SERNOVA CORP.

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
JANUARY 31, 2023 AND 2022

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102 Continuous Disclosure Obligations, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements.

SERNOVA CORP.
Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	Note	**As at January 31, 2023**	As at October 31, 2022
ASSETS			
Current assets			
Cash		**$ 22,494,695**	$ 3,776,054
Marketable securities		**22,044,000**	46,000,000
Amounts receivable		**731,286**	1,146,542
Prepaid expenses		**331,278**	168,012
Total current assets		**45,601,259**	51,090,608
Non-current assets			
Deposits		**223,860**	223,860
Property and equipment, net		**451,556**	402,421
Intangible assets, net		**466,743**	516,752
Right-of-use asset, net		**217,014**	251,280
Total non-current assets		**1,359,173**	1,394,313
TOTAL ASSETS		**$ 46,960,432**	$ 52,484,921
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**$ 6,182,805**	$ 4,600,277
Lease liabilities		**146,034**	139,856
Total current liabilities		**6,328,839**	4,740,133
Non-current liabilities			
Lease liabilities		**97,047**	136,123
Total liabilities		**6,425,886**	4,876,256
SHAREHOLDERS' EQUITY			
Common shares	4	**110,987,766**	110,987,766
Warrants	4	**3,296,332**	3,296,332
Contributed surplus	4	**13,435,321**	12,494,054
Deficit		**(87,184,873)**	(79,169,487)
Total shareholders' equity		**40,534,546**	47,608,665
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 46,960,432**	$ 52,484,921

Commitments and Contingencies (Note 7)

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Note	**Three months ended January 31, 2023**	Three months ended January 31, 2022
EXPENSES			
Research and development	6	**$ 6,911,250**	$ 3,169,505
General and administrative	6	**1,697,155**	2,287,484
Total expenses		**8,608,405**	5,456,989
OTHER EXPENSE (INCOME)			
Interest income		**(461,170)**	(19,505)
Finance costs		**9,941**	16,382
Foreign exchange loss (gain)		**(141,790)**	5,069
Net other expense (income)		**(593,019)**	1,946
LOSS AND COMPREHENSIVE LOSS		**$ 8,015,386**	$ 5,458,935
Weighted average number of common shares outstanding – basic and diluted		**303,332,686**	261,451,981
Basic and diluted loss per common share	8	**$ 0.03**	$ 0.02

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.
Interim Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Note	**Three months ended January 31, 2023**	Three months ended January 31, 2022
OPERATING ACTIVITIES			
Loss for the period		**$ (8,015,386)**	$ (5,458,935)
Adjustments for items not affecting cash:			
Amortization and depreciation		**106,975**	93,747
Share-based compensation	4	**941,267**	3,326,560
Research collaboration advances recognized as cost recoveries	7	**–**	(69,890)
Interest income accrued on marketable securities		**(465,068)**	–
Interest on lease liabilities		**9,942**	14,409
Changes in non-cash working capital balances:			
Amounts receivable		**532,416**	(124,285)
Prepaid expenses		**(163,266)**	(334,023)
Accounts payable and accrued liabilities		**1,582,528**	613,987
Cash used in operating activities		**(5,470,592)**	(1,938,430)
INVESTING ACTIVITIES			
Marketable securities, net		**23,956,000**	–
Purchase of property and equipment		**(71,835)**	(243,784)
Cash provided by (used in) investing activities		**23,884,165**	(243,784)
FINANCING ACTIVITIES			
Proceeds from exercise of warrants	4	**–**	1,275,350
Proceeds from exercise of stock options	4	**–**	28,125
Grant contribution receipts	7	**347,908**	224,168
Lease liabilities payments		**(42,840)**	(42,000)
Cash provided by financing activities		**305,068**	1,485,643
Net (decrease) increase cash during the period		**18,718,641**	(696,571)
Cash, beginning of period		**3,776,054**	27,874,198
CASH, END OF PERIOD		**$ 22,494,695**	$ 27,177,627
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Income taxes paid		**$ –**	$ –
Interest received		**$ 358,392**	$ 19,505

