SERNOVA CORP.

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
JULY 31, 2024 AND 2023

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

	Note	**As at July 31, 2024**	As at October 31, 2023
ASSETS			
Current assets			
Cash		**$ 5,019,204**	$ 8,721,835
Marketable securities		**–**	11,084,000
Amounts receivable		**497,391**	1,052,991
Prepaid expenses and other assets		**710,989**	164,664
Total current assets		**6,227,584**	21,023,490
Non-current assets			
Deposits		**223,860**	259,164
Property and equipment, net		**331,099**	393,224
Intangible assets, net		**106,694**	316,719
Right-of-use asset, net	4	**566,591**	114,218
Total non-current assets		**1,228,244**	1,083,325
TOTAL ASSETS		**$ 7,455,828**	$ 22,106,815
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**$ 19,412,231**	$ 9,456,157
Lease liabilities	4	**96,875**	136,123
Total current liabilities		**19,509,106**	9,592,280
Non-current liabilities			
Lease liabilities	4	**495,355**	–
Total liabilities		**20,004,461**	9,592,280
SHAREHOLDERS' EQUITY (DEFICIT)			
Common shares	5	**111,285,366**	110,987,766
Contributed surplus	5	**21,557,031**	19,693,776
Deficit		**(145,391,030)**	(118,167,007)
Total shareholders' equity (deficit)		**(12,548,633)**	12,514,535
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		**$ 7,455,828**	$ 22,106,815

Commitments and Contingencies (Note 8)
Going concern (Note 2(c))
Events After the Reporting Period (Note 11)

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)

		Three months ended July 31,		Nine months ended July 31,	
	Note	**2024**	2023	**2024**	2023
EXPENSES					
Research and development	7	**$ 5,022,643**	$ 8,427,684	**$ 19,972,664**	$ 22,366,685
General and administrative	7	**2,131,561**	1,845,980	**7,007,739**	6,323,313
Total expenses		**7,154,204**	10,273,664	**26,980,403**	28,689,998
OTHER EXPENSE (INCOME)					
Interest income		**(55,636)**	(340,258)	**(337,295)**	(1,204,914)
Finance costs		**355,475**	7,395	**387,119**	26,029
Foreign exchange loss (gain)		**83,397**	(9,097)	**212,658**	(217,251)
Gain on disposal of right-of-use asset and lease liabilities		**–**	–	**(18,862)**	–
Net other expense (income)		**383,236**	(341,960)	**243,620**	(1,396,136)
LOSS AND COMPREHENSIVE LOSS		**$ 7,537,440**	$ 9,931,704	**$ 27,224,023**	$ 27,293,862
Basic and diluted loss per common share	9	**$ 0.02**	$ 0.03	**$ 0.09**	$ 0.09
Weighted average number of common shares outstanding – basic and diluted		**303,592,632**	303,332,686	**303,442,686**	303,332,686

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	**Nine months ended July 31, 2024**	Nine months ended July 31, 2023
OPERATING ACTIVITIES			
Loss for the period		**$ (27,224,023)**	$ (27,293,862)
Adjustments for items not affecting cash:			
Amortization and depreciation		**369,827**	325,216
Share-based compensation	5	**2,145,105**	2,953,465
Research collaboration advances recognized as cost recoveries	8	**–**	(195,986)
Interest income accrued on marketable securities		**–**	(221,770)
Interest on lease liabilities	4	**52,119**	26,029
Gain on disposal of right-of-use asset and lease liabilities	8	**(18,862)**	–
Changes in non-cash working capital balances:			
Amounts receivable		**294,178**	394,991
Prepaid expenses		**(546,325)**	(33,732)
Accounts payable and accrued liabilities		**9,956,074**	5,057,944
Cash used in operating activities		**(14,971,907)**	(18,987,705)
INVESTING ACTIVITIES			
Purchase of marketable securities		**–**	(17,878,250)
Redemption of marketable securities		**11,084,000**	50,618,177
Deposits		**35,304**	(35,304)
Purchase of property and equipment		**–**	(99,259)
Cash provided by investing activities		**11,119,304**	32,605,364
FINANCING ACTIVITIES			
Grant contribution receipts	8	**261,422**	347,908
Research collaboration advances	8	**–**	165,222
Proceeds from exercise of stock options	5	**15,750**	–
Lease liabilities payments	4	**(127,200)**	(128,520)
Cash provided by financing activities		**149,972**	384,610
Net increase (decrease) cash during the period		**(3,702,631)**	14,002,269
Cash, beginning of period		**8,721,835**	3,776,054
CASH, END OF PERIOD		**$ 5,019,204**	$ 17,778,323
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Income taxes paid		**$ –**	$ –
Interest received		**$ 677,208**	$ 1,351,696
Right-of-use asset additions		**$ 641,424**	$ –

