

**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 Released
Aug. 9, 2006	652,750
February 9, 2007	979,125
Aug. 9, 2007	979,125
February 9, 2008	979,125
Aug. 9, 2008	979,125
February 9, 2009	979,125
Aug. 9, 2009	979,125
Total	6,527,500

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 31<sup>st</sup>, 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.

### **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**

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	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)

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### **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.

**SERNOVA CORP.**  
**(Formerly Pheromone Sciences Corp.)**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**January 31, 2007**

## **Unaudited Interim Financial Statements**

### **Notice**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended January 31, 2006.

**SERNOVA CORP.**  
(Formerly Pheromone Sciences Corp.)  
CONSOLIDATED BALANCE SHEETS

	January 31, 2007	October 31, 2006 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalent	\$ 2,452,830	\$ 2,874,736
Prepaid expenses and sundry receivable	<u>168,105</u>	<u>94,433</u>
	2,620,935	2,969,169
<b>Equipment</b>	11,800	11,933
<b>Intangible assets</b> (Note 4)	<u>3,595,802</u>	<u>3,715,663</u>
	<u>\$ 6,288,537</u>	<u>\$ 6,696,765</u>

**LIABILITIES AND SHAREHOLDERS' DEFICIENCY**

<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 58,806</u>	<u>\$ 122,151</u>
<b>Shareholders' deficiency</b>		
Capital stock (Note 5)	13,591,789	13,591,789
Contributed Surplus (Note 5)	755,292	746,868
Deficit	<u>(8,177,350)</u>	<u>(7,764,043)</u>
	<u>6,169,731</u>	<u>6,574,614</u>
	<u>\$ 6,288,537</u>	<u>\$ 6,696,765</u>

**Subsequent events** (Note 9)

**On behalf of the Board:**

“Dev Randhawa”

Director

“William Cochrane”

Director

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

**SERNOVA CORP.**

(Formerly Pheromone Sciences Corp.)

**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

	For the Three Months Ended January 31, 2007	For the Three Months Ended January 31, 2006
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Amortization	133	-
Business development	942	-
Consulting fees and wages	81,973	58,784
Professional fees	91,026	16,914
Office and miscellaneous	13,153	13,646
Marketing and promotion	-	10,956
Patent amortization	119,861	-
Research	132,875	-
Shareholder communications	3,735	-
Stock based compensation (Note 5)	8,424	-
Transfer agent	2,193	-
	<u>(454,315)</u>	<u>(100,300)</u>
<b>OTHER ITEMS</b>		
Interest income	27,609	1,974
Royalty income	13,398	-
	<u>41,007</u>	<u>1,974</u>
<b>Loss for the period</b>	(413,308)	(98,326)
<b>Deficit, beginning of year</b>	<u>(7,764,042)</u>	<u>(6,506,874)</u>
<b>Deficit, end of year</b>	<u>\$ (8,177,350)</u>	<u>\$ (6,605,200)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
<b>Weighted average number of common shares outstanding</b>	<u>50,305,483</u>	<u>27,865,771</u>

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

**SERNOVA CORP.**  
(Formerly Pheromone Sciences Corp.)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Three Months Ended January 31, 2007	For the Three Months Ended January 31, 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (413,308)	\$ (98,326)
Items not affecting cash		
Amortization	133	-
Patent amortization	119,861	-
Stock based compensation	8,424	-
Changes in non-cash working capital items:		
Increase (decrease) in expenses and sundry receivable	(73,671)	1,281
Increase (decrease) in accounts payable and accrued liabilities	<u>(63,345)</u>	<u>51,059</u>
Net cash provided by operating activities	<u>(421,906)</u>	<u>(45,986)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Patents and trademarks	-	(5,531)
Equipment	<u>-</u>	<u>(2,541)</u>
Net cash used for investing activities	<u>-</u>	<u>(8,072)</u>
<b>Change in cash and equivalents during the period</b>	(421,906)	(54,058)
<b>Cash and equivalents, beginning of period</b>	<u>2,874,736</u>	<u>374,338</u>
<b>Cash and equivalents, end of period</b>	<u>\$ 2,452,830</u>	<u>\$ 320,280</u>

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

**SERNOVA CORP.**

(Formerly Pheromone Sciences Corp.)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

JANUARY 31, 2007

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**1. INCORPORATION**

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

**2. BASIS OF PRESENTATION AND GOING CONCERN**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Sertocell Technologies Inc. (“Sertocell”) and 66.7% owned subsidiary, Sertonex. All significant inter-company balances and transactions have been eliminated.