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.
Interim Condensed Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Common Shares		Warrants	Contributed Surplus	Deficit	Total
	(Note 4)		(Note 4 / 10)	(Note 4)		
Balance, October 31, 2022	303,332,686	$ 110,987,766	$ 3,296,332	$ 12,494,054	$ (79,169,487)	$ 47,608,665
Loss and comprehensive loss for the period	–	–	–	–	(8,015,386)	(8,015,386)
Transactions with owners of the Company, recognized directly in equity:						
Share-based compensation	–	–	–	941,267	–	941,267
Balance, January 31, 2023	**303,332,686**	**$ 110,987,766**	**$ 3,296,332**	**$ 13,435,321**	**$ (87,184,873)**	**$ 40,534,546**
Balance, October 31, 2021	261,133,258	$ 74,010,694	$ 3,693,248	$ 5,113,503	$ (54,748,951)	$ 28,068,494
Loss and comprehensive loss for the period	–	–	–	–	(5,458,935)	(5,458,935)
Transactions with owners of the Company, recognized directly in equity:						
Exercise of warrants	1,004,000	1,409,254	(133,904)	–	–	1,275,350
Exercise of stock options	125,000	51,750	–	(23,625)	–	28,125
Share-based compensation	–	–	–	3,326,560	–	3,326,560
Balance, January 31, 2022	262,262,258	$ 75,471,698	$ 3,559,344	$ 8,416,438	$ (60,207,886)	$ 27,239,594

See accompanying notes to the interim condensed consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Sernova Corp. (the "Company") is a clinical stage cell therapeutics company focused on developing and commercializing its proprietary Cell Pouch System™ and associated technologies, including Cell Pouch™, therapeutic cells and cellular immune protection. The Cell Pouch is a scalable, implantable medical device designed to create a vascularized tissue environment for the transplantation and engraftment of therapeutic cells, which then release proteins and or hormones for the long-term treatment of multiple serious, chronic diseases such as diabetes, hemophilia and thyroid disease.

Sernova Corp. 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.

The Company's head office is located at 700 Collip Circle, Suite 114, London, Ontario, N6G 4X8. The Company's registered address is Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 2N7. On June 2, 2022, trading of the Company's common shares commenced on the Toronto Stock Exchange under the symbol SVA, and were concurrently voluntarily delisted from the TSX Venture Exchange. The Company's shares are also listed on the OTCQB Venture Market under the symbol SEOVF and on the Frankfurt and Xetra Exchanges under the symbol PSH.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements.

These interim condensed consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on March 15, 2023.

Certain comparative figures in the statements of cash flows have been reclassified to confirm to the current period's presentation. This reclassification had no impact on the cash provided by (used in) operations, investing or financing activities.

(b) Basis of measurement

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value though profit or loss, which are stated at their fair value, or at amortized cost.

(c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its wholly owned and controlled subsidiaries.

(d) Use of significant estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and judgements that affect the application of accounting policies, the reported amounts of assets and liabilities, expenses and related disclosures of contingent assets and liabilities, as well as the Company's ability to continue as a going concern. These estimates and judgements consider historical and forward-looking factors that the Company believes are reasonable, including but not limited to the potential impacts arising from COVID-19 and public and private sector policies and initiatives aimed at reducing or containing its transmission. Actual results could differ materially from these estimates and judgements. The Company reviews its estimates and underlying

2. BASIS OF PRESENTATION (cont'd…)

(d) Use of significant estimates and judgments (cont'd…)

judgements on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and may impact future periods. Significant estimates and assumptions applied by management were outlined in the Company's annual audited consolidated financial statements for the year ended October 31, 2022, and have been applied consistently to all periods presented in these interim condensed consolidated financial statements.

