

Form 51-102FI

SERNOVA CORP.

Management's Discussion and Analysis of Results of Operations and Financial condition for the year ending October 31, 2006.

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements and related notes dated October 31, 2006. 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, 2005 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 February 20, 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 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.

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.

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 year ended October 31, 2006 the company recorded a loss of \$1,257,169 or \$0.04 per share versus a loss of \$433,564 or \$0.02 per share in the prior year. Of the current loss recorded for the period, \$568,094 is related to the non-cash expense from stock based compensation. Not including stock based compensation, the net loss for the period would be \$689,075. General and administrative expenses for the year ending October 31, 2006 were \$1,335,952 compared to \$430,945 for the prior year

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)

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 February 20, 2007, the Company has 50,325,983 common shares issued and outstanding. The Company also has a total of 4,362,000 outstanding stock options comprised of 4,172,000 options priced at \$0.40 a share, 40,000 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 October 31, 2006, the Company had cash of \$2,874,736 compared to \$374,338 as at October 31, 2005. Cash used for operations in the year was \$758,631 compared to \$239,101 for the year ended October 31, 2005. As at October 31, 2006, 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.

Fourth Quarter

See Performance Summary and Updates for additional fourth quarter transactions.

Transactions with Related Parties

During the year ended October 31, 2006, the Company paid management consulting fees in the amount of \$60,000 to a company controlled by Devinder Randhawa, the Chief Executive Officer of the Company. Management consulting fees of \$56,192 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 \$37,500 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 October 31, 2006 and concluded that the current disclosure controls and procedures are effective.

Subsequent Events

Subsequent to October 31, 2006, the Company:

- a) Granted 300,000 options to acquire common shares at \$0.40 per share expiring on November 22, 2011.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.