in this Annual Information Form.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements and information that are based on the beliefs of management and reflect Sernova Corp.'s ("Sernova") current expectations. When used in this document, the words "estimate", "project", "belief", "anticipate", "intend", "expect", "plan", "predict", "may", "should", "will" and the negative of these words or such variations thereon or comparable terminology, are intended to identify forward-looking statements and information. Such statements and information reflect the current views of Sernova with respect to risks and uncertainties that cause actual results to differ materially from those contemplated in those forward-looking statements and information.

There are a number of important factors that could cause Sernova's actual results to differ materially from those indicated or implied by forward-looking statements and information, including but not limited to: early stage development and scientific uncertainty, lack of product revenues and history of losses, additional financing requirements and access to capital, patents and proprietary technology, dependence on collaborative partners, licensors and others, government regulations, hazardous materials and environmental matters, rapid technological change, competition, reliance on key personnel, status of healthcare reimbursement, potential product liability and volatility of share price, absence of dividends and fluctuation of operating results. Such risks are further described under "Risk Factors" in this Annual Information Form. Potential investors and other readers are urged to consider these factors carefully in evaluating these forward-looking statements and information and are cautioned not to place undue reliance on them. Sernova has no responsibility, nor does it intend, to update these forward-looking statements and information, unless as otherwise required by law.

Sernova cautions that the foregoing list of material factors is not exhaustive. When relying on Sernova's forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Sernova has assumed a certain progression, which may not be realized. It has also assumed that the material factors referred to in the previous paragraph will not cause such forward-looking statements and information to differ materially from actual results or events. However, the list of these factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors.

USE OF MARKET AND INDUSTRY DATA

This Annual Information Form includes market and industry data that has been obtained from third party sources, including industry publications, as well as industry data prepared by the Corporation's management on the basis of its knowledge of and experience in the industry in which the Corporation operates (including management's estimates and assumptions relating to the industry based on that knowledge). Management's knowledge of the industry has been developed through its experience and lengthy participation in the industry. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, the Corporation's management has not independently verified any of the data from third party sources referred to in this Annual Information Form or ascertained the underlying economic assumptions relied upon by such sources.

CORPORATE STRUCTURE

Name, Address and Incorporation

In this document, references to the "Corporation," "Sernova," "we," "us," and "our" refer to Sernova Corp. and references to "common shares" refer to common shares of the Corporation.

Sernova Corp. was initially incorporated under the *Company Act* (British Columbia) on August 19, 1998, under the name of "Pheromone Sciences Corp." Effective May 29, 2001, the Corporation was continued under the *Canada Business Corporations Act* (the "CBCA"). Effective November 1, 2001 the Corporation was amalgamated (the "amalgamation") with 3927849 Canada Inc. to form a new amalgamated corporation under the name "Pheromone Sciences Corp." pursuant to s. 185 of the CBCA, under number 396323-3, with authorized capital of an unlimited number of common shares without par value. The Corporation's Articles stipulate a minimum of 3 and maximum of 15 directors and grants the Board of Directors (the "Board") the authority, between annual shareholder meetings, to appoint one or more additional directors of the Corporation to serve until the next annual shareholder meeting. The additional number of directors is limited to a maximum of 1/3 of the number of directors elected at the previous shareholder meeting. On amalgamation, the registered office of the Corporation was located in the City of Toronto, Province of Ontario; and on February 24, 2006, the Corporation moved the location of its registered office to the Province of British Columbia. On September 20, 2006, the Corporation filed Articles of Amendment to change its name to "Sernova Corp." ("Sernova").

The Corporation's current registered office is at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 4N7, and its current head office is at 700 Collip Circle, #114, London, Ontario, Canada, N6G 4X8. The Corporation's head office telephone number is (519) 858-5184, and fax number is (519) 858-5099. Its email address is info@sernova.com, and the address of its website is www.sernova.com. The Corporate Records of the Corporation are kept at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 4N7.

The financial year end date of the Corporation is October 31. The Corporation's most recently completed financial year is October 31, 2017. The audited financial statements and related management discussion and analysis for the October 31, 2017 financial year end, and the financial statements and related management discussion and analysis for the two subsequent financial quarters ended January 31, 2018, and April 30, 2018, are filed under the Corporation's SEDAR profile at www.sedar.com.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Sernova is a regenerative medicine therapeutics company, focused on developing and commercializing its proprietary implantable prevascularized medical device technologies (Cell Pouch™) with immune protected therapeutic cells. These cells, following transplantation into the implanted device vascularized environment, release required proteins, hormones or other factors into the bloodstream to treat chronic diseases which currently require life-long infusions or injections of medications. The Company filed patent applications worldwide for its proprietary technologies in 2009 and has been successful at receiving patents internationally on its technologies. The Company also has exclusive worldwide rights in a license agreement signed in 2015 with the University Health Network (UHN) of Toronto, Canada, to certain patent-pending technologies relating to the development of stem cells into glucose-responsive therapeutic cells for the treatment of patients with insulin-dependent diabetes.

The Cell Pouch™ represents a family of scalable, implantable, retrievable medical devices, which upon implantation in the body are uniquely designed to create a highly vascularized 'organ-like' environment for the transplantation and engraftment of therapeutic cells. These cells then release proteins and/or hormones for a number of significant serious, chronic debilitating diseases such as diabetes, hemophilia and thyroid disease.

A serious problem encountered with many implanted therapeutic medical devices is the development of fibrosis in which the body treats the device as foreign and walls off the device with scar tissue resulting in starving of the cells of oxygen and nutrients. Importantly, the Cell Pouch™ technologies are specifically and uniquely designed to be highly biocompatible with pores that incorporate with vascularized tissue in the prevention of fibrosis, so the device essentially becomes accepted as a part of the body.

The cells transplanted into the Cell Pouch™ may be protected from immune system attack, when required, by medications or through other technologies such as microencapsulation of cells. Microcapsules which surround the cells have tiny pores which have been shown to provide a means to allow nutrient and protein exchange within the local vascularized environment while preventing immune cell attack. This approach is expected to reduce or eliminate the requirement of anti-rejection medications.

Depending on the disease application, the therapeutic cells may be obtained directly from human auto-graft (self-cells) or allograft cells (non-self, donor cells), or derived from sources known to provide a virtually unlimited supply of cells including stem-cell-derived or xenogeneic (non-human) source such as the one Sernova has worldwide exclusive rights to from UHN. Developing a virtually unlimited supply of therapeutic cells is essential in the treatment of diseases such as diabetes where millions of patients require treatment.

The Corporation's primary disease therapeutic application is insulin-dependent diabetes which includes all Type-1 people and approximately 30% of Type-2 diabetic people who take insulin injections. The current treatment for people with insulin-dependent diabetes since the discovery of insulin almost 100 years ago is multiple daily insulin injections by needle or insulin pump. This treatment is not sufficient to 'cure' the disease, with patients having a relatively low quality of life and still accumulate the serious debilitating side effects of the disease including heart disease, kidney disease and amputations.

The first cell therapy approach that has been developed for the treatment of diabetic patients with severe hypoglycemia unawareness is islet transplantation. Here insulin-producing islets are isolated from donor pancreas organs and infused into a blood vessel (portal vein) where the insulin-producing cells lodge in the microvessels of the liver. While some promising results including improvement in reduction of hypoglycemia unawareness events and improvement in glucose control have been obtained for this first diabetes cell therapy approach, the limitations of portal vein delivery of cells are well understood: (a) very small source of cadaveric donated human islets, (b) potential damage to the patient's liver, (c) significant loss of islets following transplantation into the portal vein through severe immune and inflammatory responses to the transplanted islets, (d) the permanent need for the patient to take anti-rejection drugs, and (e) inability to remove the cells if necessary.

It is thought that by placing insulin-producing cells into Sernova's implanted Cell Pouch™, virtually all of the limitations of portal vein delivery would be overcome while favouring the long-term survival and function of therapeutic cells which survive in a more natural tissue environment than in blood vessels. Furthermore, the Cell Pouch™ is a retrievable device which is thought to be suitable for stem cell derived technologies, providing an unlimited supply of cells for potential treatment of millions of patients.

With respect to additional indications, the Corporation, as a member of a consortium which has obtained a €5.6M grant from the European Horizon 2020 program, is also developing a Factor VIII releasing

therapeutic cell product combined with Sernova's Cell Pouch™ to treat severe hemophilia A. This serious genetic bleeding disorder is caused by missing or defective Factor VIII in the bloodstream. The use of the Cell Pouch™ with therapeutic cells for hemophilia could reduce or eliminate the need for patients to take expensive infusions of Factor VIII which is currently conducted on a regular basis for prophylactic treatment.

The three-year history of the corporate development of the business is summarized below in three separate categories:

(1) Development of a Therapy for the Treatment of Diabetes
(2) Development of a Therapy for the Treatment of Hemophilia A
(3) Corporate Developments

Development of Therapy for the Treatment of Diabetes

Sernova's initial focus has been on the development of a treatment for insulin-dependent diabetes using an implanted device with therapeutic cells to control blood glucose levels, due to the enormous unmet need for a better therapy for Type-1 diabetes beyond insulin injections and the existence of a cell therapy approach, in need of optimization for patients with severe hypoglycemia unawareness,

Our multiple initial preclinical studies focused on the implantation of the Cell Pouch™ and the transplantation of pancreatic islets, which control blood glucose levels. To date, we have successfully manufactured our Cell Pouch™ ISO13485 in a medical device contract-manufacture facility and transplanted donor islets into our Cell Pouch™ treating insulin-dependent diabetes in multiple small and large animal models (syngeneic, autograft and allograft) of diabetes. We have conducted a series of ISO10993 studies demonstrating the biocompatibility of the device, and we have conducted small and large animal preclinical studies using the Cell Pouch™ demonstrating the safety and efficacy of the device following implantation.

Based on these encouraging results, we compiled a regulatory package and conducted a first in human proof of principle clinical study for the treatment of human diabetes subjects with hypoglycemia unawareness who are to receive an islet transplant, protected by the standard of care cell protection drug regimen in a Canadian study as approved by Health Canada. The approach of using human donor islets in the Cell Pouch™ enabled Sernova to understand the behaviour of transplanted insulin-producing cells in the device in humans as an initial step to the development of an immune-protected cell product to treat the larger treatable population of patients with diabetes. In addition, the market for diabetes with hypoglycemia unawareness represents a significant subpopulation of diabetic patients that could result in Sernova's first approved product depending on receiving final clearance from regulatory authorities following completion of clinical studies. The hypoglycemia unawareness market affects about 17% of people with diabetes according to diabetesnet.com. This represents a population of approximately 7 million patients.

In this study, results in a small cohort of patients have shown the Cell Pouch™ to be safe alone and when transplanted with human donor islets. Importantly, the transplanted islets were shown by analysis of an independent pathologist to survive in the Cell Pouch™ and to become highly vascularized, a requirement for long-term survival and function of these therapeutic cells. In addition, the islets were shown to be able to produce the required hormones to control diabetes. We believe Sernova's technologies are the first in the world to demonstrate that an implanted prevascularized device could maintain the survival of human donor islets which became fully vascularized within the Cell Pouch™ chambers. This study provided key initial information for the design of a new Phase I/II clinical study as part of the ongoing clinical development of our technologies in humans in the United States.

In February 2015, the Corporation announced that the patent offices in China, Israel, Singapore and New Zealand issued Notices of Allowance and issued patents to Sernova for its patent application entitled "Methods and Devices for Cellular Transplantation", and on April 23, 2015, the Corporation announced the U.S. Patent and Trademark Office ("USPTO") issued Sernova a patent to protect Sernova's entire Cell Pouch System™ through 2030.

Our patent portfolio currently consists of issued and pending patents in ten families covering our enabling platforms in important markets in North America, Europe and Asia. We strive to obtain broad claims in our patents, including exclusivity of our Cell Pouch™ device and related technologies in combination with a wide range of therapeutic cell technologies including glucose-responsive insulin-producing stem cell derived cells and for the treatment of a number of chronic diseases, and therefore, we intend to continue to expand our patent and licensing portfolio, through inventions developed internally as well as through strategic in-licensing to maximize the commercial potential for our platform technologies.

On September 10, 2015, the Corporation secured a potential source of unlimited cells, through the signing of a license agreement with the University Health Network ("UHN") of Toronto, Canada to gain exclusive worldwide rights to certain patent-pending technologies by distinguished UHN researchers Dr. Christina Nostro and Dr. Gordon Keller, that are related to the differentiation of stem cells into insulin-producing glucose-responsive therapeutic cells developed by UHN researchers. We continue to identify additional potential sources of cells which are not limited by donor availability through license agreements and/or partnerships.

On January 26, 2016, Sernova announced its service agreement with the Centre for Commercialization of Regenerative Medicine ("CCRM") to establish, optimize and validate Sernova's licensed technology for creating stem cell derived therapeutic cells that produce insulin and are glucose responsive. The purpose of this agreement was to conduct technical transfer of Sernova's licensed stem cell derived technology and to successfully optimize the process for producing the stem cell derived cells for treatment of diabetes.

In July 2016, the Corporation entered into a research funding agreement with the Juvenile Diabetes Research Foundation (JDRF), which provided Sernova up to US $2.45 million to support a Phase I/II safety and efficacy human clinical trial using Sernova's Cell Pouch™ technologies. The study was in preparation for an Investigational New Drug "IND" filing and was conducted in the United States for treatment of patients with severe type 1 diabetes. The goal of the Phase I/II safety and efficacy study is to provide patients with a novel cell therapy treatment utilizing Sernova's proprietary Cell Pouch™ to reduce or eliminate the need for injections of exogenous insulin. In August 2016, the Corporation received an initial funding payment from JDRF in the amount of US$367,768 (CDN$480,783) as per the terms under the agreement.

In October 2016, the Corporation signed a collaboration agreement with an international pharmaceutical company to study Sernova's Cell Pouch™ for safety, survival and efficacy of locally immune protected therapeutic cells in a large animal diabetes model in proof of concept studies with a goal of establishing a future development and commercial partnership. This agreement included 50% cost sharing for the agreed studies. The first payment in the amount of US185,778 (CDN$249,611) was received in December 2016.

In November 2016 we retained the services of CTI Clinical Trial and Consulting Services ("CTI"), an expert in cell therapy, and immunology, on regulatory matters respecting Sernova's Cell Pouch™ System. CTI is supporting Sernova's clinical trial regulatory processes including submission of Sernova's regulatory package with the FDA. Pending clearance by the FDA and the Institutional Review Board, the clinical trial will be initiated with enrolment and treatment of patients.

In December 2017, Sernova announced it received US Food and Drug Administration (FDA) notice of allowance for its IND for a new human clinical trial with the Cell Pouch System™ (CPS) in the United States. Sernova plans to initiate the new clinical trial under this US IND to further investigate the Cell Pouch™ for the treatment of type 1 diabetes (T1D) in individuals with hypoglycemia unawareness. The trial is a Phase I/II prospective single-arm study of islets transplanted into patients having previously received the subcutaneously implanted Cell Pouch™. The primary objective of the study is to demonstrate safety and tolerability of islet transplantation into the Cell Pouch™ and the secondary objective is to assess efficacy through a series of defined measures. Patient enrolment is set to begin following institutional review board (IRB) clearance.