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 5)		(Note 5)	(Note 5)		
Balance, October 31, 2023	303,332,686	$ 110,987,766	$ –	$ 19,693,776	$(118,167,007)	$ 12,514,535
Loss and comprehensive loss for the period	–	–	–	–	(27,224,023)	(27,224,023)
Transactions with owners of the Company, recognized directly in equity:						
Exercise of stock options	75,000	27,000	–	(11,250)	–	15,750
Equity settled DSUs	205,000	270,600	–	(270,600)	–	–
Share-based compensation	–	–	–	2,145,105	–	2,145,105
Balance, July 31, 2024	**303,612,686**	**$ 111,285,366**	**$ –**	**$ 21,557,031**	**$(145,391,030)**	**$ (12,548,633)**
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	–	–	–	–	(27,293,862)	(27,293,862)
Transactions with owners of the Company, recognized directly in equity:						
Expiry of warrants			(3,296,332)	3,296,332	–	–
Share-based compensation	–	–	–	2,953,465	–	2,953,465
Balance, July 31, 2023	303,332,686	$ 110,987,766	$ –	$ 18,743,851	$ (106,463,349)	$ 23,268,268

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™ platform and associated technologies, including Cell Pouch™ and immune-protected therapeutic cells. The Cell Pouch™ is a scalable, implantable medical device designed to create a highly vascularized organ-like environment for the transplantation and engraftment of therapeutic cells, which then release proteins, hormones or other factors into the bloodstream for the long-term treatment of multiple chronic diseases such as type 1 diabetes, hypothyroid disease, and rare diseases such as hemophilia A.

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. The Company's common shares are listed and trade on the Toronto Stock Exchange (the "Exchange") under the symbol SVA. 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 IFRS Accounting Standards ("IFRS"), and are in compliance with International Accounting Standard ("IAS") *34 Interim Financial Reporting* 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 Audit Committee of the Board of Directors on September 16, 2024.

(b) Basis of measurement

These interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Sernova (US) Corp. The financial statements of the subsidiary are prepared for the same reporting period as the Company using consistent accounting policies. Intercompany transactions, balances and gains and losses on transactions between the Company and its subsidiary are eliminated.

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

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

(c) Going concern

These interim condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred losses and generated negative cashflow since inception. A loss and comprehensive loss of $27,224,023 was incurred during the nine months ended July 31, 2024 (2023 – $27,293,862). As at July 31, 2024, the Company had an accumulated deficit of $145,391,030 (October 31, 2023 – $118,167,007) and a working capital deficit of $13,281,522 (October 31, 2023 – working capital of $11,431,210). As at July 31, 2024, the working capital deficit included $16,003,979 (October 31 2023 - $5,502,908) owing to one vendor. For the nine months ended July 31, 2024, the Company generated negative cashflow from operations of $14,971,907 (2023 – $18,987,705).

2. BASIS OF PRESENTATION (cont'd…)

(c) Going concern (cont'd…)

Until the Company's biotechnology therapeutic products are approved and available for sale and profitable operations are developed, the Company's liquidity requirements will be dependent on its ability to continue to secure additional funding to meet its current short term financial obligations and to fund research and development expenditures. Failure to do so could have a material adverse effect on the Company's financial condition.