(e) COVID-19 Pandemic

The COVID-19 pandemic continues to cause significant financial market and social disruption. The Company cannot presently predict the scope and severity of any potential business shutdowns or disruptions related to COVID-19, the impact of any new variants nor the impact of the vaccines that are now accessible. If the Company or any of the third parties with whom it engages, were to experience shutdowns or other business disruptions due to the pandemic, its ability to conduct its business in the manner and on the timelines presently planned could be materially and negatively impacted. The Company will continue to monitor developments of the pandemic and continuously assess its potential further impact on its operations to prevent any disruptions to the conduct of its business and clinical trials. In the event of a prolonged continuation of the pandemic, it is not clear what the potential impact may be on the Company's business, financial position and financial performance.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are outlined in the Company's audited consolidated financial statements for the years ended October 31, 2022 and 2021, and have been applied consistently in these interim condensed consolidated financial statements.

(a) New accounting standards and interpretations adopted during the current period

IAS 1 *Presentation of Financial Statements*
As at November 1, 2022, the Company adopted amendments made to International Accounting Standard 1 *Presentation of Financial Statements* ("IAS 1"). IAS 1 provides a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date and does not impact the amount or timing of recognition. The adoption of this amendment did not have a material impact on the interim condensed consolidated financial statements.

As at November 1, 2022, the Company adopted amendments made to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* in which guidance and examples are provided to help entities apply materiality judgements to accounting policy disclosures. The adoption of this amendment did not have a material impact on the interim condensed consolidated financial statements.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
As at November 1, 2022, the Company adopted amendments made to International Accounting Standard 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8") which introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates. The adoption of this amendment did not have a material impact on the interim condensed consolidated financial statements.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(a) New accounting standards and interpretations adopted during the current period (cont'd…)

IAS 12 *Income taxes*
As at November 1, 2022, the Company adopted amendments made to International Accounting Standard 12 *Income Taxes* ("IAS 12"). IAS 12 was amended so that it no longer applies to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments apply to annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The adoption of this amendment did not have a material impact on the interim condensed consolidated financial statements.

4. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares, without par value.

(b) Share capital changes

During the three months ended January 31, 2023, there were no changes to the Company's share capital.

During the comparative three months ended January 31, 2022, the Company received proceeds of $1,303,475 from the exercise of common share purchase warrants and stock options and the corresponding issuance of 1,129,000 common shares.

(c) Warrants

Common share purchase warrants outstanding changed during the three months ended January 31 as follows:

	2023		2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance outstanding, beginning of period	20,136,918	$ 1.67	46,144,142	$ 0.93
Issued in conjunction with the exercise of broker unit warrants	–	–	100,000	1.70
Exercised	–	–	(1,004,000)	(1.27)
Balance outstanding, end of period	20,136,918	$ 1.67	45,240,142	$ 0.92

(Expressed in Canadian Dollars)

4. SHARE CAPITAL (cont'd…)

(c) Warrants (cont'd…)

The following table summarizes the common share purchase warrants outstanding as at January 31, 2023:

Number of warrants	Exercise price	Expiry date
19,026,100	1.70	March 1, 2023 *
1,110,818	1.20	March 1, 2023 **
20,136,918		

* subject to acceleration of the exercise period expiry on thirty days notice to warrant holders in the event that the ten day volume weighted average price of the shares exceeds $3.05 per share.

** exercisable into one unit at $1.20 until March 1, 2023. Each unit consists of one common share and one common share purchase warrant, with each common share purchase warrant being exercisable into one common share at a price of $1.70 per share until March 1, 2023, subject to abridgment of the exercise period if the ten day volume weighted price of the Company's common shares exceeds $3.05 per share.