On February 22, 2018, the Corporation announced that continuous glucose monitoring systems (CGM (Medtronic Minimed, Northridge, CA)) would be provided to patients in Sernova's US regenerative medicine clinical trial of its Cell Pouch™. CGM will be used to track the function of the transplanted cells in the measurement of key efficacy measures at multiple time points following transplantation of the therapeutic cells into the Cell Pouch™. Glucose variability and hypoglycemia duration can be determined using CGM. CGM involves the subcutaneous placement of a glucose sensor connected to a pager-sized monitoring device that stores glucose data over a 6-day period. Data from each period will be analyzed for mean glucose concentration, mean glucose variability, number and duration of hyper- and hypoglycemic episodes, and total duration of hypoglycemia. The trial is a Phase I/II prospective single-arm study of islets transplanted into the subcutaneously implanted Cell Pouch™.

On May 8, 2018, the Corporation announced that Dr. Piotr Witkowski, M.D., Ph.D., a leading expert in Type 1 diabetes (T1D) and islet transplantation, is the Clinical Trial Principal Investigator for Sernova's new clinical study. Dr. Witkowski, at the University of Chicago site, will work closely with Sernova's team to conduct the clinical and regulatory aspects of the Cell Pouch™ trial. Under Dr. Witkowski's leadership, multidisciplinary research teams at the University of Chicago are currently conducting several studies designed to improve the quality and outcomes of islet cell transplantation in patients with T1D.

On May 14, 2018, the Corporation announced it had received University of Chicago Institutional Review Board (IRB) approval to begin a new clinical protocol for the FDA-cleared human clinical trial to investigate the Cell Pouch™ for the treatment of Type 1 diabetes (T1D) in individuals with hypoglycemia unawareness. The University of Chicago Institutional Review Board (IRB) is a committee established to review and approve research involving human subjects. The purpose of the IRB is to ensure that all human subject research is conducted in accordance with all federal, institutional, and ethical guidelines. The primary goal of an IRB is to safeguard the rights, safety and welfare of participants in research studies.

The approved protocol is a Phase I/II non-randomized, unblinded, single arm, company-sponsored trial, where diabetic subjects with hypoglycemia unawareness will be enrolled into the study under informed consent. Subjects will then be implanted with Cell Pouches™. Following the development of vascularized tissue chambers within the Cell Pouch™, subjects will then be stabilized on immunosuppression, and a dose of purified islets under strict release criteria will be transplanted into the Cell Pouch™.

A sentinel pouch, also transplanted with islets, will be removed for an early assessment of the islet transplant. Subjects will be followed for safety and efficacy measures for approximately six months. At this point, a decision will be made with regards to the transplant of a second islet dose with subsequent safety and efficacy follow up. Patients will then be further followed for one year. The primary objective of the study is to demonstrate safety and tolerability of islet transplantation into the Cell Pouch™. The secondary objective is to assess efficacy through a series of defined measures.

On July 5th, 2018, the Company announced that patient screening and recruitment have begun in its Cell Pouch regenerative medicine US clinical trial at the University of Chicago for diabetic patients with hypoglycemia unawareness under principal investigator, Dr. Piotr Witkowski.

Participation in Development of a Therapy for the Treatment of Hemophilia A

On December 21, 2015 Sernova announced the European Commission's Horizon 2020 program grant of €5.6M Euro ($8.5M CAD) (the "H2020 Grant") to a consortium consisting of Sernova and five European academic and private partners to advance development of a GMP clinical grade Factor VIII releasing therapeutic cell product in combination with Sernova's Cell Pouch™ for the treatment of severe hemophilia A, a serious genetic bleeding disorder caused by missing or defective factor VIII in the blood stream.

The market for the orphan indication, hemophilia A represents an estimated US$8.0B/year, with an annual cost of up to US$260,000 per patient. The current standard of care involves regular infusions of plasma-derived or recombinant, genetically engineered factor VIII for the prophylactic treatment of hemophilia A, which may achieve therapeutic factor VIII blood levels for only a few hours at a time. The product being developed by the HemAcure consortium is expected to be highly disruptive to the current standard of care treatments for hemophilia A. The therapeutic goal of the Program is to use the patient's own cells, corrected for the factor VIII gene. These cells placed in the implanted Cell Pouch™ are expected to release factor VIII on a continual basis at a rate that would be expected to significantly reduce disease-associated hemorrhaging and joint damage and improve the quality of life of the subjects.

Dr. David Lillicrap, MD, FRCPC Professor at the Department of Pathology and Molecular Medicine Queens University, Canada, Research Chair in Molecular Hemostasis and member of the HemAcure Scientific Advisory Board confirmed that the therapeutic potential to have a constant release of factor VIII from a hemophilia A patient's own genetically corrected cells placed within the implanted Cell Pouch™ was a very significant advancement in the treatment of hemophilia A. Sernova's Cell Pouch™, with its vascularized tissue lined chambers for therapeutic cells, which was already proven for islet safety and survival in human clinical assessment of diabetes, is a scalable first-in-class medical device suitable for the potential treatment of hemophilia.

The preliminary preclinical proof-of-concept data used as a basis to support the foundation of the Horizon 2020 Grant was generated in a collaborative agreement between Medicyte GmbH under the FP7 ReLiver project, grant agreement 304961 and Sernova Corp where cryopreserved cells with the *ex vivo* inserted corrected gene for factor VIII were successfully shipped and assessed in Sernova's Cell Pouch™ in Canada. Regarding Sernova's participation in the consortium, a HemAcure grant proposal reviewer stated that Sernova's participation was essential for carrying out the program because Sernova was the partner possessing the technology for the basis of the whole proposal, and which was to perform all the *in vivo* studies.

On February 16, 2017, the Corporation announced it had received its initial €566,500 ($875,000 CDN) installment of non-dilutive funds from the HemAcure Grant funded by the EU Horizon 2020 Program. Sernova used the payment to fund activities related to the development of a GMP clinical grade Factor VIII releasing therapeutic cell product combined with Sernova's Cell Pouch™ to treat severe hemophilia A.

In July 2017 Sernova announced significant scientific progress achieved in the development of a personalized regenerative medicine therapy for the treatment of Hemophilia A patients by the HemAcure Consortium and confirmation of approval of the second phase of funding of the Consortium by the European Commission. The therapy developed by the international scientific Consortium, which includes

Sernova as a partner, is to treat severe Hemophilia A, a serious genetic bleeding disorder caused by missing or defective clotting factor VIII in the bloodstream.

In summary, the following developments have been achieved by the Consortium:

- A reliable procedure has been implemented to isolate and maintain required endothelial cells from a sample of the patient's blood.
- Using a novel gene correction process, the cells have been corrected and tuned to produce the required Factor VIII to treat hemophilia A reliably.
- The cells have been successfully scaled up to achieve the required therapeutic number, and cryopreserved for shipping and future transplant into the implanted Cell Pouch™.
- A preliminary study confirmed the survival of the Factor VIII corrected human cells injected into the hemophilia model, achieving sustained therapeutic Factor VIII levels. This preliminary work is being used to aid in dosing of these cells in the Cell Pouch™.
- Safe Cell Pouch™ surgical implant and cell transplant procedures have been developed in the Hemophilia A model in preparation for use in hemophilia patients.
- Development of Cell Pouch™ vascularized tissue chambers suitable for Factor VIII producing cell transplant has been demonstrated in the hemophilia A model, expected to mimic the predicted findings in human patients.
- In combination, this work is in preparation for safety and efficacy studies of the human hemophilia corrected Factor VIII producing cells in the Cell Pouch™ in a preclinical model of hemophilia.

In November 2017, based on the successful mid-term report provided by the Horizon 2020 HemAcure consortium to the European Commission, Sernova received a second payment of non-dilutive funds from the European Commission in the amount of €226,602.60 (CDN$331,770). Sernova is using the payment to continue to fund activities related to the development of a Factor VIII releasing therapeutic cell product combined with Sernova's Cell Pouch™ to treat hemophilia A.

Corporate Developments

On March 5, 2015, the Corporation appointed Mr. Frank Holler as Chairman of the Board and at the same time announced that Dr. George Adams had retired as a director of Sernova.

On May 15, 2015, the Corporation announced that it had completed a non-brokered private placement of 8,888,889 units (the "Units") at $0.18 per unit for gross proceeds of $1,600,000. Each Unit consisted of one common share and one common share purchase warrant, with each warrant exercisable into one common share at a price of $0.30 each for a 24-month exercise period, subject to abridgement of the exercise period (after the expiry of the 4 months hold period) with 30 days notice to holders in the event that the twenty-day volume weighted price of the common shares exceeds $0.50. In respect of a portion of the private placement, the Company compensated finders by way of cash commissions of $26,451.18 and 137,151 non-transferable finder warrants, each such finder warrant having the same terms as the Unit warrants.

On September 21, 2015, the Common Shares commenced trading on the OTCQB market exchange in the United States under the symbol "SEOVF", expanding the Corporation's US presence, and providing the Corporation's US shareholders with an improved trading platform, further positioning the Corporation for its growing international presence to expand its corporate and academic collaborations, product development programs and partnering discussions.

On February 5, 2016, the Corporation announced it received the ranking of fourth in the category of Life Sciences and Clean Technologies and was selected a member of the "2016 TSX Venture 50" companies, a prestigious group of top market performers among the companies listed on the TSX-V as of December 31, 2015. The Corporation showed superior results in the key metrics of market performance: market capitalization growth, share price appreciation and trading volume, Sernova providing a return of 118% in market cap appreciation in 2015. The shares of the "2016 TSX Venture 50" companies also enjoyed a liquid market, with a total of 3.0 billion shares traded over the course of 2015.

On June 27, 2016, the Corporation announced the first closing of its non-brokered private placement for gross proceeds of $2,000,000 and the oversubscription of an additional $1,650,000. Sernova increased the total amount of the offering to $3,750,000. The first closing of the private placement consisted of 8,000,000 units (the "Units") at a price of $0.25 per Unit. Each Unit consisted of one Common Share and one Common Share purchase warrant, with each warrant exercisable into one Common Share at a price of $0.35 each for a 24-month exercise period, subject to abridgement of the exercise period. Abridgement may occur with 30 days' notice to holders (after the expiry of the 4 months hold period) if the 20-day volume weighted price of SVA Common Shares exceeds $0.50 per common share. Net proceeds from the private placement were used to fund Sernova's collaborations utilizing the Cell Pouch System™ platform technologies to treat diabetes and other serious disease conditions; to support a US-based Phase I/II diabetes clinical trial and for general corporate purposes. All securities issued in connection with the private placement were subject to a statutory hold period of four months. The Corporation compensated finders on a portion of the private placement, and such compensation consisted of 7% in cash or 7% in finders warrants, or a combination thereof. Completion of the private placement was subject to the receipt of all necessary corporate and regulatory approvals, including approval of the TSX-V.

On June 30, 2016, the Corporation further announced the closing of the increased private placement, which was increased on June 29 to an aggregate total of $4,200,000, and an aggregate total of 16,800,000 Units. Costs associated with the private placement totalled $258,324, including cash fees of $200,121 and the issue of 521,850 finder's warrants valued at $58,203, 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 $0.35 per share, subject to the same hold and abridgement conditions as the warrants included in each unit of the offering. The Company used the Black-Scholes pricing model to determine the fair value of the finder's warrants granted. The fair value was estimated using a dividend yield of 0%, expected volatility of 89.1%, risk-free rate of 0.5% and a life of 2 years.

On May 5, 2017, the Corporation announced it had received TSX-V acceptance to extend the expiry date of 5,746,633 share purchase warrants, which are exercisable to purchase 5,746,633 Common Shares at an exercise price of $0.30 each, from May 8, 2017, to November 8, 2017. The Corporation also obtained TSX-V approval to extend the expiry date of 3,043,256 share purchase warrants that were exercisable to purchase up to 3,043,256 Common Shares at an exercise price of $0.30 each, from May 14, 2017, to November 14, 2017. All other terms of the Warrants remained unchanged, including the exercise period, as extended, being subject to abridgement on 30 days notice to holders in the event that the twenty-day volume weighted price of the Corporation's shares exceeds $0.50.

On June 5, 2017, in a corporate update, the Corporation announced it had $5.5 million in cash, cash equivalents and bank deposits, and that its net cash used for operating activities was $0.6 million for the quarter ended January 31, 2017. The Corporation further announced the purchase by management of the Corporation of 2,044,000 common shares.

On August 15, 2017, the Corporation engaged FronTier Merchant Capital Group to provide North American investor relations (IR) and strategic marketing services to the financial community and media across North America with the goal to build shareholder value. FronTier is assisting the Corporation by

increasing market awareness through financial market communications, including facilitating in-person introductions for the Corporation with institutional and retail brokers in Canada and throughout the United States, and through media distribution on national television, radio and multiple online channels. FronTier has offices in Toronto, Montreal and Calgary. Under the terms of the engagement, FronTier was retained for a 12-month period at $80,000 per annum plus direct expenses.

On August 15, 2017, the Board approved an amendment to the Corporation's Option Plan & Deferred Share Unit Plan (the "Amended Plan") to increase the maximum number of Deferred Share Units ("DSUs") issuable by an additional 660,222 DSUs to a maximum of 1,975,000 DSUs. Further to the Amended Plan, Sernova granted 3,735,000 stock options to certain officers, employees and consultants of the Corporation, each such option being exercisable into a Common Share at a price of $0.25 each for a period of 10 years, and conditionally granted 900,000 DSUs to its Board of Directors. The DSU grants are subject to the Corporation obtaining shareholder approval and TSX-V approval.

Following the Corporation's October 31, 2017 financial year end:

In November 2017, based on the successful mid-term report provided by the Horizon 2020 HemAcure consortium to the European Commission, Sernova received a second payment of non-dilutive funds from the European Commission in the amount of €226,602.60 (CDN$331,770). Sernova is using the payment to continue to fund activities related to the development of a Factor VIII releasing therapeutic cell product combined with Sernova's Cell Pouch™ to treat severe hemophilia A, a serious genetic bleeding disorder caused by missing or defective Factor VIII in the bloodstream.

In December 2017, Sernova announced it received US Food and Drug Administration (FDA) notice of allowance for its IND for a new human clinical trial with the Cell Pouch System™ (CPS) in the United States. Sernova plans to initiate the new clinical trial under this US IND to further investigate the Cell Pouch for treatment of type 1 diabetes (T1D) in individuals with hypoglycemia unawareness. The trial is a Phase I/II prospective single-arm study of islets transplanted into patients having previously received the subcutaneously implanted Cell Pouch™. The primary objective of the study is to demonstrate safety and tolerability of islet transplantation into the Cell Pouch and the secondary objective is to assess efficacy through a series of defined measures. Patient enrolment is set to begin following institutional review board (IRB) clearance.

On February 22, 2018, the Corporation announced continuous glucose monitoring systems (CGM (Medtronic Minimed, Northridge, CA)) would be provided to patients in Sernova's US regenerative medicine clinical trial of its Cell Pouch™. CGM will be used to track the function of the transplanted cells in the measurement of key efficacy measures at multiple time points following transplantation of the therapeutic cells into the Cell Pouch™. Glucose variability and hypoglycemia duration can be determined using CGM. CGM involves the subcutaneous placement of a glucose sensor connected to a pager-sized monitoring device that stores glucose data over a 6-day period. Data from each period will be analyzed for mean glucose concentration, mean glucose variability, number and duration of hyper- and hypoglycemic episodes, and total duration of hypoglycemia. The trial is a Phase I/II prospective single-arm study of islets transplanted into the subcutaneously implanted Cell Pouch™. The primary objective of the study is to demonstrate safety and tolerability of islet transplantation into the Cell Pouch™ and the secondary objective is to assess efficacy through a series of defined measures.

