**Form 51-102FI**

**SERNOVA CORP.**

**Management's Discussion and Analysis of Results of Operations and Financial condition for the three months ended January 31, 2007.**

The following discussion and analysis should be read in conjunction with the first quarter unaudited financial statements and related notes dated January 31, 2007. This discussion and analysis provides an update to the Management's Discussion and Analysis ("MD&A") and financial statements contained in the audited, October 31, 2006 year end report and financial statements.

The information in this MD&A contains forward-looking statements

The information contained in this report is made as of March 2, 2007.

## Performance Summary and Update

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

Under the terms of the agreement, Sernova has the exclusive right to acquire 100% of the project by providing funding of up to $3,500,000 in three stages. The first financing of $1,000,000 was due within 90 days of Exchange approval, the second financing of $1,000,000 within 6 months of Exchange approval, and the third financing of $1,500,000 within 12 months of Exchange approval. As each stage of the project is financed, Sernova acquires one third of the project by issuing 1,157,500 shares to each of the two shareholders of Sertonex, Dr. David White and Mr. Justin Leushner.

On May 25, 2006 the Company also announced it had completed a private placement financing for gross proceeds of $3,229,100. The funds will be used to fund research on the diabetes project and for operating expenses.

With the the first two financing completed, the company exercised its option under the joint venture agreement to concurrently close the first two stages and acquire 67% of the project effective August 9, 2006. For payment Dr. White and Mr. Leushner each received 2,315,000 common shares of Sernova, subject to timed and performance earn-out escrow agreements Mr. Leushner has joined the board of directors of the Company and Dr. White has been engaged as the principal researcher on the project and Chair of Sernova's Scientific Advisory Board.

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

| Release Dates | Total Number of Escrowed Securities to be Released |
|---|---|
| Aug. 9, 2006 | 463,000 |
| February 9, 2007 | 694,500 |
| Aug. 9, 2007 | 694,500 |
| February 9, 2008 | 694,500 |
| Aug. 9, 2008 | 694,500 |
| February 9, 2009 | 694,500 |
| Aug. 9, 2009 | 694,500 |
| Total | 4,630,000 |

These White and Leushner shares are further restricted by earnout provisions on 50% of the escrowed shares:

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

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

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

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

**Performance Summary and Update** (Cont'd…)

As part of the agreement, STI exclusively licensed to Sernova all patents, and patent applications for the therapeutic use of Sertoli cell technology, the key component of the diabetes research. In exchange, Sernova issued to STI 6,527,500 common shares and must pay STI a licensing fee of $1,142,312 by May 9, 2007, and certain other future royalties on income related to the patents. The payment shares are subject to a 3 year timed escrow agreement. STI is controlled by Research Corporation Technologies, Inc., a not for profit organization setup to facilitate the commercialization of bio medical research. Mr. Charles R. Allard of Edmonton, Alberta has joined the board of directors on behalf of STI.

The escrow terms of the timed escrow agreement with STI is shown below.

| Release Dates | Total Number of Escrowed Securities to be Relased |
|---|---|
| Aug. 9, 2006 | 652.750 |
| February 9, 2007 | 979,125 |
| Aug. 9, 2007 | 979,125 |
| February 9, 2008 | 979,125 |
| Aug. 9, 2008 | 979,125 |
| February 9, 2009 | 979,125 |
| Aug. 9, 2009 | 979,125 |
| Total | 6,527,500 |

On June 14, 2006 the Company incorporated a wholly owned US subsidiary in the state of Nevada, called Sertocell Biotechnology (US) Inc., to remove cross-border issues related to pursuing USFDA approvals, US patents, and future joint venture arrangements with US based pharmaceutical companies.

On September 20, 2006 the Company announced its name had been changed from Pheromone Sciences Corp. to Sernova Corp. Shareholders approved the name change at the Company's annual general meeting held on August 18th 2006. At that meeting the shareholders also elected 5 directors to the Board: Dr. William Cochrane (Chair), Charles Allard, Justin Leushner, Devinder Randhawa and Dr. Eldon Smith. On September 25, 2007 the Company announced that Dr. George Adams had been appointed to the Board.

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

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

To assist the Board of Directors in commercializing the research findings, the Company has established a Business Advisory Board. Three former Company directors were appointed: Andrew Saxton, William Milligan and Chris Neuman.