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

These financial statements are prepared on a going concern basis. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to realize its assets at the amounts recorded and discharge its liabilities in other than the normal course of business. The Company has incurred operating losses since inception and its ability to realize the carrying value of its assets is dependent on successfully bringing its technologies to market and achieving future profitable operations, the outcome of which cannot be determined at this time. Continued operations of the Company are dependent on the Company’s ability to complete public equity financing, or generate profitable operations in the future.

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

**3. ACQUISITION OF SUBSIDIARY**

The Company acquired an option to purchase 100% of the issued and outstanding common shares of Sertonex, a privately held company, in consideration of the staged issuance of 6,945,000 common shares of the Company and the completion of an aggregate of \$3,500,000 in equity financing to be used on research and development. The common shares issued pursuant to the acquisition agreement will be subject to escrow agreements, of which 50% are time released escrow shares that comprise acquisition costs of Sertonex and 50% are performance based escrow shares that are considered compensatory in nature. The compensatory escrow shares are released in accordance with the performance criteria disclosed in Note 5.

**SERNOVA CORP.**

(Formerly Pheromone Sciences Corp.)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

JANUARY 31, 2007

**3. ACQUISITION OF SUBSIDIARY (cont'd...)**

On August 9, 2006, the Company acquired 66.67% of the issued and outstanding shares of Sertonex, in consideration for the issuance of 4,630,000 common shares of the Company, of which 2,315,000 are compensatory and 2,315,000 are non-compensatory, and the completion of an aggregate of \$2,000,000 in equity financing. The acquisition is accounted for using the purchase method.

Total cost of acquisition was \$1,057,540 consisting of the issuance of 2,315,000 non-compensatory common shares valued at \$926,000 and transaction costs of \$131,540. The operating results of Sertonex were recognized in the consolidated statement of operations beginning on August 9, 2006, the effective date of the acquisition.

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

Cash	\$	1,941
Equipment		6,115
Due to related parties		(11,921)
Accounts Payable		(19,251)
Intellectual property		<u>1,080,656</u>
	\$	<u>1,057,540</u>

In order to complete the acquisition of the remaining 33.3% of the issued and outstanding common shares of Sertonex by May 25, 2007, the Company is required to issue an additional 2,315,000 common shares of the Company and complete \$270,900 in equity financing to be used on research and development. In the event the financing is not completed, the shareholders of Sertonex will be entitled to repurchase all of the Sertonex shares sold to the Company for an aggregate purchase price equal to the financings provided to that time.

**4. INTANGIBLE ASSETS**

	January 31, 2007			October 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patent licenses	\$ 2,754,868	\$ 172,180	\$ 2,582,688	\$ 2,754,868	\$ 86,090	\$ 2,668,778
Intellectual property	<u>1,080,656</u>	<u>67,542</u>	<u>1,013,114</u>	<u>1,080,656</u>	<u>33,771</u>	<u>1,046,885</u>
	\$ 3,835,524	\$ 239,722	\$ 3,595,802	\$ 3,835,524	\$ 119,861	\$ 3,715,663

During fiscal 2006, the Company acquired an option to purchase licenses and sublicenses on patents in consideration for the issuance of 6,527,500 common shares of the Company valued at \$2,611,000, transaction costs of \$143,868 and certain future royalty payments. In order to complete the acquisition of the licenses and sublicenses on the patents, the Company is required to either pay \$1,142,312 or, at the option of the Company, issue an additional 6,527,500 common shares of the Company, subject to regulatory approval, by May, 2007. In the event the Company elects not to make the second payment, Sertonex may assume the rights and obligations of the Company and make the cash payment by May, 2007.