On April 25, 2018, the Corporation held its annual shareholder meeting at which all five persons proposed for election as directors were elected to the Board, being: Frank Holler, Jeffrey A. Bacha, Dr. Philip M. Toleikis, James T. Parsons and Bruce Weber. The shareholders also approved the following resolutions: (i) the appointment of Davidson & Company, Chartered Professional Accountants, as auditor of the Corporation; (ii) the amended and restated Option Plan & Deferred Share Unit Plan (the "Incentive

Plan"), which was amended and restated to increase the rolling number maximum percentage of common shares available for grant under the Incentive Plan; (iii) the amendment to the Incentive Plan to increase the fixed number maximum of Deferred Share Units available for award under the Deferred Share Unit component of the Incentive Plan; and (iv) continuation of the Incentive Plan, as amended and restated, until the next annual shareholders meeting.

On May 4, 2018, Sernova announced the appointment of Mr. Sean Hodgins, CA, CPA, CPA (Illinois) as Chief Financial Officer.

On May 8, 2018, the Corporation announced Dr. Piotr Witkowski, M.D., Ph.D., a leading expert in Type 1 diabetes (T1D) and islet transplantation, as the Clinical Trial Principal Investigator for Sernova's new clinical study. Dr. Witkowski, at the University of Chicago site, will work closely with Sernova's team to conduct the clinical and regulatory aspects of the Cell Pouch™ trial. Under Dr. Witkowski's leadership, multidisciplinary research teams at the University of Chicago are currently conducting several studies designed to improve the quality and outcomes of islet cell transplantation in patients with T1D.

On May 14, 2018, the Corporation announced it had received University of Chicago Institutional Review Board (IRB) approval to begin a new clinical protocol for the FDA-cleared human clinical trial to investigate the Cell Pouch™ for the treatment of type 1 diabetes (T1D) in individuals with hypoglycemia unawareness.

On June 26, 2018, the Corporation announced that it had secured a $1 million institutional lead order in connection with a proposed private placement of up to $2 million Special Warrants of the company at a price of $ 0.25 per Special Warrant. Each Special Warrant will convert, for no additional consideration, into one Unit ("Unit") of the Company. Each Unit will consist of one common share and one common share purchase warrant ("Warrant") of the Company. Each Warrant will be exercisable into one share at $0.35 per share for a period of 24 months, subject to abridgement of the exercise period if the 20-day volume weighted price of the Company's shares exceeds $0.50 per share. Net proceeds from the private placement will be used to fund Sernova's US-based Phase I/II diabetes clinical trial as well as potential collaborations utilizing our Cell Pouch™ System platform technologies and for general corporate purposes. All securities issued in connection with the private placement will be subject to a statutory hold period of four months. The Company will compensate finders on a portion of the private placement, such compensation consisting of 7% in cash or 7% in finder warrants, or a combination thereof. Completion of the private placement is subject to the receipt of all necessary corporate and regulatory approvals, including approval of the TSX Venture Exchange. The Company has agreed to file a final short form prospectus to qualify the distribution of the Units upon deemed conversion of the Special Warrants (the "Qualification") following the receipt of a final prospectus. If the Qualification does not occur within 4 months of closing, the Special Warrants will automatically convert into Units immediately following the expiry of the 4-month hold period.

Legacy Programs and Projects

The programs listed below are in progress, given the Corporation's current focus on clinical trials including Sernova's Safe Cell Pouch™ System surgical implant and cell transplant procedures as part of therapeutic treatments for severe diseases, in particular type 1 diabetes and hemophilia A.

- Development of the Corporation's proprietary Cell Pouch™ System
- Therapeutics for the Treatment of Diabetes
- Therapeutics for the Treatment of Hemophilia A

Significant Acquisitions

Sernova made no significant acquisitions during its fiscal years ended October 31, 2017, and October 31, 2016, for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations.*

DESCRIPTION OF BUSINESS

Business of the Corporation

General

Sernova is a regenerative medicine company, focused on development and commercialization of its proprietary Cell Pouch™ System and associated technologies including therapeutic cells and local immune protection. The Cell Pouch™ is a scalable, implantable, medical device, designed to create a highly vascularized organ-like environment for the transplantation and engraftment of therapeutic cells, which then release proteins and/or hormones for the long-term treatment of a number of serious, chronic diseases such as diabetes, hemophilia and thyroid disease. Based on the clinical indication, the therapeutic cells may be obtained directly from human auto-graft (self-cells) or allograft cells (non-self, donor cells), or derived from sources known to provide a virtually unlimited supply of cells such as stem cell derived or xenogeneic (non-human) source.

As part of our strategy to develop the Cell Pouch™ for various therapeutic indications, we are evaluating Sernova's Cell Pouch™ for the treatment of patients with hemophilia A.

The following describes the market opportunity and regulatory path for each of the Corporation's active programs.

Operation

Our initial studies have focused on the treatment of insulin-dependent diabetes through the transplantation of pancreatic islets, which control blood glucose levels in non-diabetic subjects. The Cell Pouch™ with these "donor" therapeutic cells has been shown to provide long-term safety and efficacy in small and large animal models of diabetes and has been proven to provide a biologically compatible environment for survival of insulin-producing cells in humans. The Company plans to continue clinical investigation of the Cell Pouch™ with donor islets to provide a treatment for patients with hypoglycemia unawareness. The Company believes the path to regulatory approval may be relatively shorter using human donor islets than other sources of cells within the Cell Pouch™. We believe our clinical testing of human donor islets within the Cell Pouch™ will also provide important information regarding the Cell Pouch™ in preparation for the use of unlimited supplies of cells, including stem cell derived technologies.

In this regard, on September 10, 2015, the Corporation secured a potential source of unlimited cells, through the signing of a license agreement with the University Health Network ("UHN") of Toronto, Canada to gain exclusive worldwide rights to certain patent-pending technologies by distinguished UHN researchers Dr. Christina Nostro and Dr. Gordon Keller that are related to the differentiation of stem cells into insulin-producing glucose responsive therapeutic cells developed by UHN researchers. We continue to identify additional potential sources of cells which are not limited by donor availability through license agreements and/or partnerships.

The Corporation is also investigating other diseases amenable to treatment with therapeutic cells such as hemophilia and thyroid disease.

Research and Development

Our research and development efforts are focused principally on the development of the Cell Pouch™ technologies in conjunction with various therapeutic cells for the treatment of chronic diseases and local immune protection technologies (e.g. microencapsulation) that may protect the therapeutic cells within the Cell Pouch™ from immune system attack. Our objective is to advance our medical technologies through the various stages of preclinical and clinical development required to develop a commercial product. The programs we undertake may involve third-party collaborations and corporate partnerships in addition to our internal preclinical and clinical development efforts.

To achieve our goals, our primary activities include the following:

1. Conducting clinical trials required to gain marketing approval for the Cell Pouch™ System in countries that have a significant market opportunity. Our first product is being developed for the treatment of insulin-dependent diabetes. Our first clinical assessment, designed to demonstrate the safety of the Cell Pouch™ and therapeutic cells in humans, was initiated in Canada. We have also been cleared by FDA and the institutional review board ("IRB") to begin a new Phase I/II clinical study in the United States at the University of Chicago. For these studies, the treatment consists of our proprietary Cell Pouch™ transplanted with human donor islets, protected using a standard of care antirejection drug regimen, for subjects with insulin-dependent diabetes with hypoglycemia unawareness. The Company is also developing a treatment that we believe could benefit the broader diabetes population using the Cell Pouch™ transplanted with locally immune protected cells from an unlimited source of cells such as glucose-responsive stem cell derived cells or xenogeneic cells

2. Conducting pre-clinical research programs in other therapeutic indications for our platform Cell Pouch™ technology including hemophilia, thyroid disease, and other chronic diseases that require a hormone, protein or other factor which is missing or in short supply in the body.

3. Development of various sources of therapeutic cells for transplantation within our Cell Pouch™, including, depending on the clinical application, autologous cells, allogeneic cells such as donor cells or glucose responsive stem cell derived cells that could be used to treat large numbers of patients as well as xenogeneic cells.

4. Identification and development of complementary technologies which may improve the safety and efficacy of cells within the Cell Pouch™, including local immune protection technologies such as microencapsulation.

5. Manufacturing and supply of the Cell Pouch™ and the processing and supply of therapeutic cells.

6. Generation and/or licensing of intellectual property.

7. Developing partnerships with medical device and/or pharmaceutical companies for the development of our products.

Products

The Cell Pouch™ was uniquely designed and patented to take into consideration the biological requirements of therapeutic cells. Our research demonstrates that highly vascularized tissue develops within the Cell Pouch™ environment when implanted subcutaneously or in other locations prior to

transplantation of therapeutic cells. We believe the Cell Pouch™ provides a unique and ideal environment consisting of vascularized tissue chambers for the placement of therapeutic cells for the potential treatment of diabetes, hemophilia and other diseases. In long-term pre-clinical evaluation, the Cell Pouch™ has been shown to maintain a stable, vascularized tissue environment prior to placement of these transplanted therapeutic cells. We believe these conditions are key for maintaining long-term survival and function of therapeutic cells. We have demonstrated in a series of ISO10993 biocompatibility studies and multiple animal studies that the Cell Pouch™ is biocompatible and safe. Long-term studies in multiple animal models have demonstrated that the islets become well-supported with microvessels as in their natural pancreatic environment following islet transplantation into the Cell Pouch™.

Benefits of the Cell Pouch™ are anticipated to be enhanced long-term therapeutic cell survival and function. It is important for therapeutic cells to have close contact with microvessels. For diabetes, as an example, this enables islets to monitor blood glucose levels and produce the appropriate amount of insulin throughout the day and night and after meals. We believe the Cell Pouch™ technologies achieve this ideal therapeutic/microvessel connection through alteration of the subcutaneous environment and may allow for improved efficacy. For example, our studies have shown that islets transplanted into the Cell Pouch™ can control glucose levels in small and large animal models of diabetes over extended periods, and we believe this may also apply to other therapeutic cellular applications.

Clinical Development of the Cell Pouch™ in Diabetes

According to the International Diabetes Association, there are approximately 425 million people worldwide with diabetes with approximately 10% of these individuals with type-1 (insulin-dependent) diabetes. According to The Lancet in 2016, the global expense of diabetes was US$ 825 billion. The primary treatment for subjects with type-1 diabetes is insulin injections by needle or insulin pump. The life of a patient with diabetes is consumed with attempting to control blood sugar levels to minimize the severe effects of diabetes which include heart and kidney disease, blindness and amputations. There is a significant need to improve the therapeutic treatment of diabetic patients and to improve the quality of life of these individuals.

Sernova believes an implantable medical device with a cell therapy approach to the treatment of diabetes could provide a significant improvement in the quality of life of patients as well as a significant improvement in the potential efficacy and reduction of diabetes side effects in these patients. The goal of a cell therapy approach is essentially to replace the islet cells lost in the pancreas of diabetic patients in a retrievable device to return their blood sugar status to normal.

Sernova's lead program is the clinical development of the Cell Pouch™ for treatment of patients with insulin-dependent diabetes. By way of background, for diabetic patients with severe hypoglycemia unawareness, aside from the use of daily insulin injections, portal vein transplantation is the only cell-based treatment currently available. The treatment involves receipt of donor pancreata at any number of specialized islet transplantation centres around the world. These pancreata are then put through a digestion process which is to isolate the insulin-producing islets from the pancreatic tissue. These pancreatic islets, often from multiple donors, are then infused into a patient's portal vein in the liver, followed by life-long administration of immunosuppressive drugs to inhibit rejection of the transplant.

It is encouraging that islet transplantation, even into the portal vein in humans when considered a first step proof of concept for diabetes cell therapy, may include a reduction in the incidence of hypoglycemia unawareness, a reduced requirement for exogenous insulin and reduced diabetes-induced microvascular damage and potential insulin independence. These positive effects show the potential of cell therapy for diabetes.

There are issues with portal vein delivery of islets that we believe could be improved with Sernova's technologies. For example, following islet infusion with portal vein delivery, there is a significant initial reduction in surviving islets due to an immediate blood-mediated inflammatory reaction ("IBMIR"), which may damage and destroy a significant proportion of the islets infused into the portal vein. Due to IBMIR and other factors, up to three pancreata are required to treat a single patient and achieve a reduction in insulin injections using portal vein delivery. Also, the proportion of patients with insulin-independence decreases over time likely due to continued islet destruction with multiple etiologies. A further shortcoming of portal vein transplant is that infusion of cells into the portal vein is limited to donor islets and is not amenable to advanced technologies such as glucose-responsive insulin-producing stem cell derived cells, similar to those licensed by Sernova, or xenogeneic cells being developed to overcome the limited supply of donor islet cells, as regulatory authorities have indicated these cell technologies must be transplanted into an implantable and retrievable medical device.

With the encouraging initial results of islet transplantation, there is a need to develop an implantable and retrievable medical device that is highly vascularized for the placement and function of therapeutic cells including donor islets. Sernova Cell Pouch™ is a minimally invasive, retrievable device which creates vascularized tissue chambers for the placement and long-term survival and function of therapeutic cells. Furthermore, the device was specifically designed to prevent fibrosis, a serious issue with previous implantable devices for therapeutic cells.

We believe the Cell Pouch™ can alleviate a number of issues with portal vein transplantation. In the Cell Pouch™, the therapeutic cells live within a tissue matrix surrounded by microvessels similar to the islets' natural microenvironment in the pancreas rather than being subjected to a constant flow of blood with immune reactive cells which is believed to lead to IBMIR. This reduced inflammatory response should enable improved islet survival and potentially lead to the need to implant fewer islets or other sources of insulin-producing cells. This could potentially enable patients with diabetes to be treated with fewer donor pancreata than are currently being used in portal vein transplantation. In addition, known side effects from infusion of cells into the portal vein such as portal vein hypertension, thrombosis, and liver steatosis (fatty liver), along with the costs of treating them, will be eliminated with the insulin-producing cells placed into the Cell Pouch™.

Table I. Potential Benefits of the Cell Pouch™ Islet Transplant over the Portal Vein Islet Transplant

Characteristics	**Cell Pouch™**	**Portal Vein Transplant**
Reduced Islet Mass	yes	no
Tissue matrix to house islets	yes	no
Vascularized Islets	yes	no
Retrievable site	yes	no
Future stem cell technologies	yes	no
Minimally invasive site	yes	no
Elimination of liver-associated toxicities	yes	no
Elimination of IBMIR	yes	no

The Cell Pouch™ was uniquely designed and patented to take into consideration the biological requirements of therapeutic cells. Our research demonstrates that highly vascularized tissue develops within the Cell Pouch™ environment when implanted subcutaneously or in other locations prior to transplantation of therapeutic cells. We believe the Cell Pouch™ provides a unique and ideal environment consisting of vascularized tissue chambers for the placement of therapeutic cells for the potential treatment of diabetes, hemophilia and other diseases. In long-term pre-clinical evaluation, the Cell Pouch™ has been shown to maintain a stable, vascularized tissue environment prior to placement of these transplanted therapeutic cells. We believe these conditions are key for maintaining long-term survival and function of therapeutic cells. We have demonstrated in a series of ISO10993 biocompatibility studies and multiple animal studies that the Cell Pouch™ is biocompatible and safe. Long-term studies in multiple animal models have demonstrated that the islets become well-supported with microvessels as in their natural pancreatic environment following islet transplantation into the Cell Pouch™.

