**Form 51-102F2**

**SERNOVA CORP.**

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

The following discussion and analysis should be read in conjunction with the third quarter unaudited financial statements and related notes dated July 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. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements.

The information contained in this report is made as of August 28, 2007.

## Performance Summary and Update

On May 25, 2006 the Company announced it had received TSX Venture Exchange 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" and is the Company's primary focus.

The Company's efforts and expenditures continue to be centered around building animal model data through research to support regulatory approval of clinical (human) trials of Sernova's Sertoli cell technology. The Company is planning to file an Investigational New Drug (IND) application with the United States Food and Drug Administration (FDA), or other relevant regulatory agency, once management believes it has enough safety and efficacy data. The Company expects to have adequate data to make an IND application in 2008 and begin clinical trials shortly after IND approval. Sernova's management, in conjunction with it's Scientific Advisory Committee and FDA consultants, periodically reviews and revises its regulatory approval strategy as needed.

Under the terms of the Joint Venture agreement, Sernova had the exclusive right to acquire 100% of the project by funding the development of the technology for a minimum of $3,500,000 in three stages. The first stage required $1,000,000 and was due within 90 days of Exchange approval, the second stage required $1,000,000 and was due within 6 months of Exchange approval, and the third stage required $1,500,000 and was due within 12 months of Exchange approval. The Company completed all its financing obligations under the joint venture and announced this on May 10, 2007. As each stage of the project was financed, Sernova acquired 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.

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

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.

On August 9, 2006, with the first two stages completed, the company exercised its option under the joint venture agreement to concurrently acquire 67% of the project. 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 joined the board of directors of the Company and Dr. White was engaged as the principal researcher on the project and Chair of Sernova's Scientific Advisory Board.

One July 26, 2007, the Company exercised its right to acquire the final one third of the project and issued the final tranche of 2,315,000 shares to Dr. White and Mr. Leushner. These shares are subject to timed escrow release as shown in the table below, and the same earn out escrow provisions described below.

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 |
| July 26, 2007 | 231,500 |
| Aug. 9, 2007 | 694,500* |
| January 26, 2008 | 347,250 |
| February 9, 2008 | 694,500* |
| July 26, 2008 | 347,250 |
| Aug. 9, 2008 | 694,500* |
| January 26, 2009 | 347,250 |
| February 9, 2009 | 694,500* |
| Aug. 9, 2009 | 694,500* |
| July 26, 2009 | 347,250 |
| January 26, 2010 | 347,250 |
| July 26, 2010 | 347,250 |
| Total | 6,945,000 |

## **Performance Summary and Update** (cont'd…)

* In the above table, share releases with an asterisk are further restricted in escrow by earn out provisions as follows:

The Shares will be released from escrow 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 enrols 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.

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 project. In exchange, Sernova issued to STI 6,527,500 common shares and a licensing fee of $1,142,312, 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. As part of the agreement STI could appoint one Director and they appointed Mr. Charles R. Allard of Edmonton, Alberta.

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 |

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

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 18, 2006.

At the Annual General Meeting held on April 19, 2007 the shareholders elected 6 directors to the Board: Dr. George Adams, Charles Allard, Dr. William Cochrane, Justin Leushner, Devinder Randhawa and Dr. Eldon Smith. At the subsequent Board of Directors meeting the following appointments were made:

- George. Adams - Chairman of the Board;
- Devinder Randhawa - Vice-Chairman of the board;
- Justin Leushner - President and CEO;
- Patrick Groening - Corporate Secretary and CFO
- Phil Morehouse – Executive Vice President

To help guide the diabetes research efforts the Company 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.

The Company is also 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 nine months ended July 31, 2007 the company recorded a loss of $2,588,541 or $0.05 per share versus a loss of $1,332,944 or $0.04 per share in the prior year. Of the current loss recorded for the period, $258,670 is related to the non-cash expense from stock based compensation. Not including stock based compensation, the net loss for the period would be $2,338,369. General and administrative expenses for the nine months ending July 31, 2007 were $2,687,279 compared to $1,374,906 for the nine months ended July 31, 2006.

## Summary of Quarterly Results

| | | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|---|---|---|---|---|
| 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) | (1,119,456) | (1,055,777) | |
| | | (0.01) | (0.02) | (0.02) | |

## 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 August 28, 2007, the Company has 54,482,358 common shares issued and outstanding. The Company also has a total of 4,714,500 outstanding stock options comprised of 4,049,500 options priced at $0.40 a share, 30,000 at $0.16 per share, 150,000 at $0.13 per share, 150,000 at $1.00, and 335,000 at $0.88. There are no outstanding warrants.

## Liquidity and Capital Resources

As at July 31, 2007, the Company had cash of $2,016,094 compared to $2,874,736 as at October 31, 2006. Cash used for operations in the nine months ended July 31, 2007 was $2,191,955 compared to $462,650 for the nine months ended July 31, 2006. As at July 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. In connection with the placement, the Company paid finder's fees of $119,385 and administration fees of $3,200. Each unit consisted of one common share and one-half of one common share purchase warrant. Each warrant entitled the holder to acquire one common share at $0.60 for a period of two years. In the event the Company's common shares traded at a 10-day moving average above $1.00 per share, the Company had the right terminate any unexercised warrants on thirty days notice. With those conditions being met, on April 4, 2007 all warrant holders were notified that the warrant expiry date was being amended to May 7, 2007. All warrants were subsequently exercised and the Company received funds of $2,421,825.

## Transactions with Related Parties

During the nine months ended July 31, 2007, the Company paid management consulting fees in the amount of $30,000 to a company controlled by Devinder Randhawa, the former Chief Executive Officer and of the Company. Wages of $94,500 were paid to the new Chief Executive Officer, Justin Leushner, for services provided to the Company. Patrick Groening, the Chief Financial Officer of the Company, received $22,500 for his services, and a company controlled by Phil Morehouse, the Executive Vice President of the Company, received $51,050 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.

## 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 July 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 are not appropriate or possible. The Company relies heavily on senior management review and approval to ensure that the controls are effective as possible.

During the interim period ended July 31, 2007, the Company made changes to its systems of internal controls that did not materially affect internal control over financial reporting.