Form 51-102F1

SERNOVA CORP.

Management's Discussion and Analysis of Results of Operations and Financial condition for the year ended October 31, 2007.

The following discussion and analysis should be read in conjunction with the year end audited financial statements and related notes dated October 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, 2007 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 February 22, 2008.

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 its Scientific Advisory Committee and FDA consultants, periodically reviews and revises its regulatory approval strategy as needed.

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.

Performance Summary and Update (cont'd…)

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

* 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 a joint venture agreement, STI exclusively licensed to Sernova all patents, and patent applications for the therapeutic use of Sertoli cell technology, the key component of Sertolin. 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. 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

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

Performance Summary and Update (Cont'd…)

On December 10, 2007 the Company announced that Charles Allard had resigned from the board due time pressures related to his other business ventures.

To help guide the diabetes research efforts the Company has a 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 year ended October 31, 2007 the company recorded a loss of $3,592,220 or $0.07 per share versus a loss of $1,242,700 or $0.04 per share in the prior year. Of the current loss recorded for the period, $614,452 is related to the non-cash expense from stock based compensation. Not including stock based compensation, the net loss for the period would be $2,977,768. General and administrative expenses for the year ended October 31, 2007 were $3,717,251 compared to $1,321,483 for the year ended October 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)	(585,228)
	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)	(1,003,679)
		(0.01)	(0.02)	(0.02)	(0.01)

Selected Annual Information

	2007	2006	2005
Loss for the year	$ (3,592,220)	$ (1,242,700)	$ (433,564)
Total assets	7,232,426	6,248,234	491,662
Total liabilities	34,286	122,151	242,238
Shareholders' equity	7,198,140	6,126,083	249,424
Basic and diluted loss per share	$ (0.07)	$ (0.04)	$ (0.02)

Outstanding Share Data

As at February 22, 2008, the Company has 56,797,358 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 October 31, 2007, the Company had cash of $1,800,205 compared to $2,874,736 as at October 31, 2006. Cash used for operations in the year ended October 31, 2007 was $2,225,318 compared to $758,631 for the year ended October 31, 2006. The increase in consumption of cash in the current year can be attributed to increased research costs. As at October 31, 2007, the Company had no long-term obligations.

Going Concern

The financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing which would assure continuation of the Company's operations and research programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets.

October 31	2007	2006
Working capital	$ 1,844,935	$ 2,847,018
Deficit	(11,341,794)	(7,749,574)

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.

Fourth Quarter

See Performance Summary and Updates for additional fourth quarter transactions.

Transactions with Related Parties

During the year ended October 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. Patrick Groening, the Chief Financial Officer of the Company, received $30,000 for his services, and a company controlled by Phil Morehouse, the Executive Vice President of the Company, received $69,800 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

Effective November 1, 2006, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861 Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measures in the balance sheet either at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

Financial Instruments (Cont'd….)

As a result of the adoption of these new standards, the Company has classified its cash equivalents as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities, which are measured at amortized cost.

There were no transitional adjustments on the adoption of the financial instruments standard.

New and Upcoming Accounting Pronouncements

Assessing Going Concern

The AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

Financial Instruments

The AcSB issued CICA Handbook Section 3862, *Financial Instruments – Disclosures,* which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement,* Section 3863, *Financial Instruments – Presentation,* and Section 3865, *Hedges.* This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The AcSB issued CICA Handbook Section 3863, *Financial Instruments – Presentation,* which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

New and Upcoming Accounting Pronouncements (Cont'd…)

Capital Disclosures

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Accounting Changes

The AcSB issued CICA Handbook Section 1506. The main features of this new standard are (a) voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information; (b) changes in accounting policy are applied retrospectively unless doing so is impracticable (as defined in the section); (c) prior period errors are corrected retrospectively; and (d) new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. This new standard is effective for fiscal years beginning on or after January 1, 2007.

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