An independent pre-clinical study published in the journal Transplantation (Transplantation 2015 Nov: 99 (11):2294-300) demonstrated that the Cell Pouch™ with islets provided insulin independence for the length of the study (100 days) in a small animal model of diabetes using a marginal transplanted islet mass where over 95% of the animals achieved insulin independence. This study supports the concept that the Cell Pouch™ may require a smaller than anticipated number of cells to achieve efficacy, one of the parameters being investigated for further human clinical evaluation to achieve glucose control in patients with diabetes.

A proof-of-concept, first-in-human clinical study in Canada cleared by Health Canada to evaluate the Cell Pouch™ with human donor islets, in insulin-dependent diabetic subjects with hypoglycemia unawareness who are receiving islet transplantation, has demonstrated initial safety data for the Cell Pouch™ alone and with transplanted islets as well as survival of the well-vascularized islets within the Cell Pouch™.

In summary, our human clinical results have shown the following important findings:

- First, biocompatibility and positive safety profile of the Cell Pouch™ have been shown in these patients. Safety is the primary endpoint of the clinical study; and
- Second, the islets within the Cell Pouch™, as shown by independent histological analysis, are well-vascularized, living within a natural tissue matrix and can produce insulin, glucagon and somatostatin, key hormones in the control of blood glucose levels. We believe such revascularization of islets and islet metabolic function within an implantable medical device for therapeutic cells in humans in this patient population is a significant step forward in the regenerative medicine field.

Based on these encouraging results, the Company worked closely with Dr. Piotr Witkowski to develop a clinical protocol to address the function of the Cell Pouch™ specifically. Following significant peer review, the Company was awarded up to US$2.45 million (approximately $3.2 million) grant under an agreement with the Juvenile Diabetes Research Foundation (JDRF). The grant will support our Cell Pouch™ diabetes clinical trial at the University of Chicago with principal investigator, Dr. Piotr Witkowski, which is being initiated under Sernova's IND with the FDA. The filed regulatory documents were cleared by FDA and by the University institutional review board, and study initiation has been announced.

The clinical trial is a Phase I/II non-randomized, unblinded, single arm, company-sponsored trial, where diabetic subjects with hypoglycemia unawareness are being enrolled in the study under informed consent. Subjects are then being implanted with Cell Pouches™. Following development of vascularized tissue chambers within the Cell Pouch™, approximately 30 days, subjects are then being stabilized on antirejection medications and placed on the donor transplant list. Upon receipt of a suitable donor

pancreas and following isolation of islets a dose of purified islets under strict release criteria is being transplanted into the Cell Pouch™.

A sentinel pouch, also transplanted with islets, is being removed at approximately 90 days for an interim assessment of the islet transplant. Subjects are being followed for safety and efficacy measures for approximately six months post-transplant. At that time, a decision is being made with regards to the transplant of a further second islet dose with subsequent safety and efficacy follow up. Patients are then being followed for one year. The primary objective of the study is to demonstrate safety and tolerability of islet transplantation into the Cell Pouch™. The secondary objective is to assess efficacy through a series of defined measures.

Our current Cell Pouch™ clinical trials employ standard systemic immune protection regimens; however, the Cell Pouch™ may also accommodate local immune protection of therapeutic cells. Local immune protection of islets within the Cell Pouch™ using technologies such as microencapsulation could result in a significant reduction or elimination of the need for anti-rejection drugs and their related side effects. In addition, local immune protection may provide a safer environment for the transplanted islets. The Cell Pouch™ is believed to be an ideal environment to support microencapsulated cells as the encapsulated cells are housed within the vascularized tissue matrix allowing vessels to be in very close contact with the islets as demonstrated in our preclinical studies of encapsulated islets.

We believe the Cell Pouch™ can be used with a variety of sources of cells, such as glucose-responsive insulin-producing cells derived from stem cells or xenogeneic cells, addressing the limited availability of donors and allowing the extensive treatment of insulin-dependent diabetes. Sernova is working on these technologies including our licensed technology from UHN to provide an immune-protected cell-based therapeutic for all subjects with type-1 diabetes.

Thus, we believe our approach and its ease of use may provide an opportunity for the Cell Pouch™ to become the standard of care in therapeutic cell transplantation if it proves to be safe and effective in clinical trials. Sernova believes it has the only such device technology of its kind in which therapeutic cells have been proven to survive in a tissue matrix integrated with microvessels in close association with the therapeutic cells.

Clinical Development of the Cell Pouch™ in Hemophilia

We believe the Cell Pouch™ has multiple potential therapeutic applications. As part of this strategy to expand Cell Pouch™ clinical applications, we are evaluating Sernova's Cell Pouch™ for the treatment of patients with hemophilia A.

One such approach involves taking a small blood sample from the patient, correcting the genetic defect in isolated cells and then expanding the cell numbers for placement into Sernova's Cell Pouch™ for constant release of factor VIII. Sernova and a European team has conducted initial proof-of-concept studies and a European team of experts, forming the HemAcure consortium ("The Consortium"). The Consortium was successful in obtaining €5.6 million (approximately $8.5 million), funded by a European Commission's Horizon 2020 grant, to develop a GMP (Good Manufacturing Practice) human cell product suitable for human clinical testing for the completion of safety and efficacy studies in the Cell Pouch™ as part of a regulatory package in preparation for human clinical testing. To date, significant progress has been made in the development of this product. Blood outgrowth endothelial cells have been successfully isolated from patients with hemophilia A. The cells have been successfully transduced with the gene for Factor VIII. The cells have been scaled up to produce a significant number of cells for preclinical testing. In addition, the cells have been shown to produce Factor VIII on a constant basis and have been demonstrated to survive and engraft in the Cell Pouch™ when placed in a mouse model of hemophilia.

The market for hemophilia A is estimated at US$8.0B/year, with an annual cost of up to US$260,000 per patient. Current standard of care involved regular infusions of factor VIII, which achieved normal factor VIII blood levels for only a few hours at a time. The HemAcure consortium seeks to develop a product that will provide constant delivery of factor VIII to normalize blood levels (the "Program") in an effort to significantly improve the quality of life of patients suffering from hemophilia A. The product being developed by the HemAcure consortium was expected to be highly disruptive to the current standard of care treatments for hemophilia A. The therapeutic goal of the Program is to use the patient's own cells corrected for the factor VIII gene. These cells placed in the implanted Cell Pouch™ are expected to release factor VIII on a continual basis at a rate that would be expected to significantly reduce disease-associated hemorrhaging and joint damage. The constant delivery of factor VIII was also expected to reduce or eliminate the need for multiple weekly infusions which was the current standard of care using plasma-derived or recombinant, genetically engineered factor VIII for the prophylactic treatment of hemophilia A.

Dr. David Lillicrap, MD, FRCPC Professor Department of Pathology and Molecular Medicine, Queens University, Canada, Research Chair in Molecular Hemostasis and member of the HemAcure Scientific Advisory Board, confirmed that the therapeutic potential to have a constant release of factor VIII from a hemophilia A patient's own genetically corrected cells placed within the implanted Cell Pouch™ was a very significant advancement in the treatment of hemophilia A. Sernova's Cell Pouch™ with its vascularized tissue lined chambers for therapeutic cells, which was already proven for islet safety and survival in human clinical assessment of diabetes, is an ideal, fully scalable first-in-class medical device suitable for the potential treatment of hemophilia.

The preliminary preclinical proof of concept data used as a basis to support the foundation of the H2020 Grant was generated in a collaborative agreement between Medicyte GmbH under the FP7 ReLiver project, grant agreement 304961 and Sernova Corp. where cryopreserved cells with the *ex vivo* inserted corrected gene for factor VIII were successfully shipped and assessed in Sernova's Cell Pouch™ at its headquarters in Canada. Regarding Sernova's participation in the consortium, the review of the HemAcure grant proposal stated that Sernova's participation was essential for carrying out the program because Sernova was the partner possessing the technology for the basis of the whole proposal, and which performed all the *in vivo* studies. Sernova used a scalable, contract manufactured, proprietary patented worldwide implantable medical device, the Cell Pouch™, transplanted with therapeutic cells. At that time, the Cell Pouch™ had been in development for more than six years and had already shown success in multiple small and large animal preclinical models and was in a clinical trial for another therapeutic indication. The Cell Pouch™ was the only such device that, when implanted under the skin, was proven to become incorporated with blood vessel-enriched tissue-forming chambers for the placement of therapeutic cells. This proved Sernova was an essential partner for the success of the Program.

New Cell Pouch™ Indications for Metabolic Disorders

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

Local Immune Protection & Other Complementary Technologies

To broaden Sernova's local immune protection technologies, we continue to evaluate additional advanced technologies such as microencapsulation to reduce or eliminate the need for anti-rejection medications. We believe that microencapsulation of therapeutic cells within the Cell Pouch™ may provide a means to contain therapeutic cells within the Cell Pouch™ while providing close association of therapeutic cells in

a highly vascularized organ-like environment. We believe this will enable long-term survival and function of cells for our disease indications.

In summary, the following developments have been achieved by the Consortium:

- A reliable procedure has been implemented to isolate and maintain required endothelial cells from a sample of the patient's blood.
- Using a novel gene correction process, the cells have been corrected and tuned to produce the required Factor VIII to treat Hemophilia A reliably.
- The cells have been successfully scaled up to achieve the required therapeutic number and cryopreserved for shipping and future transplant into the implanted Cell Pouch™.
- A preliminary study confirmed survival of the Factor VIII corrected human cells injected into the hemophilia model, achieving sustained therapeutic Factor VIII levels. This preliminary work is being used to aid in dosing of these cells in the Cell Pouch™.
- Safe Cell Pouch™ surgical implant and cell transplant procedures have been developed in the Hemophilia A model in preparation for use in hemophilia patients.
- Development of Cell Pouch™ vascularized tissue chambers suitable for Factor VIII producing cell transplant has been demonstrated in the Hemophilia A model, expected to mimic the predicted findings in human patients.
- In combination, this work is in preparation for safety and efficacy studies of human hemophilia corrected Factor VIII producing cells in the Cell Pouch™ in a preclinical model of hemophilia.

Alternative Sources of Cells

Our transplantation technologies may incorporate autologous cells, donor cells or other sources of cells including therapeutic cells derived from human stem cells or derived from xenogeneic sources, depending on the clinical indication under evaluation. As such, we will continue to work with academic collaborators and industry partners to identify and secure the required cells for our therapeutic indications. In this regard, Sernova has signed a license agreement with the UHN to gain access to worldwide, exclusive rights to certain patent-pending technologies for the advancement of glucose-responsive insulin-producing stem cells for treatment of patients with insulin-dependent diabetes. Process development and robust cell-production processes are expected to provide a high standard of production of cells which consistently meets strict release criteria for evaluation of these cells in Sernova's Cell Pouch™.

Sernova is also committed to working with pharmaceutical and academic partners to evaluate various insulin-producing cell technologies using different approaches, with the goal of combining Sernova and partner technologies to create best in class products. In this regard, Sernova has signed a number of agreements to test and evaluate several insulin-producing cell technologies in our Cell Pouch™. The Company entered into a collaboration with an international pharmaceutical company to study Sernova's Cell Pouch™ in a large animal diabetes model. The collaboration involves the study of safety, survival and efficacy of locally immune protected therapeutic cells in our Cell Pouch™ in proof-of-concept studies with the goal to establish a future development and commercial partnership. Sernova plans to continue to develop multiple collaborations with pharmaceutical companies for its diabetes and hemophilia indications for establishment of potential long-term licensing and co-development relationships.

Research and Development Outlook

Our research and development program for the remaining months of 2018 includes the following:

- Continuation of the clinical trial of our Cell Pouch™ in collaboration with JDRF under our recently cleared US IND for patients with hypoglycemia unawareness using human donor islets and a standard of care antirejection drug regimen to further study the safety and efficacy of the device and islets;
- Clinical evaluation of the Cell Pouch™ for insulin-dependent diabetes who have received an islet transplant;
- In coordination with the EU Horizon 2020 HemAcure Consortium, conduct cell production and preclinical studies for treatment of hemophilia A consisting of factor VIII releasing therapeutic cells transplanted within Sernova's Cell Pouch™;
- Conduct preclinical studies for treatment of hypothyroid disease consisting of thyroid hormone releasing tissue transplanted within Sernova's Cell Pouch™;
- Production of human stem-cell-derived cells for diabetes and in vivo proof-of-principle assessment of these differentiated human stem cells for their safety and efficacy within Sernova's Cell Pouch™ for the treatment of insulin-dependent diabetes;
- Assessment of novel microencapsulation technologies within the Cell Pouch™ cells, to further develop and advance Sernova's therapeutic vision for diabetes, of a product consisting of locally immune protected therapeutic cells within the Cell Pouch™; and
- Continue to collaborate with pharmaceutical companies to assess safety and efficacy of our combined technologies in preclinical studies for potential negotiation of a licensing arrangement and commercial development partnership for our hemophilia and diabetes programs.

Markets: Type 1 Diabetes (T1D) and Hemophilia A

The global human insulin market accounted for US$ 27B in 2015. As of 2016, the global cost of diabetes was evaluated at US$ 825 B/year. The Corporation believes the Cell Pouch™ therapy under development for treatment of patients with insulin-dependent diabetes will gain significant market share upon successful completion of clinical development and believes, upon achievement of regulatory approval, may become the new standard of care worldwide for diabetes in patients currently taking insulin.

The market for the orphan indication hemophilia A represents an estimated US$ 8.0B/year, with an annual cost of up to US$ 260,000 per patient. The HemAcure consortium seeks to develop a product that will provide constant delivery of factor VIII to normalize blood levels (the "Program") in an effort to significantly improve the quality of life of patients suffering from hemophilia A. Currently and until successful completion of the Program, the standard of care involves regular infusions of factor VIII, which achieves normal factor VIII blood levels for only a few hours at a time.

Marketing Plans and Milestones

With its many applications and various indications being investigated, Sernova's marketing and commercial launch schedule must be planned in relation to the result of the human clinical trials, currently in progress.

Sernova is committed to working with pharmaceutical and academic partners to evaluate various insulin-producing cell technologies using different approaches, with the goal of combining Sernova and partner technologies to create best in class products. In this regard, Sernova is in the process of testing and evaluating several insulin-producing cell technologies in our Cell Pouch™.

Regulatory Approval and Certification

All commercial applications of the Sernova Cell Pouch™ technology and the resulting testing and evaluation of several insulin-producing cell technologies, will be subject to substantial regulation and certification in the jurisdictions in which Sernova or its strategic partners intend to sell these therapeutic products.

The markets for Sernova's technologies are worldwide to coincide with its patented jurisdictions, however, is initially focused on North America and Europe. Sernova is ensuring we meet regulatory standards of the various jurisdictions in which we will be marketing our technologies. While many countries throughout the world provide reciprocal approval based upon the receipt by an innovator of an FDA approval, Sernova will ensure we account for any differences between countries in regulatory requirements.

Sernova has received the following approvals with respect to the development of the Cell Pouch™ System:

- In December 2015 the Corporation announced the European Commission's Horizon 2020 program grant of €5.6M Euro ($8.5M CAD) (the "H2020 Grant") to a consortium, which included Sernova and five European academic and private partners (the "HemAcure consortium"), to advance development of a GMP clinical grade Factor VIII releasing therapeutic cell product in combination with Sernova's Cell Pouch™ for the treatment of severe hemophilia A.