The Company expects to incur further losses in the development and commercialization of its proprietary Cell Pouch System™ platform and associated technologies for the foreseeable future and forecasts that in the next twelve months it will need to successfully complete certain strategic initiatives to continue as a going concern and meet its ongoing expenditures and obligations.

The planned strategic initiatives include seeking additional funding through sources such as equity financings, loans, or strategic alliances, and negotiating payment terms with a vendor comprising a significant amount of our amounts payable. While the Company has been successful in securing financing in the past, there can be no assurances that it will be able to do so in the future or that, if it can, the financing can be obtained on favourable terms. Failure to successfully raise additional funding or settle amounts payable may have a significant impact on the Company's ability to continue its planned activities, including its strategic partnership with Evotec (see Note 8 – *Commitments and Contingencies* of these interim condensed consolidated financial statements for further information on the Evotec strategic partnership). Until sufficient financing is obtained, the Company has deferred and reduced planned expenditures. As a result, material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business.

If the going concern assumption was not appropriate for these interim condensed consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses, and the classifications used in the interim condensed consolidated statements of financial position, which could be material. The interim condensed consolidated financial statements do not include adjustments that would be necessary if the going concern assumption was not appropriate.

After the reporting period, the Company closed an oversubscribed non-brokered private placement for gross proceeds of $5,213,025. See Note 11 – *Events After the Reporting Period*.

(d) Use of significant estimates and judgments

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended October 31, 2023.

3. MATERIAL ACCOUNTING POLICIES

The Company's material accounting policies are outlined in the Company's audited consolidated financial statements for the years ended October 31, 2023 and 2022, and have been applied consistently in these interim condensed consolidated financial statements.

(Expressed in Canadian Dollars)

4. RIGHT-OF-USE ASSET AND LEASE LIABILITIES

Right-of-use asset and lease liabilities carrying amounts and changes during the period were as follows:

	Right-of-use asset	Lease liabilities
Balance, October 31, 2022	$ 251,280	$ 275,979
Depreciation	(137,062)	–
Interest expense	–	32,075
Payments	–	(171,931)
Balance, October 31, 2023	114,218	136,123
Derecognition on early termination	(91,374)	(110,236)
Additions	641,424	641,424
Depreciation	(97,677)	–
Interest expense	–	52,119
Payments	–	(127,200)
Balance, July 31, 2024	$ 566,591	$ 592,230

	July 31, 2024	October 31, 2023
Lease liabilities – short term portion	$ 96,875	$ 136,123
Lease liabilities – long term portion	495,355	–
Total lease liabilities	$ 592,230	$ 136,123

5. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares, without par value.

(b) Share capital changes

During the nine months ended July 31, 2024, the Company:

i) received proceeds of $15,750 from the exercise of stock options and the corresponding issuance of 75,000 common shares; and

ii) issued 205,000 common shares upon the equity settlement of DSUs.

There were no changes to the Company's share capital during the nine months ended July 31, 2023.

(c) Incentive Plan

The Company initiated its incentive plan in 2015, with the latest amendments thereto approved by shareholders of the Company on April 30, 2024 (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. The total number of common shares available for issuance under the Company's Incentive Plan is 45,511,153. The remaining balance available for grant under the Incentive Plan as of July 31, 2024, is 11,647,968 which is reserved for the issuance of stock options.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (cont'd…)

(c) Incentive Plan (cont'd…)

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 no less than the price pursuant to the policies of the Exchange.