See Note 10 – Events After the Reporting Period

(d) Incentive Plan

The Company initiated its incentive plan in 2015, with the latest amendments thereto approved by shareholders of the Company on June 30, 2021 (the "Incentive Plan"). Under the Incentive Plan, the Board of Directors may grant stock options to directors, officers, employees or consultants of the Company and deferred share units to directors and officers of the Company up to an aggregate fixed maximum of 38,746,536 of the Company's issued and outstanding common shares, representing approximately 12.8% of the common shares outstanding as at January 31, 2023. The maximum fixed number of common shares to be reserved for options exercise and DSUs conversion under the Incentive Plan is 30,997,229 and 7,749,307, respectively.

Options granted under the Incentive Plan have a term of up to ten years from the date of grant. The vesting schedule of all granted options is determined at the discretion of the Board of Directors. The exercise price of any stock options granted is fixed pursuant to the policies of the stock exchange.

Changes in the number of stock options outstanding during the three months ended January 31 were as follows:

	2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance outstanding, beginning of period	22,770,984	$ 0.92	8,892,500	$ 0.24
Granted	120,000	0.80	13,575,484	1.32
Cancelled	(225,000)	(0.22)	–	–
Exercised	–	–	(125,000)	(0.23)
Balance outstanding, end of period	22,665,984	$ 0.93	22,342,984	$ 0.90
Options exercisable, end of period	16,243,083	$ 0.78	11,149,880	$ 0.54

(Expressed in Canadian Dollars)

4. SHARE CAPITAL (cont'd…)

(d) Incentive Plan (cont'd…)

Stock options outstanding by range of exercise prices as at January 31, 2023:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life (Years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 0.21 to $ 0.26	8,130,000	5.2	$ 0.23	8,056,875	$ 0.23
$ 0.76 to $ 1.15	490,000	3.3	0.94	100,000	1.09
$ 1.32	13,425,484	3.9	1.32	7,594,040	1.32
$ 1.40 to $ 1.60	620,500	3.7	1.44	492,168	1.42
$ 0.21 to $ 1.60	22,665,984	4.3	$ 0.93	16,243,083	$ 0.78

Option grants vest either i) immediately or ii) quarterly or annually over periods of up to four years.

The Black-Scholes option pricing valuation model is used to estimate fair value for the purpose of recording share-based compensation expense. Historical data is used to estimate the expected dividend yield, volatility and forfeiture of the Company's common shares in determining the fair value of the stock options. The risk-free interest rate is based on the Government of Canada benchmark bond yield rates in effect at the time of grant and the expected life of the options represents the estimated length of time the options are expected to remain outstanding.

For the stock options granted during the three months ended January 31, the share-based compensation expense was determined based on the fair value of the stock options on the grant date (date of measurement) using the Black-Scholes option pricing model using the following weighted average assumptions:

	2023	2022
Dividend yield	0%	0%
Expected volatility	93%	72%
Risk free interest rate	3.8%	1.1%
Expected life of options	3.4 years	3.0 years

For the three months ended January 31, 2023 and 2022, the Company issued stock options with weighted average grant date fair values of $0.53 and $0.63 per stock option, respectively.

The Company's Incentive Plan allows for the issuance of DSUs to directors and officers of the Company and settlement in the form of a cash payment or issuance of shares at the time the DSU holder leaves the Company. Since the method of settlement of the DSUs is at the discretion of the Company under the Incentive Plan, it has been accounted for as an equity-settled plan. There were no DSUs granted during the three months ended January 31, 2023 (2022 – 1,360,000 at their intrinsic value of $1.32 prior to the application of an estimated forfeiture rate). No DSUs were cancelled, or equity settled during the three months ended January 31, 2023 and 2022. DSUs generally vest over a three-year period after the date of grant.

As at January 31, 2023, a total of 5,510,001 DSUs were outstanding (October 31, 2022 – 5,510,001) of which 4,891,843 had vested (October 31, 2022 – 4,727,254).

(Expressed in Canadian Dollars)

5. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are the Directors, the Executive Chair, the President and Chief Executive Officer and the Chief Financial Officer. Amounts due to related parties, including amounts due to key management personnel, at the end of the reporting period are unsecured, interest free and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Included in accounts payable and accrued liabilities at January 31, 2023, was $207,402 due to key management personnel (October 31, 2022 – $286,410).