  By participating in the HemAcure consortium and accepting grant funding, the Corporation has committed to perform certain product development activities, as outlined in the grant agreement with the European Commission's Horizon 2020 program. While the funding that has been received and further funding, expected to be received by the Corporation, will cover most of the costs anticipated to be incurred related to the planned product development activities, the actual amount of effort and the related costs may differ from what was expected and may be more than the maximum amounts the European Commission has agreed to cover. Accordingly, any excess costs required to complete the activities would become the Corporation's responsibility. Under the grant agreement, consortium members may also shift the funding allocated under the grant between members in order to cover excess costs, so the Corporation may ultimately receive a different amount of funding than currently expected.

- In May 2012 announced it received Health Canada approval to conduct a first-in-human clinical trial of Sernova's Cell Pouch(TM) with transplanted insulin-producing islets in patients with insulin-dependent diabetes.

- In December 2017 Sernova announced it received FDA notice of allowance for its IND for a new human clinical trial with the Cell Pouch™ System in the United States.

- In May 2018 the Corporation received University of Chicago Institutional Review Board (IRB) approval to begin a new clinical protocol for the FDA-cleared human clinical trial to investigate the Cell Pouch™ for treatment of type 1 diabetes (T1D) in individuals with hypoglycemia unawareness. The IRB is a committee established to review and approve research involving human subjects. The purpose of the IRB is to ensure that all human subject research is conducted in accordance with all federal, institutional, and ethical guidelines. The primary goal of an IRB is to safeguard the rights, safety and welfare of participants in research studies.

Manufacturing

Our contract manufacturer has manufactured both our Cell Pouch™ and mini-Cell Pouch™ technologies (ISO13485:2003; US FDA Quality System Regulations (QSR) 21 CFR 820; MDD 93/42/EEC) for preclinical and clinical evaluation. To complete the manufacturing, device specifications have been set; a semi-automated manufacturing process developed and the product manufactured, packaged and sterilized under strict regulatory guidelines suitable for testing in clinical trials in North America and Europe. Sterilization verification studies have been completed and the product previously released for testing in our human clinical trial in Canada with Sernova's ITA (Investigational Testing Authorization) under the jurisdiction of Health Canada. A two-year packaging and product stability study has also been successfully completed demonstrating stability of the product and packaging over this time-period. Furthermore, the manufacturing process has also been completed for the current US FDA IND (Investigational New Drug) application for our clinical study at the University of Chicago.

Intellectual Property

Our patent portfolio currently consists of issued and pending patents in eight families covering our enabling platforms in important markets in North America, Europe and Asia. We strive to obtain broad claims in our patents, including exclusivity of our Cell Pouch™ device and related technologies in combination with a wide range of therapeutic cell technologies including glucose-responsive insulin-producing stem cell derived cells and for the treatment of a number of chronic diseases. As such, we intend to continue to expand our patent portfolio, through inventions developed internally as well as through strategic in-licensing agreements, to maximize the commercial potential of our platform technologies.

Human Therapeutic Products

The Sernova human therapeutic product regulatory applications are subjected to rigorous approval procedures by Health Canada, FDA and other international regulatory agencies as we move our products through to marketing approval.

Sernova conducts GMP manufacturing of our Cell Pouch and rigorous pre-clinical testing of our technologies in relevant animal models of disease to evaluate biocompatibility, safety and efficacy of these technologies. The results of these studies, along with a GMP compliant manufacturing dossier, and extensive clinical documentation are submitted to the regulatory authorities, i.e. FDA or Health Canada, as part of an Investigational New Drug ("IND") application (FDA) or Investigational Testing Authorization (ITA) (Health Canada), which must be cleared by the respective regulatory authorities prior to initiation of clinical testing in humans. A similar process occurs for clinical product testing in other countries.

Typically, for our regenerative medicine combination products, the clinical evaluation process involves several Phases. For our combination medical device/cell therapies a first in human Phase I/II (safety/efficacy), clinical evaluation is initially conducted with a small number of human subjects who have the disease to establish a safety profile, and potential efficacy parameters. A second Phase I/II study may be conducted in a larger number of patients to further assess safety and efficacy parameters. A Phase III study may then be conducted, typically at multiple clinical sites to provide enough data to demonstrate the efficacy and safety in a larger population. The number of subjects in the clinical studies will depend on a number of factors including the overall size of the patient population with the disease. For example, some clinical indications designated orphan status indications may require smaller numbers of patients for product approval.

In the United States, as an example, pre-clinical and clinical results from the clinical studies are submitted to the FDA in the form of a New Drug Application ("NDA") for approval before the product can commence commercial sales. In responding to an NDA, the FDA may grant marketing approval, request additional information, or deny the application if the FDA determines that the application does not satisfy its regulatory approval criteria. While it is typical that the Company would interact with regulatory authorities on a regular basis through the clinical trial process, this is not a guarantee that approvals from the FDA for its product candidates will be granted on a timely basis, if at all. Similar regulatory procedures are in place in countries outside the United States.

Pricing and Reimbursement

Therapeutic products are largely reimbursed based on third-party insurers. In the United States, concurrent with approval for commercialization of such therapeutic products by the FDA, each therapeutic product is assigned a product code or CPT (Current Procedural Terminology code). Each product code and CPT is then assigned a reimbursement level by the Centers for Medicare and Medicaid Services (CMS). Third party insurance payers typically establish a specific fee to be paid for each code submitted. Third party payer reimbursement policies are generally determined with reference to the reimbursement for CPT codes for Medicare patients which themselves are determined on a national basis by CMS.

In parallel with this reimbursement scheme in the United States, other countries have substantially similar reimbursement procedures that will be followed. As we develop our products towards marketing approval Sernova plans to establish, reimbursement schemes which are intended to provide ultimate financial payment for Sernova's products consistent with its business plan.

Commercial Marketing Plans and Strategies

Following product marketing approval from the various regulatory authorities, Sernova's therapeutic products will require establishment of global marketing and distribution channels. To maximize benefit to shareholders, Sernova intends to license to, or enter into strategic alliances with major medical device and/or pharmaceutical entities that are equipped to market Sernova's products through their established distribution networks. The Corporation may license some or all of its patent rights to one or more such companies to achieve the fullest development, marketing and distribution of its products. These potential license agreements are anticipated to provide significant benefit to the Company in terms of upfront payments, milestone payments and royalties. To this end, the Corporation intends to continue to develop and improve its proprietary technologies and expand the applications of its technologies in the healthcare markets. Furthermore, Sernova will continue its business development activities with the major pharmaceutical and medical device Companies who have established sales forces in the therapeutic areas that Sernova is focused on.

Generate Product Revenues

Revenues from its device and therapeutic cell technologies including glucose-responsive insulin-producing stem cell derived cells and for the treatment of a number of chronic diseases are expected to be generated from research funding, license fees, milestone payments, co-development funding, and royalties from partnerships to be completed by Sernova with selected third-party, multi-national healthcare firms. As of the date of this form, while collaborations have been established, the Corporation has not generated any significant product revenues. The Corporation will seek new potential funding from additional equity financings and/or licensing agreements and collaboration arrangements with anticipated development partners.

Develop Collaboration and Commercialization Agreements

To increase market exposure of its products and to capitalize on a partner's potential clinical development competencies, market position, and distribution capabilities, the Corporation may advance its technologies in conjunction with collaborative commercial partners who will fund further product development incorporating Sernova's technologies and possibly a combination of Sernova's technologies and the commercial partner's technologies. These collaborative arrangements typically will provide for jointly-funded product development and contemplate a licensing arrangement (which may be entered into at the same time as the development program or at a later date) under which, if a project is commercialized by the collaborative partner, Sernova would potentially receive a license fees, royalty payments from product sales and manufacturing revenue. Sernova management believes that such arrangements with major commercial partners could serve to speed development of our programs, provide non-dilutive capital and assist Sernova in attracting additional licensing arrangements on favourable terms.

Enhance Out-licensing of Sernova Requirements

The Corporation currently contract manufactures its Cell Pouch™ technology at a contract manufacturer. Sernova has explored and will continue to evaluate the possibility of entering into strategic manufacturing alliances with our cell-based technologies with appropriate third-parties as our product lines expand.

Recruit and Retain Key Sernova Personnel

Sernova's mission is to ensure the Corporation has experienced team members to accomplish its research and development (preclinical and clinical), legal (patents, contracts, corporate), business development, communication, human resources and financial goals and to achieve these goals in the most cost-efficient way possible. To achieve these goals the Company has a core team working as full-time employees at its headquarters in London, Ontario and in addition, has a number of consultants who provide highly-skilled expertise to the Company. With the expected growth in the Corporation, we plan to bring in more full-time staff to take on responsibilities currently being done under consulting operations.

Competitive Conditions

Human Healthcare Products Competition

There are pharmaceutical companies (large and small) that are developing and/or marketing products for Diabetes, Hemophilia and other relevant disease indications including thyroid and other genetic and/or immunological disorders and diseases for which Sernova is developing products. While we believe Sernova's regenerative medicine technologies are unique and may provide significant benefit to patients, over the current approved products, these Companies may become collaborators or even competitors with Sernova as new products are developed. From a competitive perspective, Sernova expects competition from these companies as they develop different and/or novel approaches to the treatment of these diseases. Although the markets Sernova is entering are quite large, some of these approaches may directly compete with the technologies that Sernova is currently developing.

In the competitive environment that is the human pharmaceutical industry, those companies that complete clinical trials, obtain regulatory approval and commercialize their therapeutic products first may enjoy certain competitive advantages. Sernova believes that it will develop its regenerative medicine technologies with characteristics that may enable them, if fully developed, to have a significant market impact. Several major human pharmaceutical companies have significant programs to develop treatments of Type 1 Diabetes, Hemophilia and Thyroid disease.

Proprietary Protection

Sernova has filed international patent applications related to the Cell Pouch™ System to further protect its intellectual property rights related to its therapeutic programs. It should be noted that Sernova has been very successful at achieving patent claims in multiple countries around the world including North America, Europe and Asia. Sernova intends to continue to aggressively protect the commercial therapeutic applications of these discoveries. In addition, the Corporation has developed technologies, which it may elect to keep as trade secrets and not publicly disclose in patent applications.

Risk Factors

Prospects for companies in the biotechnology industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in biotechnology companies should be regarded as speculative. Biotechnology research and development involves a significant degree of risk. An investor should carefully consider the risks and uncertainties described below, as well as other information contained in this Annual Information Form. The risks and uncertainties described below are not an exhaustive list. Additional risks and uncertainties not presently known to the Corporation or that the Corporation believes to be immaterial may also adversely affect the Corporation's business. If any one or more of the following risks occur, the Corporation's business, financial condition and results of operations could be seriously harmed. Further, if the Corporation fails to meet the expectations of the public market in any given period, the market price of the Corporation's common shares could decline.

Volatility of share price, absence of dividends and fluctuation of operating results. Market prices for the securities of biotechnology companies, including ours, have historically been highly volatile. In the year ended October 31, 2017, our common shares traded on the TSX Venture Exchange, at a high of $0.33 and a low of $0.14 per share (2016 – a high of $0.40 and a low of $0.21 per share). Factors such as fluctuation of our operating results, announcements of technological innovations, patents or new commercial products by us or our competitors, results of clinical testing, regulatory actions, or public concern over the safety of biopharmaceutical products and other factors could have a significant effect on the share price or trading volumes for our common shares. Our common shares have been subject to significant price and volume fluctuations and may continue to be subject to significant price and volume fluctuations in the future. We have not paid dividends to date and we do not expect to pay dividends in the foreseeable future.

Dilution. We may sell additional equity securities in future offerings, including through the sale of securities convertible into equity securities, to finance our operations, acquisitions or projects, and issue additional common shares if outstanding warrants or stock options are exercised, which may result in dilution.

Our board of directors has the authority to authorize certain offers and sales of additional securities without the vote of, or prior notice to, shareholders. Based on the need for additional capital to fund expected expenditures and growth, it is likely that we will issue additional securities to provide such capital. Such additional issuances may involve the issuance of a significant number of common shares at prices less than the current market price for our common shares.

Sales of substantial amounts of our securities, or the availability of such securities for sale, as well as the issuance of substantial amounts of our common shares upon the exercise of outstanding warrants, DSU's or stock options, could adversely affect the prevailing market prices for our securities and dilute our investors' earnings per share. A decline in the market prices of our securities could impair our ability to raise additional capital through the sale of securities should we desire to do so.

Reliance on Third Parties for Supply and Manufacture of Products

Sernova relies on third parties for manufacturing its product candidates. Currently, Sernova does not have manufacturing facilities to independently manufacture its product candidates. Except for any contractual rights and remedies which Sernova may have with any future third party manufacturers, Sernova may not have any control over the availability of its product candidates, their quality or cost. If for any reason, Sernova is unable to obtain third-party manufacturers on commercially acceptable terms, it may not be able to distribute its product candidates.

Medical device manufacturers are subject to ongoing periodic unannounced inspection by Health Canada, the FDA, and corresponding state and foreign agencies, including European agencies and their designees, to ensure strict compliance with GMPs and other government regulations. Sernova will not have complete control over its third-party manufacturers' compliance with these regulations and standards. Failure by either Sernova's third-party manufacturers or by Sernova to comply with applicable regulations could result in sanctions being imposed, including fines, injunctions, civil penalties, failure of the government to grant review of submissions or market approval of drugs, delays, suspension or withdrawal of approvals, product seizures or recalls, operating restrictions, facility closures and criminal prosecutions, any of which could negatively impact the business.

Issuer Risk

Early stage development and scientific uncertainty. Our products are at an early stage of development. Significant additional investment in research and development, product validation, technology transfer to manufacturing, production scale-up, manufacturing, clinical testing, and regulatory submissions of such product candidates will be required prior to commercialization. There can be no assurance that any such products will actually be developed. The development and regulatory processes may require access to raw materials and inputs which may not be available to us in sufficient amounts or in a timely fashion to allow us to complete the development or receive regulatory approval of any product or process. A commitment of substantial time and resources is required to conduct research and clinical trials if we are to complete the development of any product. It is not known whether any of these product candidates will meet applicable health regulatory standards and obtain required regulatory approvals, or whether such products can be produced in commercial quantities at reasonable costs and be successfully marketed, or if our investment in any such products will be recovered through sales or royalties.

We depend heavily on the success of our Cell Pouch™ platform. All of our current product candidates involve the use of our Cell Pouch™ platform and are still in preclinical or clinical development. If we are unable to commercialize our product or experience significant delays in doing so, the business may be materially harmed.

We have committed significant resources to the development of our Cell Pouch™ platform. Our ability to generate product revenues, which is not expected to occur for at least the next several years, if ever, will depend heavily on the successful development and eventual commercialization of our Cell Pouch™ platform and related therapeutic cells.

We are dependent on successful safety and efficacy of our Cell Pouch™ and therapeutic cells for our lead programs including the use of human or xenogeneic islets and stem cell derived cells in combination with the Cell Pouch™ platform including cell immune protection to treat insulin-dependent diabetes and the use of Factor VIII releasing cells in combination with the Cell Pouch™ platform to treat severe hemophilia A. If we are unable to achieve safety and efficacy in these disease indications in preclinical and/or clinical studies the business may be materially harmed.

HemAcure Risk.The following are the material risk factors that could cause actual results to differ materially from the HemAcure FLI.

- The HemAcure consortium may not be able to develop a GMP source of Factor VIII cells
- The preclinical safety and efficacy of Factor VIII producing cells in the Cell Pouch™ may not be sufficient to warrant clinical evaluation
- Clinical studies may not prove the combination of the Cell Pouch™ and Factor VIII producing cells to be safe and efficacious and thus may not result in a commercial product.