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

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance outstanding, beginning of period	30,074,182	$ 0.92	22,245,984	$ 0.92
Granted	3,296,500	0.34	5,999,047	1.05
Exercised	(75,000)	(0.21)	–	–
Forfeited	(1,561,508)	(1.18)	(860,434)	(1.19)
Cancelled	(5,623,255)	(1.15)	(325,000)	(0.58)
Balance outstanding, end of period	26,110,919	$ 0.79	27,059,597	$ 0.94
Options exercisable, end of period	18,573,976	$ 0.84	19,339,826	$ 0.85

Stock options outstanding by range of exercise prices as at July 31, 2024:

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 $ 0.31	10,201,500	3.77	$ 0.25	7,305,000	$ 0.23
$ 0.65 to $ 0.96	5,718,000	7.33	0.83	1,583,378	0.86
$ 1.18 to $ 1.32	10,191,419	1.07	1.30	9,685,598	1.31
$ 0.21 to $ 1.32	26,110,919	3.50	$ 0.79	18,573,976	$ 0.84

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

The Black-Scholes option pricing 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 and volatility 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.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (cont'd…)

(c) Incentive Plan (cont'd…)

For the stock options granted during the nine months ended July 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:

	2024	2023
Dividend yield	0%	0%
Expected volatility	81.0%	85.8%
Risk free interest rate	3.4%	1.7%
Expected life of options	5.1 years	4.8 years

For the nine months ended July 31, 2024 and 2023, the Company issued stock options with weighted average grant date fair values of $0.19 and $0.61 per stock option, respectively.

During the nine months ended July 31, 2024, the terms of 1,548,302 options were modified to be fully vested on an accelerated basis. The modification resulted in the accelerated recognition of $949,098 of share-based compensation expense in the period, but no incremental fair value recognition.

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, it has been accounted for as an equity-settled plan. During the three and nine months ended July 31, 2024, 205,000 DSUs were equity settled (2023 – nil). There were no DSUs granted or cancelled during the nine months ended July 31, 2024 and 2023. DSUs have generally vested over a three-year period after the date of grant.

As at July 31, 2024, a total of 5,305,001 DSUs were outstanding (October 31, 2023 – 5,510,001) of which 5,283,335 had vested (October 31, 2023 – 5,455,836).

6. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are the Directors, Executive Chairman, Executive Officers and Vice Presidents. 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. For the nine months ended July 31, 2024, compensation to key management personnel includes termination benefits of $400,000. Included in accounts payable and accrued liabilities at July 31, 2024, was $525,331 due to key management personnel (October 31, 2023 – $662,261).

Compensation to key management personnel for the reporting period:

	Three months ended July 31,		Nine months ended July 31,	
	2024	2023	2024	2023
Personnel costs	$ 585,633	$ 455,588	$ 2,224,671	$ 1,177,269
Director fees and costs	63,394	90,670	223,614	273,753
Share-based compensation	451,025	894,905	1,987,725	2,538,089
	$ 1,100,052	$ 1,441,163	$ 4,436,010	$ 3,989,111

(Expressed in Canadian Dollars)

7. STATEMENTS OF LOSS AND COMPREHENSIVE LOSS SUPPLEMENTARY INFORMATION

Research and Development Expenses

	Three months ended July 31,		Nine months ended July 31,	
	2024	2023	2024	2023
Personnel costs	$ 770,999	$ 679,452	$ 2,601,383	$ 1,873,423
Research and clinical development	3,494,755	7,002,586	14,917,630	18,254,704
Manufacturing costs	88,085	213,621	284,462	483,016
Patent fees and costs	49,734	78,484	182,458	336,648
Other costs	122,714	109,120	323,742	317,887
Amortization and depreciation	154,893	101,668	345,853	302,044
Share-based compensation - options	238,721	436,647	1,334,394	1,159,949
	4,919,901	8,621,578	19,989,922	22,727,671
Grants, contributions and tax credits	102,742	(193,894)	(17,258)	(360,986)
Total research and development expenses	$ 5,022,643	$ 8,427,684	$ 19,972,664	$ 22,366,685