On completion of the acquisition, with the approval of both parties, the Company has the option to repurchase up to 25% of its common shares at a purchase price of \$0.175 per share by May, 2007. In the event the Company does not exercise the option within the time period, Sertonex or the original shareholders of Sertonex have the option of making the purchase on the same terms.

**SERNOVA CORP.**

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2007

**5. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
An unlimited number of common shares, without par value			
Balance as at October 31, 2005	27,865,771	\$ 6,577,522	\$ 178,774
Private placements	8,072,750	3,229,100	-
Shares issued on conversion of debentures	674,231	87,650	-
Shares issued for patent	6,527,500	2,611,000	-
Shares issued for 2/3 of project	4,630,000	926,000	-
Share issuance costs	-	(169,063)	-
Exercise of warrants	2,535,231	329,580	-
Stock-based compensation	-	-	568,094
Balance as at October 31, 2006	50,305,483	13,591,789	746,868
Stock-based compensation	-	-	8,424
Balance as at January 31, 2007	50,305,483	\$ 13,591,789	\$ 755,292

**Private placements**

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 until May 16, 2008. The Company has the right to force the exercise of the warrants if the stock trades at a 10-day moving average above \$1.00 per share. In connection with the placement, the company paid finder's fees of \$119,385 and administration fees of \$3,200.

**Escrow shares**

Included in the escrow shares at January 31, 2007 are 10,041,750 common shares also which were subject to time release escrow agreements and will not be released, transferred or assigned without the consent of the regulatory authorities.

*Performance escrow shares*

Included in issued capital stock at January 31, 2007 are 2,315,000 common shares subject to a performance based release as follows:

- 1,157,500 common shares on the date the Company receives approval from authorities for the initiation of human trials for a licensed product;
- 1,157,500 common shares on the date the Company enrolls the first patient in a Phase 3 human clinical efficacy trial for a licensed product.

**SERNOVA CORP.**

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2007

**5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)****Warrants and stock options**

Stock option and warrant transactions are summarized as follows:

	Stock options		Warrants	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance outstanding, October 31, 2005	915,000	\$ 0.18	1,861,000	\$ 0.13
Granted	3,880,000	0.40	4,710,606	0.53
Exercised	-	-	(2,535,231)	0.13
Cancelled/expired	<u>(725,000)</u>	0.20	<u>-</u>	-
Balance outstanding, October 31, 2006	4,070,000	\$ 0.39	4,036,375	\$ 0.60
Granted	<u>300,000</u>	0.40	<u>-</u>	
Balance outstanding, January 31, 2007	4,370,000	\$ 0.39	4,036,375	\$ 0.60

The following table summarizes information about the stock options outstanding at January 31, 2007:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	150,000	\$0.13	March 30, 2010
	40,000	0.16	January 3, 2010
	2,470,000	0.40	March 20, 2011
	1,410,000	0.40	September 11, 2011
	<u>300,000</u>	0.40	November 22, 2011
Total	4,370,000		
<b>Warrants</b>	1,407,625	0.60	May 5, 2008
	<u>2,628,750</u>	0.60	May 16, 2008
Total	4,036,375		

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

January 31	2007	2006
Dividend yield	\$0.00	\$0.00
Expected volatility	53.87%	76-78%
Risk free interest rate	3.88%	3.72-3.92%
Expected life of options	5 years	5 years

**SERNOVA CORP.**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

JANUARY 31, 2007

**6. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO THE STATEMENTS OF CASH FLOWS**

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

	January 31, 2007	October 31, 2006
Cash	\$ 70,524	\$ 55,443
Short-term investments	<u>2,382,306</u>	<u>2,819,293</u>
	<u>\$ 2,452,830</u>	<u>\$ 2,874,736</u>

**7. RELATED PARTY TRANSACTIONS**

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

Three month period ended January 31	2007	2006
Consulting fees	\$ 70,500	\$ 27,000

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.

**8. SEGMENTED INFORMATION**

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

**9. SUBSEQUENT EVENTS**

Subsequent to January 31, 2007, the Company:

- Issued 81,250 common shares for proceeds of \$48,750 pursuant to the exercise of share purchase warrants.
- Issued 100,500 common shares for proceeds of \$37,800 pursuant to the exercise of stock options.