Compensation to key management personnel for the reporting period:

	Three months ended January 31, 2023	Three months ended January 31, 2022
Personnel costs	$ 269,631	$ 235,470
Director fees and costs	83,761	65,750
Share-based compensation	770,749	3,229,810
	$ 1,124,141	$ 3,531,030

6. STATEMENTS OF LOSS AND COMPREHENSIVE LOSS SUPPLEMENTARY INFORMATION

Research and Development Expenses

	Three months ended January 31, 2023	Three months ended January 31, 2022
Personnel costs	$ 555,542	$ 415,944
Research and clinical development	5,535,788	742,311
Manufacturing costs	145,668	210,114
Patent fees and costs	109,683	70,826
Other costs	86,735	45,082
Amortization and depreciation	99,383	86,189
Share-based compensation - options	423,451	1,696,429
	6,956,250	3,266,895
Less: grants, contributions and tax credits	(45,000)	(97,390)
Total research and development expenses	$ 6,911,250	$ 3,169,505

(Expressed in Canadian Dollars)

6. STATEMENTS OF LOSS AND COMPREHENSIVE LOSS SUPPLEMENTARY INFORMATION (cont'd…)

General and Administrative Expenses

	Three months ended January 31,	
	2023	2022
Personnel costs	$ 336,855	$ 220,531
Consulting and professional fees	161,794	87,713
Director fees and expenses	85,872	72,088
Investor relations	351,478	182,192
Public company expenses	60,613	4,786
Insurance and other costs	175,135	82,484
Depreciation	7,592	7,559
Share-based compensation - DSUs	154,608	624,434
Share-based compensation - options	363,208	1,005,697
Total general and administrative expenses	$ 1,697,155	$ 2,287,484

7. COMMITMENTS AND CONTINGENCIES

The Company was previously awarded a US$2.45 million (approximately $3.27 million) grant under an agreement with JDRF Therapeutics Fund LLC ("JDRF"). The grant supports a Phase 1/2 clinical trial of Sernova's Cell Pouch for treatment of patients with type 1 diabetes. Pursuant to the agreement, the Company has committed to perform certain clinical trial activities and to use commercially reasonable efforts to introduce a diabetes product into the US market. No contributions relating to milestone achievements were earned during the three months ended January 31, 2023 (2022 – $nil). Remaining funding available to be earned under the JDRF grant award totals approximately US$0.29 million ($0.39 million) as at January 31, 2023. The Company is required to pay royalties to JDRF as a percentage of any future net sales received from such diabetes product or in certain future license or disposition transactions up to an aggregate maximum of four times the aggregate amount of JDRF grant funding received. A bonus amount equal to the total amount of grant funding received is also payable to JDRF on two aggregate net sales thresholds if they are achieved. Given the early and inconclusive stage of development of the diabetes product, the royalty is not probable at this time and therefore no liability has been recorded.

In May 2022, the Company entered into an exclusive global strategic partnership with Evotec (NASDAQ:EVO | FSE:EVT) for the development and commercialization of an iPSC-based beta cell replacement therapy ("iPSC Program") with the goal to provide an unlimited insulin-producing cell source to treat patients with insulin-dependent diabetes. The Company has committed to pay future milestone and royalty payments to Evotec pursuant to the occurrence of certain events as set forth in the Evotec collaboration agreement (the "Evotec Agreement"). Under the terms of the Evotec Agreement, the preclinical development program(s) will be jointly funded up to IND submission with the Company's share of potential costs capped at a maximum of approximately US$25 million. The Evotec Agreement is cancellable by the Company with notice, subject to certain terms and conditions. iPSC Program costs of US$3,477,200 ($4,697,956) were incurred during the three months ended January 31, 2023 (2022 – $nil). The amount of joint iPSC Program costs originally incurred by Evotec and subsequently recharged to the Company was recorded in research and development expenses in the consolidated statement of loss, and the reimbursement of iPSC Program costs originally incurred by the Company was recorded as a reduction of research and development expenses in the consolidated statement of loss.