Additional Financing Requirements and Access to Capital. The Corporation has working capital of $3,411,978 as of October 31, 2017. The Corporation's ability to raise additional financing and maintain operations in the future could be at substantial risk. Sernova will require substantial additional funds for further research and development, planned clinical testing, regulatory approvals, establishment of manufacturing capabilities and, if necessary, the marketing and sale of its products. Sernova may attempt to raise additional funds for these purposes through public or private equity or debt financing, collaborations with other biopharmaceutical companies and/or from other sources. There can be no assurance that additional funding or partnerships will be available on terms acceptable to Sernova and that would foster successful commercialization of the Corporation's products.

We rely heavily on the capabilities and experience of our key executives and scientists and the loss of any of them could affect our ability to develop our products. The loss of key members of our staff could harm us. We have employment agreements with our key staff members although such employment agreements do not guarantee their retention. We also depend on our scientific and clinical collaborators and advisors, all of whom have outside commitments that may limit their availability to us. In addition, we believe that our future success will depend in large part upon our ability to attract and retain highly skilled scientific, managerial, medical, clinical and regulatory personnel, particularly as we expand our activities and seek regulatory approvals for clinical trials. We enter into agreements with our scientific and clinical collaborators and advisors, key opinion leaders and academic partners in the ordinary course of our business. We also enter into agreements with physicians and institutions who will recruit patients into our clinical trials on our behalf in the ordinary course of our business. Notwithstanding these arrangements, we face significant competition for these types of personnel from other companies, research and academic institutions, government entities and other organizations. We cannot predict our success in hiring or retaining the personnel we require for continued growth. The loss of the services of any of our executive officers or other key personnel could potentially harm our business, operating results or financial condition.

Clinical trials are long, expensive and uncertain processes and Health Canada, FDA, European Union or other regulatory jurisdictions may ultimately not approve any of our products. We may never develop any commercial applications or products that generate revenues. None of our product candidates have received regulatory approval for commercial use and sale in North America or any other jurisdiction. We cannot market any product in any jurisdiction until it has completed thorough pre-clinical testing and clinical trials in addition to that jurisdiction's extensive regulatory approval process. Approval in one country does not assure approval in another country. In general, significant research and development and clinical trials are required to demonstrate the safety and effectiveness of our product candidates before we can submit any regulatory applications for marketing approval.

Clinical trials are long, expensive and uncertain processes. Clinical trials may not be commenced or completed on schedule and Health Canada or the FDA or any other regulatory body may not ultimately approve our product candidates for commercial sale. The clinical trials of any of our product candidates

could be unsuccessful, which would prevent us from advancing, commercializing or partnering the product.

Even if the results of our pre-clinical studies or clinical trials are initially positive, it is possible that we will obtain different results in the later stages of product development or that results seen in clinical trials will not continue with longer term treatment. Positive results in early Phase I/II clinical trials may not be repeated in larger Phase I/II or Phase III clinical trials. We cannot be assured that our pre-clinical studies and clinical trials will generate positive results that allow us to move towards the commercial use and sale of our product candidates. Furthermore, negative results may cause our business, financial condition, or results of operations to be materially adversely affected.

For example, our Cell Pouch™ is in earlier clinical trials and there is a long development path ahead which will take years to complete and is prone to the risks of failure inherent in the development process.

Preparing, submitting and advancing applications for regulatory approval is complex, expensive and time intensive and entails significant uncertainty. A commitment of substantial resources to conduct time-consuming research, pre-clinical and clinical trials will be required if we are to complete development of our products.

Clinical trials of our products require that we identify and enroll patients with the illness under investigation. We may not be able to enroll a sufficient number of appropriate patients to complete our clinical trials in a timely manner particularly in smaller indications and indications where there is significant competition for patients. If we experience difficulty in enrolling a sufficient number of patients to conduct our clinical trials, we may need to delay or terminate on-going clinical trials and will not accomplish objectives material to our success that could impact the price of our common shares. For example, delays in planned patient enrolment and other factors in our clinical trials or future trials may result in longer trials, increased costs or both.

In addition, unacceptable adverse side effects may occur at any time in the course of preclinical studies or human clinical trials or, if any product candidates are successfully developed and approved for marketing, during commercial use of any approved products. The appearance of any such unacceptable adverse side effects could interrupt, limit, delay or abort the development of any of our product candidates, or if previously approved, necessitate their withdrawal from the market. Furthermore, disease resistance or other unforeseen factors may limit the effectiveness of our potential products.

Our failure to develop safe, commercially viable products would substantially impair our ability to generate revenues and sustain our operations and would materially harm our business and adversely affect our share price. We may never achieve profitability.

Patents and proprietary technology. Our success will depend in part on our ability to obtain, maintain, and enforce patent rights, maintain trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that pending patent applications will be allowed, that we will develop additional proprietary products that are patentable, that issued patents will provide us with any competitive advantage or will not be challenged by any third parties, or that patents of others will not have an adverse effect on our ability to conduct our business.

Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of our products, or design around the products patented by us. In addition, we may be required to obtain licenses under patents or other proprietary rights of third parties. No assurance can be given that any licenses required under such patents or proprietary rights will be available on terms acceptable to us, if at all. If we do not obtain such licenses, we could encounter delays in introducing one

or more of our products to the market, while we attempt to design around such patents, or we could find that our development, manufacturing or sale of products requiring such licenses could be foreclosed. In addition, we could incur substantial costs in defending ourselves in suits brought against us on such patents or in suits where we attempt to enforce our patents against other parties.

Our ability to maintain the confidentiality of our technology may be crucial to our ultimate potential for commercial success. While we have adopted procedures designed to protect the confidentiality of our technology, no assurance can be given that such arrangements will be effective, that third parties will not gain access to our trade secrets or disclose our technology, or that we can meaningfully protect the rights to our trade secrets.

The pharmaceutical industry is characterized by extensive patent litigation. Other parties may have, or obtain in the future, patents and allege that the use of our technologies infringes these patent claims or that we are employing their proprietary technology without authorization.

In addition, third parties may challenge or infringe upon our existing or future patents. Proceedings involving our patents or patent applications or those of others could result in adverse decisions affecting the patentability of our inventions relating to our key products and the enforceability, validity, or scope of protection offered by our patents relating to our key products and may result in substantial monetary damages or result in significant delays in bringing our key products to market and/or preclude us from participating in the manufacture, use or sale of our key products or methods of treatment requiring licenses. Even if we are successful in these proceedings, we may incur substantial costs and divert management time and attention in pursuing these proceedings, which could have a material adverse effect on us.

We may expend our limited resources to pursue particular research and development opportunities and fail to capitalize on others that may be more profitable or for which there is a greater likelihood of success.

Because we have limited resources, we focus our research and development programs on therapeutic cell candidates for specific indications. As a result, we may forego or delay the pursuit of opportunities for other therapeutic cell candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and therapeutic cell candidates may not yield any commercially viable products.

We have based our research and development efforts on assessing various therapeutic cells within our Cell Pouch™ platform. As a result of pursuing the development of certain therapeutic cells within the Cell Pouch™ platform, the Company may fail to develop other therapeutic cells or address alternate scientific approaches that could offer greater commercial potential or for which there is a greater likelihood of success.

Dependence on collaborative partners, licensors and others. We currently utilize technology which we have licensed and technology which has been developed by our own researchers. In particular, we are dependent upon our license to use certain technology provided under a sublicense agreement with UHN, dated September 9, 2015, for the development of our product candidates. While the company's licenses are in good standing, they may be terminated by the licensor if there is a breach of the license agreement.

Our activities will require us to enter into various arrangements with corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing and commercialization of our products. We intend to attract corporate partners

and enter into additional research collaborations. There can be no assurance, however, that we will be able to establish such additional collaborations on favourable terms, if at all, or that our current or future collaborations will be successful.

Failure to attract commercial partners for our products may cause us to incur substantial clinical testing, manufacturing and commercialization costs prior to realizing any revenue from product sales or result in delays or program discontinuance if funds are not available in sufficient quantities.

Should any collaborative partner fail to develop, manufacture, or commercialize successfully any product to which it has rights, or any partner's product to which we will have rights, our business may be adversely affected. Failure of a collaborative partner to continue to participate in any particular program could delay or halt the development or commercialization of products generated from such program. In addition, there can be no assurance that the collaborative partners will not pursue other technologies or develop alternative products either alone or in collaboration with others, including our competitors, as a means for developing treatments for the diseases targeted by our programs.

Furthermore, we may require licenses for certain technologies and there can be no assurance that these licenses will be granted or, if granted, will not be terminated, or that they will be renewed on conditions acceptable to us. We intend to negotiate additional licenses in respect of technologies developed by other companies and academic institutions. Terms of license agreements to be negotiated may include, inter alia, a requirement to make milestone payments, which may be substantial. We will also be obligated to make royalty payments on the sales, if any, of products resulting from licensed technology and, in some instances, may be responsible for the costs of filing and prosecuting patent applications.

We rely and will continue to rely on third parties to conduct some portions of our preclinical and clinical development activities. Preclinical activities include proof of concept and safety studies. Clinical development activities include trial design, regulatory submissions, clinical patient recruitment, clinical trial monitoring, clinical data management and analysis, safety monitoring and project management. If there is any dispute or disruption in our relationship with third parties, or if they are unable to provide quality services in a timely manner and at a reasonable cost, our active development programs will face delays. Further, if any of these third parties fails to perform as we expect or if their work fails to meet regulatory requirements, our testing could be delayed, cancelled or rendered ineffective.

We rely on a third-party contract manufacturer to manufacture our products. Health Canada and the FDA ensure the quality of products by carefully monitoring manufacturers' compliance with Good Manufacturing Practices regulations ("GMP"). Any manufacturing failures or delays or compliance issues could cause delays in the completion of our preclinical and clinical activities. There can be no assurances that our contract manufacturer will be able to meet our timetable and requirements. We have currently not contracted with alternate suppliers, in the event our contract manufacturer is unable to scale up production, or if they otherwise experience any other significant problems. If we are unable to arrange for alternative third-party manufacturing sources on commercially reasonable terms or in a timely manner, we may be delayed in the manufacture of our product. Further, contract manufacturers must operate in compliance with GMP and failure to do so could result in, among other things, the disruption of our product supplies. Our dependence upon third parties for the manufacture of our products may adversely affect our profit margins and our ability to develop and deliver products on a timely and competitive basis.

Employee misconduct or other improper activities. We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include: failures to comply with Health Canada or FDA regulations, provide accurate information to those agencies, comply with manufacturing standards we have established, comply with federal and state health-care fraud and abuse laws and regulations,

report financial information or data accurately or disclose unauthorized activities to us. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a substantial impact on our business and results of operations, including the imposition of substantial fines or other sanctions.

Lack of product revenues and history of losses. To date, we have not recorded any revenues from the sale of cell therapy products. We expect to incur additional losses during the periods of research and development, clinical testing, and application for regulatory approval of our product candidates. For the years ended October 31, 2017 and 2016, we incurred losses of $2.6 million and $2.5 million, respectively and had an accumulated deficit to October 31, 2017 of $34.8 million. We expect to incur further losses unless and until such time as payments from corporate collaborations, product sales and/or royalty payments generate sufficient revenues to fund our continuing operations.

Conflict of interest. Certain of our directors and senior officers may, from time to time, be employed by or affiliated with organizations which have entered into agreements with us. As disputes may arise between these organizations and us, or certain of these organizations may undertake or have undertaken research with our competitors, there exists the possibility for such persons to be in a position of conflict. Any decision or recommendation made by these persons involving us will be made in accordance with his or her duties and obligations to deal fairly and in good faith with us and such other organizations. In addition, as applicable, such directors and officers will refrain from voting on any matter in which they have a conflict of interest.

We are likely a "passive foreign investment company," which may have adverse U.S. federal income tax consequences for U.S. shareholders. U.S. investors should be aware that we believe we were classified as a passive foreign investment company, or PFIC, during the tax years ended October 31, 2017 and 2016, and based on current business plans and financial expectations, we expect that we will be a PFIC for the current tax year and may be a PFIC in future tax years. If we are a PFIC for any year during a U.S. shareholder's holding period of our common shares, then such U.S. shareholder generally will be required to treat any gain realized upon a disposition of our common shares, or any so- called "excess distribution" received on our common shares, as ordinary income, and to pay an interest charge on a portion of such gain or distributions, unless the shareholder makes a timely and effective "qualified electing fund" election, or QEF Election, or a "mark-to-market" election with respect to our shares. A U.S. shareholder who makes a QEF Election generally must report on a current basis its share of our net capital gain and ordinary earnings for any year in which we are a PFIC, whether or not we distribute any amounts to our shareholders. A U.S. shareholder who makes the mark-to-market election generally must include as ordinary income each year the excess of the fair market value of the common shares over the shareholder's adjusted tax basis therein. Each U.S. shareholder should consult its own tax advisors regarding the PFIC rules and the U.S. federal income tax consequences of the acquisition, ownership and disposition of our common shares.

It may be difficult for non-Canadian investors to obtain and enforce judgments against us because of our Canadian incorporation and presence. We are a corporation existing under the laws of the Province of Ontario, Canada. Several of our directors and officers, and several of the experts are residents of Canada, and all or a substantial portion of their assets, and all or a substantial portion of our assets, are located outside the United States. Consequently, it may be difficult for holders of our securities who reside in the United States to effect service within the United States upon those directors and officers, and the experts who are not residents of the United States. It may also be difficult for holders of our securities who reside in the United States to realize in the United States upon judgments of courts of the United

States predicated upon our civil liability and the civil liability of our directors, officers and experts under the United States federal securities laws.

Investors should not assume that Canadian courts (i) would enforce judgments of United States courts obtained in actions against us or such directors, officers or experts predicated upon the civil liability provisions of the United States federal securities laws or the securities or "blue sky" laws of any state or jurisdiction of the United States or (ii) would enforce, in original actions, liabilities against us or such directors, officers or experts predicated upon the United States federal securities laws or any securities or "blue sky" laws of any state or jurisdiction of the United States. In addition, the protections afforded by Canadian securities laws may not be available to investors in the United States.

As a foreign private issuer, we are not subject to certain United States securities law disclosure requirements that apply to a domestic United States issuer, which may limit the information which would be publicly available to our shareholders. As a foreign private issuer, we are not required to comply with all the periodic disclosure requirements of the Exchange Act, and therefore, there may be less publicly available information about us than if we were a United States domestic issuer. For example, we are not subject to the proxy rules in the United States and disclosure with respect to our annual meetings will be governed by Canadian requirements.

Industry Risk

Rapid technological change. The biotechnology and pharmaceutical industries are characterized by rapid and substantial technological change. There can be no assurance that developments by others will not render our proposed products or technologies non-competitive, or that we will keep pace with technological developments. Competitors have developed or are developing technologies that could be the basis for competitive products. Some of these products have an entirely different approach or means of accomplishing the desired therapeutic effect as compared with products to be developed by us, and could be more effective and less costly than the products to be developed by us. In addition, alternative forms of medical treatment may be competitive with our products.

Competition. Technological competition from pharmaceutical companies, biopharmaceutical companies and universities is intense and is expected to increase. Potential competitors for us have or may develop product development capabilities or financial, scientific, marketing and human resources exceeding ours. Competitors may develop products before we can develop our products, obtain regulatory approval for such products more rapidly than us, or develop products which are more effective than those which we intend to develop.