**Performance Summary and Update** (Cont'd…)

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

## Results of Operations

The Company continues to focus on research and development and as such has incurred losses since its inception. For the three months ended January 31, 2007 the company recorded a loss of $413,308 or $0.01 per share versus a loss of $98,326 or $0.01 per share in the prior year. Of the current loss recorded for the period, $8,424 is related to the non-cash expense from stock based compensation. Not including stock based compensation, the net loss for the period would be $404,884. General and administrative expenses for the three months ending January 31, 2007 were $454,315 compared to $100,300 for the three months ended January 31, 2006.

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## Summary of Quarterly Results

| | | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|---|---|---|---|---|
| 2004 | Net Income (loss) | (180,113) | (164,542) | (96,942) | 73,223 |
| | Net Income (loss) per share | (0.01) | (0.01) | (0.01) | 0.01 |
| | | | | | |
| 2005 | Net Income (loss) | (80,737) | (158,248) | (77,423) | (117,156) |
| | Net Income (loss) per share | (0.01) | (0.01) | (0.01) | (0.01) |
| | | | | | |
| 2006 | Net Income (loss) | (98,315) | (451,772) | (107,385) | (599,697) |
| | Net Income (loss) per share | (0.01) | (0.01) | (0.01) | (0.01) |
| | | | | | |
| 2007 | Net Income (loss) | (413,308) | | | |
| | | (0.01) | | | |

## Selected Annual Information

| | | 2006 | | 2005 | | 2004 |
|---|---|---|---|---|---|---|
| Loss for the year | $ | (1,257,169) | $ | (433,564) | $ | (368,374) |
| Total assets | | 6,696,765 | | 491,662 | | 336,984 |
| Total liabilities | | 122,151 | | 242,238 | | 174,780 |
| Shareholders' equity | | 6,574,614 | | 249,424 | | 162,204 |
| Basic and diluted loss per share | $ | (0.04) | $ | (0.02) | $ | (0.02) |

## Outstanding Share Data

As at March 2, 2007, the Company has 50,349,983 common shares issued and outstanding. The Company also has a total of 4,269,500 outstanding stock options comprised of 4,089,500 options priced at $0.40 a share, 30,000 at $0.16 per share, and 150,000 at $0.13 per share. There are 4,023,875 outstanding warrants exercisable at $0.60 per share until May 16, 2008.

## Liquidity and Capital Resources

As at January 31, 2007, the Company had cash of $2,452,830 compared to $2,874,736 as at October 31, 2006. Cash used for operations in the period was $421,906 compared to $45,986 for the three months ended January 31, 2006. As at January 31, 2007, the Company had no long-term obligations.

## Financing

In May, 2006, the Company issued 8,072,750 units at $0.40 per unit for gross proceeds of $3,229,100 pursuant to a non brokered private placement. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at $0.60 for a period of two years. In the event the Company's common shares trade at a 10-day moving average above $1.00 per share, the Company may terminate any unexercised warrants on thirty days notice. In connection with the placement, the Company paid finder's fees of $119,385 and administration fees of $3,200.

## Transactions with Related Parties

During the three months ended January 31, 2007, the Company paid management consulting fees in the amount of $15,000 to a company controlled by Devinder Randhawa, the Chief Executive Officer of the Company. Management consulting fees of $31,500 were paid to a company controlled by a director, Justin Leushner, for services provided to the Company. Patrick Groening, the Chief Financial Officer of the Company, received $7,500 for his services. Phil Morehouse, the Executive Vice President of the Company, received $16,500 for his services.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. Amounts due to related parties are non-interest bearing, unsecured and have no specific repayment terms.

## Financial Instruments

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

## Disclosure Controls and Procedures

Sernova Corp. maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to Multilateral Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. Sernova Corp's Chief Executive Officer and Chief Financial Officer have evaluated Sernova Corp's disclosure controls and procedures as of January 31, 2007 and concluded that the current disclosure controls and procedures are effective.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible to ensure that information disclosed externally, including the financial statements and MD&A, is complete and reliable. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that they are operating effectively.

It is important to recognize that the Company has very limited administrative staffing. As a result, internal controls which rely on segregation of duties in many cases is not appropriate or possible. The Company relies heavily on senior management review and approval to ensure that the controls are effective as possible.

**Subsequent Events**

Subsequent to January 31, 2007, the Company:

a) Issued 81,250 common shares for proceeds of $48,750 pursuant to the exercise of share purchase warrants.

b) Issued 100,500 common shares for proceeds of $37,800 pursuant to the exercise of stock options.