The Company enters into contracts in the normal course of business, including for research and development activities, consulting and other services. As at January 31, 2023, the Company has commitments totaling approximately $4,088,000, of which approximately $2,568,000 is expected to be paid over the next twelve months. The majority of these contracts are cancellable by the Company with notice. In addition, the Company has minimum annual royalty payment obligations of approximately $30,000 for third party licensing agreements.

7. COMMITMENTS AND CONTINGENCIES (cont'd…)

Effective September 1, 2021, the Company entered into a two-year lease for both its existing office premises and lab facilities and additional office space at a rate of $14,000 per month, with a 2% increase on the anniversary of the lease agreement. Under the terms of the lease, the Company has an option to extend the lease term for an additional twelve months, up to August 31, 2024. As of January 31, 2023, remaining undiscounted lease payment obligations total $274,747 assuming the Company exercises its option, of which $172,788 is payable over the next twelve months.

8. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss by the weighted average number of shares outstanding during the reporting period. The effect of any potential exercise of stock options and common share purchase warrants and settlement of DSUs has been excluded from the calculation of diluted loss per share as it would be anti-dilutive.

9. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, marketable securities, amounts receivable, accounts payable and accrued liabilities. With all financial instruments being short-term in nature, their carrying values approximate fair values. Marketable securities, which primarily include guaranteed investment certificates held by the Company, are valued at amortized cost.

Financial risk factors

The Company's risk exposures and impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk is the risk of loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and marketable securities, in excess of insured amounts, held or invested at financial institutions including Canadian chartered banks and financial service firms. Management actively reviews the risk of the financial institutions and or the counterparty to the underlying financial instruments held failing to meet its obligations and adjusts the Company's marketable securities investments if and when any undue risk is identified. Amounts receivable at January 31, 2023 are composed of amounts due from Canadian federal government agencies and international industry collaborators with full collection expected.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is a development stage company and is reliant on external fundraising to support its operations. Once funds have been raised, the Company manages its liquidity risk by investing its cash resources in high interest savings accounts or marketable securities to provide regular cash flow for its operations and monitoring actual and projected cash flows. At January 31, 2023, the Company had working capital of $39,272,420 (October 31, 2022– $46,350,475).

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds its cash in bank accounts and manages its interest rate risk by holding cash in high yield savings accounts or highly liquid short-term investments. With recent increases in global interest rates and higher average investment balances, interest income is becoming more significant to the Company's projected operational budget although rate fluctuations are not significant to the Company's risk assessment. A change in one hundred basis points in the interest rate on marketable securities held at January 31, 2023 would have an impact on interest income of approximately $220,440 on an annualized basis.

9. FINANCIAL RISK MANAGEMENT (cont'd…)

(d) Foreign currency risk

Foreign currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign currency risk on fluctuations in foreign exchange rates for any cash, amounts receivable, accounts payable and accrued liabilities and grant contributions that are denominated in foreign currencies. The Company's foreign currency risk is primarily related to expenses denominated in US dollars. Fluctuations in the US dollar exchange rate could have a significant impact on the Company's results. Assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase or decrease in loss and comprehensive loss for the three months ended January 31, 2023 of $122,243 (October 31 2022 – $224,523).

Balances in US dollars are as follows:

	As at January 31, 2023	As at October 31, 2022
Cash	$ 2,993,031	$ 261,909
Amounts receivable	–	329,700
Accounts payable and accrued liabilities	(4,215,459)	(2,836,838)
	$ (1,222,428)	$ (2,245,229)

10. EVENTS AFTER THE REPORTING PERIOD

On March 1, 2023, 20,136,918 common share purchase warrants, representing all warrants outstanding, expired unexercised.