Research and development by others may render our proposed technology or products obsolete or non-competitive or produce treatments or cures superior to any therapy developed or to be developed by us, or otherwise preferred to any therapy developed by us.

Government regulations. Biotechnology and pharmaceutical companies operate in a high-risk regulatory environment. The manufacture and sale of therapeutic products is governed by numerous statutes and regulations in the United States, Canada and other countries where we intend to market our products. The subject matter of such legislation includes approval of manufacturing facilities, controlled research and testing procedures, review and approval of manufacturing, preclinical and clinical data prior to marketing approval, as well as regulation of marketing activities, notably advertising and labeling.

The process of completing clinical testing and obtaining required approvals is likely to take several years and require the expenditure of substantial resources. Furthermore, there can be no assurance that the regulators will not require modification to any submissions which may result in delays or failure to obtain

regulatory approvals. Any delay or failure to obtain regulatory approvals could adversely affect our ability to utilize our technology, thereby adversely affecting our operations. Further, there can be no assurance that our product candidates prove to be safe and effective in clinical trials or receive the requisite regulatory approval. There is no assurance that we will be able to timely and profitably produce its products while complying with all the applicable regulatory requirements. Foreign markets, other than the United States and Canada, impose similar restrictions.

Hazardous materials and environmental matters. Certain of our research and development processes will involve the controlled use of hazardous materials. We are subject to federal, provincial and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. Although our management believes that its procedures for handling and disposing of such materials comply with the standards prescribed, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, despite the fact Sernova is insured with respect to this liability, the Corporation could be held liable for damages that could exceed liability coverage and impact the resources of the Corporation. Although our management believes that it currently complies in all material respects with applicable environmental laws and regulations, we may be required to incur significant costs to comply with environmental laws and regulations in the future. Furthermore, there can be no assurance that our operations, business or assets will not be materially adversely affected by current or future environmental laws or regulations.

Status of healthcare reimbursement. Our ability to successfully market certain therapeutic products may depend in part on the extent to which reimbursement for the cost of such products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Significant uncertainty exists as to whether newly approved healthcare products will qualify for reimbursement. Furthermore, challenges to the price of medical products and services are becoming more frequent. There can be no assurance that adequate third-party coverage will be available to establish price levels, which would allow us to realize an acceptable return on our investment in product development.

Potential product liability. Pharmaceutical products involve an inherent risk of product liability claims and associated adverse publicity. Product liability insurance is costly, and availability is limited and may not be available on terms which would be acceptable to us, if at all. An inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our products. A product liability claim brought against us, or withdrawal of a product from the market, could have a material adverse effect upon us and our financial condition.

Reliance on Information Technology. Sernova is dependent on information technology systems, including internet-based systems, for internal communication as well as communication with suppliers. Any significant disruption of these systems, whether due to computer viruses or other outside incursions, could materially and adversely affect Sernova's operations.

DIVIDENDS

There are no restrictions in Sernova's Articles, By-Laws or elsewhere, which would prevent the Corporation paying dividends. No dividends have been declared or paid on the Common Shares in the last four fiscal years, and it is not expected that dividends will be declared or paid in the immediate or foreseeable future. The Board policy is to reinvest all available funds in operations. The Board will reassess this policy from time to time. Any decision to pay dividends on the common shares of Sernova

will be made by the Board based on the assessment of, among other factors, earnings, capital requirements and the operating and financial condition of the Corporation.

DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of voting and participating Common Shares without par value. As at October 31, 2017 there were 159,374,498 Common Shares issued and outstanding.

Each Common Share carries one vote at all shareholder meetings of the Corporation whether ordinary or special, and may participate in any dividends declared by Sernova's Board. The Common Shares carry the right to receive a proportionate share of Sernova's assets available for distribution to the holders of the Common Shares upon liquidation, dissolution or winding up of the Corporation. The Common Shares do not have any special liquidation, pre-emptive or conversion rights.

On March 26, 2015, the Board adopted a 10% rolling Share Option Plan (the "SOP") and a fixed number (1,314,778) maximum Deferred Share Unit Plan ("DSU Plan") (together the "Incentive Plan"). The Corporation's disinterested shareholders approved the incentive Plan on April 28, 2015. The Incentive Plan was amended and restated and approved by the Board, as amended and restated on March 18, 2018. The amendments to the Incentive Plan included (a) an increase in the rolling number maximum Common Shares for reserve for exercise of options pursuant to the Share Option Plan to 15% of the current issued and outstanding Common Shares, from time to time, and (b) to increase the maximum fixed number of Common Shares available for conversion of Deferred Share Units pursuant to the Deferrred Share Unit Plan to 4,796,797 Common Shares. The Incentive Plan, as amended and restated, was approved by the disinterested shareholders of the Company on April 25, 2018. Subsequent to shareholder approval, on June 22, 2018, the Board of Directors approved a new fixed Share Option Plan. The Exchange is currently in the process of reviewing the plan and a final maximum number of reserved Share Option will be established upon review.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed under the symbol "SVA" and during the financial year traded on the TSX-V. The following table sets out the high and low sale prices and the volume of trading of the Common Shares on the TSX-V for the months indicated:

Period	High ($)	Low ($)	Volume
November 2016	0.295	0.225	3028.42K
December 2016	0.30	0.235	2106.13K
January 2017	0.325	0.24	4209.73K
February 2017	0.27	0.23	3165.57K
March 2017	0.31	0.24	4377.69K
April 2017	0.28	0.23	3138.62K
May 2017	0.265	0.22	2083.91K
June 2017	0.25	0.18	2589.33K

Period	High ($)	Low ($)	Volume
July 2017	0.225	0.195	1529.35K
August 2017	0.215	0.145	3771.89K
September 2017	0.22	0.175	1766.14K
October 2017	0.30	0.180	2987.32K
November 2017	0.28	0.225	3416.25K
December 2017	0.44	0.245	10.03M
January 2018	0.51	0.38	5125.14K
February 2018	0.445	0.34	3503.59K
March 2018	0.415	0.33	2461.79K
April 2018	0.37	0.305	3028.95K
May 2018	0.405	0.23	4920.40K
June 2018 (to June 18)	0.285	0.20	6119.92K

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets out the name, residence, position with Sernova and principal occupations for the previous five years of each of the directors and executive officers of Sernova, as well as the period during which each has been a director and/or an officer of Sernova and the number of Common Shares of the corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at March 13, 2018.

Name, Position and Residence	Principal Occupation Last Five Years	Director/Officer Since	Common Shares[3]
Frank A. Holler[1] [2] Director, Board Chairman British Columbia, Canada	President & CEO of Ponderosa Capital Inc. since May 2003.	Director: February 2014	50,000
Jeffrey A. Bacha[1] [2] Director British Columbia, Canada	Co-Founder, former Chief Executive Officer and former Chairman of DelMar Pharmaceuticals, Inc.	Director: October 2008	541,648
Dr. Philip M. Toleikis[4] President and Chief Executive Officer, Director Ontario Canada	President and CEO of the Corporation	Officer: April 2009 Director: June 2009	4,533,594

Name, Position and Residence	Principal Occupation Last Five Years	Director/Officer Since	Common Shares[3]
James T. Parsons[1] Director Ontario, Canada	Chief Financial Officer of Trillium Therapeutics Inc. since August 2011; Vice President Finance and Corporate Secretary at DiaMedica Therapeutics Inc. from October 2010 to May 2013.	Director: April 2012	164,728
Bruce A. Weber[2] Director Florida, USA	Former Vice President, Clinical, Regulatory, and Quality Assurance at InnFocus, Inc. from 2004 until January 2017 when he retired.	Director: April 2012	250,000
Sean Hodgins, CPA-CA, CPA (Illinois) Chief Financial Officer Ontario, Canada	Contract CFO, CPA-CA, Tandem Accounting Group Ltd., Vancouver, BC since 2003.	Officer: May 2018	Nil

Notes:

1. Member of the Audit Committee of the Board.
2. Member of the Compensation Committee of the Board.
3. The information as to principal occupation and shares beneficially owned or over which control or direction is exercised is not within the knowledge of the Corporation, and therefore has been furnished by each director individually.
4. The number of Common Shares reported by Dr. Toleikis includes 327,737 Common Shares which are owned indirectly by him through PM Toleikis & Associates Consulting Inc.

Term of Office

The term of office of each director of Sernova expires at the end of the annual meeting of shareholders each year. The next annual shareholder meeting of the Corporation is expected be held in April 2019.

Director and Officer Share Ownership

As at March 13, 2018 the directors and executive officers of Sernova, as a group, owned or exercised control and direction over 5,539,970 Common Shares (2017 – 4,005,244), being approximately 3.5% (2017 – 2.5%) of the issued Common Shares on a non-diluted basis as at March 13, 2018.

The information as to principal occupation, business or employment and Common Shares beneficially owned, directly or indirectly, or controlled is based on information furnished by the respective directors and executive officers and from information available at www.sedi.ca.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, and except as otherwise set out herein, no director or executive officer, or any shareholder holding a sufficient number of securities of the Corporation to materially influence control of the Corporation: (a) is, as at June 29, 2018, or has been within the last ten years, a director, or a chief executive officer or a chief financial officer of a company (including Sernova Corp.) which, while the director or executive officer was acting in such capacity, (i) was subject to a cease trade or similar order or was refused an exemption prescribed by securities legislation for more than 30

consecutive days, (ii) has, after the termination of duties as a director or executive officer, been subject to a cease trade or similar order or been denied an exemption under securities legislation for more than 30 consecutive days due to an event that took place while that person was in office, or (iii) has, while the director or executive officer held that office or within a year of ceasing to act in that capacity, became bankrupt, made a proposal under any bankruptcy or insolvency legislation, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold his assets, or (b) within the ten preceding years, became bankrupt, made a proposal under any bankruptcy or insolvency legislation, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold the assets of the director, officer or shareholder, or (c) has been the subject of (i) a penalty or sanction imposed by a court relating to securities legislation or by a securities regulatory authority or entered into a settlement agreement with it, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment.

Conflicts of Interest

Certain directors or officers of the Corporation are also directors, officers or shareholders of other companies and conflicts of interest may arise between their duties as a director or officer of the Corporation and their duties as a director, officer or shareholder of other companies. All potential conflicts of interest must be disclosed in accordance with the requirements of the *Canada Business Corporations Act*, and the directors and officers in question are required to comply with their legal obligations as well as all contractual provisions binding them. To the knowledge of the Corporation, no conflict of interest arose during the year ended October 31, 2017, or currently exists.

PROMOTERS

Until August 15, 2017, there was no person or company, within the three most recently completed financial years, considered a promoter of Sernova. On August 15, 2017, the Corporation engaged FronTier Merchant Capital Group to provide North American investor relations (IR) and strategic marketing services to the financial community and media across North America with the goal to build shareholder value. FronTier is assisting the Corporation by increasing market awareness through financial market communications, including facilitating in-person introductions for the Corporation with institutional and retail brokers in Canada and throughout the United States, and through media distribution on national television, radio and multiple online channels. FronTier has offices in Toronto, Montreal and Calgary. Under the terms of the engagement, FronTier was retained for a 12-month period at $80,000 per annum plus direct expenses.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than the civil claim initiated by the Company against the University of Alberta *et. al* (a decision in respect of which has now been rendered), there are no legal proceedings or regulatory actions to which the Corporation is or was a party to or of which any of its property is or was the subject of during the year ended October 31, 2017, or in the subsequent months to the date of this Annual Information Form.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than the transactions described below, no (a) director or executive officer of the Corporation, (b) person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of the Corporation's outstanding securities, and (c) an associate or affiliate of any of the persons or companies referred to in (a) or (b), during the three most recently completed financial years or during the current financial year, has had any material interest, direct or indirect, in any transaction which has materially affected or would materially affect the Corporation.

On May 15, 2015, the Corporation announced that it had completed a non-brokered private placement of 8,888,889 units (the "Units") at $0.18 per unit for gross proceeds of $1,600,000. Each Unit consisted of one common share and one common share purchase warrant, with each warrant exercisable into one common share at a price of $0.30 each for a 24 month exercise period, 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 common shares exceeds $0.50. In respect of a portion of the private placement, the Company compensated finders by way of cash commissions of $26,451.18 and 137,151 non-transferable finder warrants, each such finder warrant having the same terms as the Unit warrants.

On June 28, 2016, the Corporation announced the closing of its non-brokered private placement for gross proceeds of $2,000,000 and the oversubscription of an additional $1,650,000, increasing the gross proceeds of the private placement to $3,750,000. The private placement consisted of 8,000,000 units (the "Units") at a price of $0.25 per Unit. Each Unit consisted of one Common Share and one Common Share purchase warrant, with each warrant exercisable into one Common Share at a price of $0.35 each for a 24 month exercise period, subject to abridgement of the exercise period. Abridgement may occur with 30 days' notice to holders (after the expiry of the 4 month hold period) if the 20 day volume weighted price of SVA Common Shares exceeds $0.50 per share. All securities issued in connection with the private placement were subject to a statutory hold period of four months. The Corporation compensated finders on a portion of the private placement, and such compensation consisted of 7% in cash or 7% in finders warrants, or a combination thereof. Completion of the private placement was subject to the receipt of all necessary corporate and regulatory approvals, including approval of the TSX-V. On June 30, 2016, the Corporation further announced the closing of the increased private placement, which was increased to an aggregate total of $4,200,000, and an aggregate total of 16,800,000 Units. Costs associated with the private placement totalled $258,324, including cash fees of $200,121 and the issue of 521,850 finder's warrants valued at $58,203, 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 $0.35 per share, subject to the same hold and abridgement conditions as the warrants included in each unit of the offering. The Company used the Black-Scholes pricing model to determine the fair value of the finder's warrants granted. The fair value was estimated using a dividend yield of 0%, expected volatility of 89.1%, risk-free rate of 0.5% and a life of 2 years.

On May 5, 2017, the Corporation announced it had received TSX-V acceptance to extend the expiry date of 5,746,633 share purchase warrants, which are exercisable to purchase 5,745,633 Common Shares at an exercise price of $0.30 each, from May 8, 2017, to November 8, 2017; and the Corporation obtain TSX-V approval to extend the expiry date of 3,043,256 share purchase warrants that were exercisable to purchase up to 3,043,256 Common Shares at an exercise price of $0.30 each, from May 14, 2017, to November 14, 2017. All other terms of the Warrants remained unchanged, including the exercise period, as extended, being subject to abridgement on 30 days notice to holders if the twenty‐day volume weighted price of the Corporation's common shares exceeds $0.50.

TRANSFER AGENT AND REGISTRAR

The Corporation's registrar and transfer agent is AST Trust Company (Canada), located at Suite 1600, 1066 West Hastings Street, Vancouver, BC V6E 3X1.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, as at October 31, 2017, the Corporation has not entered into any material contracts in the most recently completed financial year, but currently maintains responsibility for certain other continuing material contracts, except:

- On August 15, 2017, the Corporation engaged FronTier Merchant Capital Group to provide North American investor relations (IR) and strategic marketing services to the financial community and media across North America with the goal to build shareholder value. FronTier is assisting the Corporation by increasing market awareness through financial market communications, including facilitating in-person introductions for the Corporation with institutional and retail brokers in Canada and throughout the United States, and through media distribution on national television, radio and multiple online channels. FronTier has offices in Toronto, Montreal and Calgary. Under the terms of the engagement, FronTier was retained for a 12-month period at $80,000 per annum plus direct expenses.