General and Administrative Expenses

	Three months ended July 31,		Nine months ended July 31,	
	2024	2023	2024	2023
Personnel costs	$ 362,730	$ 298,305	$ 1,277,734	$ 1,052,735
Consulting and professional fees	1,026,385	292,212	2,843,623	663,991
Director fees and expenses	69,612	114,713	241,452	335,901
Investor relations and corporate communications	217,363	347,351	988,493	1,044,877
Public company expenses	49,498	14,710	263,117	955,359
Insurance and other costs	144,469	134,387	558,635	453,762
Depreciation	7,893	7,911	23,974	23,172
Share-based compensation - DSUs	5,031	157,664	25,950	554,021
Share-based compensation - options	248,580	478,727	784,761	1,239,495
Total general and administrative expenses	$ 2,131,561	$ 1,845,980	$ 7,007,739	$ 6,323,313

8. COMMITMENTS AND CONTINGENCIES

The Company was previously awarded a US$2.45 million (approximately $3.39 million) grant under an agreement with Breakthrough T1D (formerly JDRF). The grant supports a Phase I\II 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. Contributions relating to milestone achievements totaling US$49,998 ($68,384) were earned during the three and nine months ended July 31, 2024 (2023 – US$98,430 ($129,701)). All milestone achievements under this agreement have been reached and the full amount of the grant has been earned as of July 31, 2024. The Company is required to pay royalties to Breakthrough T1D 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 Breakthrough T1D grant funding received. A bonus amount equal to the total amount of grant funding received is also payable to Breakthrough T1D 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.

8. COMMITMENTS AND CONTINGENCIES (cont'd…)

In May 2022, the Company entered into a strategic partnership with Evotec 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 will be jointly funded up to IND submission with the Company's share of costs originally anticipated to be approximately US$25.0 million ($34.5 million). The latest project costs forecast provided by Evotec are under review by the Company. It is anticipated the total project cost and the Company's commitment portion will increase. The Evotec Agreement is cancellable by the Company with notice, subject to certain terms and conditions. iPSC Program costs of US$1,661,043 ($2,275,063) and US$8,089,831 ($10,967,953) were incurred during the three and nine months ended July 31, 2024, respectively (2023 – US$3,373,669 ($4,463,816) and US$9,711,484 ($13,024,501), respectively). 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 July 31, 2024, the Company has commitments totaling approximately $5,650,000, of which approximately $1,839,000 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 $33,000 for third party licensing agreements.

Effective December 31, 2023, the Company terminated its lease for existing office premises and lab space which resulted in a gain on disposal of right-of-use asset and lease liabilities of $18,862 upon derecognition of the right-of-use asset and lease liability. Effective January 1, 2024, the Company entered into a successor three-year lease for office premises and lab space at the same facility at a rate of $14,010 per month, with a 3% increase on the anniversary of the lease agreement. Under the terms of the lease, the Company has two option periods to extend the lease term for an additional twelve months each, up to December 31, 2028. As of July 31, 2024, remaining undiscounted lease payment obligations total $794,490 assuming the Company exercises both options, of which $171,060 is payable over the next twelve months.

9. 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.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 expected credit losses if and when any undue risk is identified. Amounts receivable at July 31, 2024 are composed of amounts due from Canadian federal government agencies and 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. As at July 31, 2024, the Company had a working capital deficit of $13,281,522 (October 31, 2023 – working capital of $11,431,210). Additional financing is required for the Company to meet its short-term financial obligations, see Note 2(c) – *Going Concern*.

(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. Interest income is not significant to the Company's projected operational budget and rate fluctuations are not significant to the Company's risk assessment. Certain amounts in arrears due to a vendor are subject to a variable rate of interest.

(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 nine months ended July 31, 2024 of $1,789,024 (October 31, 2023 – $232,933).

Balances in US dollars are as follows:

	As at July 31, 2024	As at October 31, 2023
Cash	$ 611,259	$ 3,288,063
Amounts receivable	–	140,580
Accounts payable and accrued liabilities	(13,566,753)	(5,757,977)
	$ (12,955,494)	$ (2,329,334)

11. EVENTS AFTER THE REPORTING PERIOD

On September 3, 2024, the Company closed an over-subscribed non-brokered private placement issuing 20,852,100 units, at $0.25 per unit, for gross proceeds of $5,213,025. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one common share at any time for 18 months, subject to acceleration, at a price of $0.30.