- On February 22, 2018, the Corporation announced continuous glucose monitoring systems (CGM (Medtronic Minimed, Northridge, CA)) would be provided to patients in Sernova's US regenerative medicine clinical trial of its Cell Pouch™. CGM will be used to track the function of the transplanted cells in the measurement of key efficacy measures at multiple time points following transplantation of the therapeutic cells into the Cell Pouch™. Glucose variability and hypoglycemia duration can be determined using CGM. CGM involves the subcutaneous placement of a glucose sensor connected to a pager-sized monitoring device that stores glucose data over a 6-day period. Data from each period will be analyzed for mean glucose concentration, mean glucose variability, number and duration of hyper- and hypoglycemic episodes, and total duration of hypoglycemia.

INTERESTS OF EXPERTS

Names of Experts

The Corporation's auditors are Davidson & Company LLP, Chartered Professional Accountants, who have prepared an independent auditors' report dated January 26, 2018, in respect of the Corporation's consolidated audited annual financial statements for the two most recent fiscal years ended October 31, 2017, and October 31, 2016. Davidson & Company LLP has advised that they are independent with respect to the Corporation within the meaning of the CPABC Code of Professional Conduct.

Interests of Experts

To the knowledge of management of the Corporation, none of the persons above held, at the time of or after such person prepared the statement, report or valuation, any registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of one of its associates or affiliates or is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in the management information circular for Sernova dated March 19, 2018 (the "Information Circular"), a copy of which was filed under the Corporation's SEDAR profile on April 4, 2018 at www.sedar.com. Additional financial information relating to Sernova is included in the Corporation's consolidated audited financial statements for the Corporation's fiscal years ended October 31, 2017, and October 31, 2016, together with the accompanying auditor's report and management's discussion and analysis (the "annual financials"). Copies of the annual financials, the relevant portion of any documents incorporated by reference in this annual information statement, Sernova's most current interim financial statements and management's discussion and analysis, and a copy of this Annual Information Form, as well as additional information relating to the Corporation may be found under Sernova's SEDAR profile at www.sedar.com.

APPENDIX A

National Instrument 52-110 *"Audit Committees"* ("NI 52-110")
FORM 52-110F1 - AUDIT COMMITTEE INFORMATION REQUIRED IN AN AIF

I. The Audit Committee Charter

The Audit Committee (the "Audit Committee") is a committee of the Board of Directors (the "Board") of Sernova Corp. (the "Corporation").

The audit committee has a charter (the "Audit Committee Charter") that sets out its mandate and responsibilities. A copy of the Audit Committee Charter is attached as Schedule "A" to the Corporation's Management Proxy Circular filed under the Corporation's profile on April 4, 2018 at www.sedar.com.

The primary function of the Audit Committee is to assist the Board in fulfilling its financial reporting and control responsibilities to the shareholders of the Corporation and the investment community. The external auditors will report directly to the Audit Committee. The Audit Committee's primary duties and responsibilities are:

- overseeing the integrity of the Corporation's financial statements and reviewing the financial reports and other financial information provided by the Corporation to any governmental body or the public and other relevant documents;

- recommending the appointment and reviewing and appraising the audit efforts of the Corporation's external auditor, overseeing the external auditor's qualifications and independence and providing an open avenue of communication among the external auditor, financial and senior management and the Board;

- serving as an external and objective party to oversee and monitor the Corporation's financial reporting process and internal controls, the Corporation's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements;

- encouraging continuous improvement of, and fostering adherence to, the Corporation's policies, procedures and practices at all levels.

II. Composition

The Audit Committee shall consist of a minimum of three directors of the Corporation, including the Chair of the Audit Committee, all of whom shall be "independent" directors as such term is defined in National Instrument 52-110 ("NI 52-110"). All members shall, to the satisfaction of the Board, be "financially literate" as defined in NI 52-110.

The members of the Audit Committee shall be appointed by a resolution of the Board at the annual organizational meeting of the Board. The Board may remove a member of the Audit Committee at any time in its sole discretion by resolution of the Board. Unless a Chair is elected by the full Board of Directors, the members of the Audit Committee may designate a Chair by majority vote of the full membership of the Audit Committee.

The Chair's responsibilities shall include (i) providing leadership to enhance the effectiveness and focus of the Audit Committee, (ii) calling and chairing meetings of the Audit Committee ensuring that the Audit

Committee meets on a regular basis, at least quarterly, (iii) setting with the Chief Financial Officer the agenda for each meeting, (iv) ensuring that the Audit Committee receives adequate and regular updates from management on all matters necessary for the Audit Committee to discharge its responsibilities, including but not limited to matters regarding audits, financial statements, MD&A, press releases, and procedures for disclosure of financial information and disclosure controls, (v) acting as liaison between the Audit Committee and the external auditors with respect to the annual audit and (vi) acting as liaison between the Audit Committee and the Board including reporting regularly to the Board on all proceedings and deliberations of the Audit Committee. The Chair shall also appoint a Secretary of the Audit Committee who need not be a director.

III. Duties and Responsibilities

1. The Audit Committee shall review and recommend to the Board for approval:

   (a) The annual audited financial statements.

   (b) Review with financial management and the external auditor the Corporation's financial statements, MD&A's and earnings releases to be filed with regulatory bodies such as securities commissions prior to filing or prior to the release of earnings. Review of quarterly results with the external auditor will be at the discretion of the Audit Committee.

   (c) Documents referencing, containing or incorporating by reference the annual audited consolidated financial statements or interim financial results (e.g., prospectuses, press releases with financial results and Annual Information Form – when applicable) prior to their release.

2. The Audit Committee, in fulfilling its mandate, will:

   (a) Satisfy itself that adequate internal controls and procedures are in place to allow the Chief Executive Officer and the Chief Financial Officer to certify financial statements and other disclosure documents as required under securities laws.

   (b) Recommend to the Board of Directors the selection of the external auditor, consider the independence and effectiveness and approve the fees and other compensation to be paid to the external auditor.

   (c) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor, and discussing and resolving any material differences of opinion or disagreements between management and the external auditor.

   (d) Review and discuss, on an annual basis, with the external auditor all significant relationships they have with the Corporation to determine their independence and report to the Board of Directors.

   (e) Review and approve requests for any management consulting engagement to be performed by the external auditor and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter and related fees.

(f) Review the performance of the external auditor and approve any proposed discharge and replacement of the external auditor when circumstances warrant. Consider with management the rationale for employing accounting/auditing firms other than the principal external auditor.

(g) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.

(h) Arrange for the external auditor to be available to the Audit Committee and the full Board of Directors as needed. Ensure that the auditors report directly to the Audit Committee and are made accountable to the Board and the Audit Committee, as representatives of the shareholders to whom the auditors are ultimately responsible.

(i) Oversee the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services.

(j) Pre-approve any permissible non-audit engagements of the external auditors, in accordance with applicable legislation.

(k) Review and approve hiring policies for employees or former employees of the past and present external auditors.

(l) Review the scope of the external audit, including the fees involved.

(m) Review the report of the external auditor on the annual audited financial statements.

(n) Review problems found in performing the audit, such as limitations or restrictions imposed by management or situations where management seeks a second opinion on a significant accounting issue.

(o) Review major positive and negative observations of the auditor during the course of the audit.

(p) Review with management and the external auditor of the Corporation's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that can materially affect the financial results.

(q) Review emerging accounting issues and their potential impact on the Corporation's financial reporting.

(r) Review with management, the external auditors and legal counsel, any litigation, claims or other contingency, including tax assessments, which could have a material effect upon the financial position or operating results of the Corporation, and whether these matters have been appropriately disclosed in the financial statements.

(s) Review the conclusions reached in the evaluation of management's internal control systems by the external auditors, and management's responses to any identified weaknesses

(t) Review with management their approach to controlling and securing corporate assets (including intellectual property) and information systems, the adequacy of staffing of key functions and their plans for improvements.

(u) Review with management their approach with respect to business ethics and corporate conduct, written codes of conduct established by management and the program used by management to monitor compliance with the code.

(v) Review annually the code of ethics and legal and regulatory requirements that, if breached, could have a significant impact on the Corporation's published financial reports or reputation.

(w) Review the results of annual testing performed by the external auditors on the compliance of the Corporation's expense policy by management of the Corporation.

(x) Review with management relationships with regulators, and the accuracy and timeliness of filing with regulatory authorities (when and if applicable).

(y) Review annually the business continuity plans for the Corporation.

(z) Review the annual audit plans of the external auditors of the Corporation.

(aa) Review annually general insurance coverage of the Corporation to ensure adequate protection of major corporate assets including but not limited to D&O and "Key Person" coverage.

(bb) Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information (other than the documents under section 1(b) above) extracted or derived from the Corporation's financial statements and must periodically assess the adequacy of such procedures.

(cc) Perform such other duties as required by the Corporation's incorporating statute and applicable securities legislation and policies.

(dd) Establish procedures for:

(i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls, or auditing matters; and

(ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or audit matters.

3. The Audit Committee may engage and communicate directly and independently with outside legal and other advisors for the Audit Committee as required and set and pay the compensation of such advisors.

4. On a yearly basis, the Audit Committee will review the Audit Committee Charter and where appropriate recommend changes to the Board of Directors.

IV. Secretary

The Secretary of the Audit Committee will be appointed by the Chair.

V. Meetings

1. The Audit Committee shall meet at such times and places as the Audit Committee may determine, but no less than four times per year. At least annually, the Audit Committee shall meet separately with management and with the external auditors.

2. Meetings may be conducted with members present, in person, by telephone or by video conference facilities.

3. A resolution in writing signed by all the members of the Audit Committee is valid as if it had been passed at a meeting of the Audit Committee.

4. Meetings of the Audit Committee shall be held from time to time as the Audit Committee or the Chairman of the Audit Committee shall determine upon 48 hours notice to each of its members. The notice period may be waived by a quorum of the Audit Committee.

5. The external auditors or any member of the Audit Committee may also call a meeting of the Audit Committee.

6. The Board shall be kept informed of the Audit Committee's activities by a report, including copies of minutes, at the next board meeting following each Audit Committee meeting.

VI. Quorum

Quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee.

Composition of the Audit Committee

The Audit Committee, at the present time, is comprised of Messrs. Frank Holler, Jeffrey Bacha and James Parsons. Each member is financially literate and all members of the Audit Committee are independent directors.

Relevant Education and Experience

Frank A. Holler is currently President & CEO of Ponderosa Capital Inc. He previously served as Chairman & CEO of BC Advantage Funds (VCC) Ltd., a venture capital firm investing in emerging technology companies in British Columbia, from 2004 to 2016; President and CEO of Xenon Pharmaceuticals Inc., a NASDAQ listed, genomics-based drug development company, from 1999 to 2003; President and CEO of ID Biomedical Corporation, a TSX/Nasdaq vaccine development company, from 1991 to 1998; and a founding director of Angiotech Pharmaceuticals, a TSX/ NASDAQ listed biotechnology company, from 1992 to 1997. Prior to working in biotechnology and healthcare, Mr. Holler was a Vice-President of Investment Banking with Merrill Lynch Canada and Wood Gundy Inc. (now CIBC World Markets). In addition to serving on the Corporation's Board, Mr. Holler presently serves on the board of directors of Xenon Pharmaceuticals and the Prevention of Organ Failure Centre at St. Paul's Hospital (Chairman). He

was previously a Director of the British Columbia Biotechnology Association from 1992 to 1998, and in 2003 received the BC Biotech Award for Vision and Leadership. Mr. Holler holds an MBA and BA (Economics) from the University of British Columbia.

Jeffrey A. Bacha, BSc, MBA co-founded DelMar Pharmaceuticals in 2010 and led the company's growth through its listing on NASDAQ in 2016 and currently serves as a member of the company's board of directors. Previously he served as the Chief Executive Officer and Chairman of the Company prior to recruiting both a seasoned independent Chair and interim Chief Executive to join the DelMar Pharmaceuticals leadership team. He is a seasoned executive leader with 20 years of life sciences experience in the areas of operations, strategy and finance for biotechnology, pharmaceutical and medical device companies in Canada, the United States and Europe. His experiences include successful public and private company building from both a start-up and turn around perspective; establishing and leading thriving management and technical teams; and raising capital in both the public and private markets. From 2002 through 2005 Mr. Bacha served as President and Founding CEO of Inimex Pharmaceuticals, where he was responsible for establishing the company's research & development team and leading venture capital financing and grant funding efforts which raised more than $35 million to support the company's research programs. Since 2005 until founding Del Mar Pharmaceuticals, Mr. Bacha has consulted with a number of life sciences companies and served as Executive Vice President, Corporate Affairs and Chief Operating Officer of Clera Inc. He holds an MBA from the Goizueta Business School at Emory University and a degree in BioPhysics from the University of California, San Diego.

James T. Parsons is currently Chief Financial Officer of Trillium Therapeutics Inc. since August 2011. From 2010 to May 2013 he was Vice President Finance and Corporate Secretary at DiaMedica Therapeutics Inc. Mr. Parsons has a broad background in the life sciences industry across therapeutics, diagnostics and device companies and over 25 years of financial management experience. Mr. Parsons has secured over $300 million of various forms of financing during his career and has advised and assisted on over $200 million of product licensing deals. Mr. Parsons also serves on the board of directors of DiaMedica Therapeutics Inc. He has extensive experience in public company governance and compliance. He has a Master of Accounting degree from the University of Waterloo and is a Chartered Professional Accountant and Chartered Accountant.

Each Audit Committee member has gained financial literacy through his/her previous working and educational experience and has a significant understanding of the life sciences business which the Corporation engages in and has an appreciation for the relevant accounting principles for that business.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed fiscal year has the Corporation relied on the exemptions in section 2.4 (*De Minimis Non-audit Services*), section 3.2 (*Initial Public Offerings*), section 3.4 (*Events Outside Control of Member*), section 3.5 (*Death, Disability or Resignation of Audit Committee Member*) or Part 8 (*Exemptions*).

Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

At no time since the commencement of the Corporation's most recently completed fiscal year has the Corporation relied on the exemption in subsection 3.3(2) (*Controlled Companies*) or section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*).

Reliance on Section 3.8

At no time since the commencement of the Corporation's most recently completed fiscal year has the Corporation relied on section 3.8 (*Acquisition of Financial Literacy*).

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed fiscal year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy requiring pre-approval by the Audit Committee for the engagement of non-audit services by the Corporation's external auditors, which policy is contained in the Audit Committee Charter set out above.

External Auditor Service Fees (By Category)

The fees paid by the Corporation to its auditor in the last two fiscal years, by category, are as follows:

Financial Year Ending	Audit Fees[(1)]	Audit-Related Fees[(2)]	Tax Fees[(3)]	All Other Fees[(4)]
October 31, 2017	$27,150	$Nil	$Nil	$Nil
October 31, 2016	$27,150	$Nil	$Nil	$Nil

Notes:

1. "Audit Fees" include, where applicable, fees necessary to perform the annual audit and the quarterly review of the Corporation's consolidated financial statements. Audit Fees include fees for the review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees include audit and other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
2. "Audit-Related Fees" include, where applicable, services that are traditionally performed by the auditor. These audit-related services include employee benefits audits, due diligence assistance, accounting consultants on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
3. "Tax Fees" include, where applicable, fees for all tax services other than those included in "Audit Fees" and "Audit Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes Assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
4. "All Other Fees" includes, where applicable, all other non-audit services.

Exemption

The Corporation is a "venture issuer" as defined under NI 52-110 and, as such, is relying on the exemption in section 6.1 of NI 52-110 relating to Part 5 (*Reporting Obligations*).