SERNOVA CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
OCTOBER 31, 2024 AND 2023

KPMG LLP
1400-140 Fullarton Street
London, ON N6A 5P2
Canada
Tel 519-672-4880
Fax 519-672-5684

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sernova Corp.

Opinion

We have audited the consolidated financial statements of Sernova Corp. (the Entity), which comprise:

- the consolidated statements of financial position as at October 31, 2024 and October 31, 2023
- the consolidated statements of operations and comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 31, 2024 and October 31, 2023, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the financial statements, which indicates that the Entity has incurred losses and has generated negative cash flows since inception, and has a working capital deficit (current liabilities in excess of current assets) of $13,545,915 as at October 31, 2024.

The Entity forecasts that it will need to successfully complete certain strategic financing initiatives before March 2025 to continue as a going concern and cover its planned research and development expenditures and financial obligations. There can be no assurance that the Entity will be able to secure financing in the future or that financing can be obtained on favourable terms.

As stated in Note 2(c) in the financial statements, these events or conditions, along with other matters as set forth in Note 2(c) in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended October 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "***Material Uncertainty related to Going Concern***" section of the auditor's report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of accrued expenses related to research and development costs

Description of the matter

We draw attention to Note 2(d), Note 3(f) and Note 8 to the financial statements.

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred.

The Entity's accrued expenses related to research and development (R&D) costs outsourced to third-party contract service providers are included in the accounts payable and accrued liabilities balance of $19,914,007. The amount of expense recognized in a period for third-party contract service providers is based on the work performed using the accrual basis of accounting. The Entity's third-party contract service providers generally provide information of cost incurred and services performed to enable the Entity to determine the appropriate accrual at period end. The accrued expenses related to R&D costs at period end reflects the Entity's assessment of third-party information and status of R&D activities and applicable costs for services completed at period end based on a number of factors, including the Entity's knowledge of the R&D programs and associated timelines and the terms and conditions in the contractual arrangements.

Why the matter is a key audit matter

We identified the evaluation of accrued expenses related to R&D costs as a key audit matter. The matter represented an area of significant risk of material misstatement given the high degree of management judgment in determining the completeness and accuracy of certain accrued expenses related to R&D costs and significant auditor judgment and effort was required in evaluating the results of our audit procedures due to the Entity's significant judgments.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We compared a selection of accrued expenses related to R&D costs to invoices, third-party contracts, and communications.
- We tested a selection of subsequent payments to third-party contract service providers as part of our search for unrecorded liabilities.
- We obtained external confirmations from a selection of third-party contract service providers and compared the responses to management's accrued expenses.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Ian Jeffreys.

London, Canada
December 23, 2024

SERNOVA CORP.
Consolidated Statements of Financial Position
(In Canadian Dollars)

	Note	**October 31, 2024**	October 31, 2023
Assets			
Current assets			
Cash		$ 6,012,274	$ 8,721,835
Marketable securities		–	11,084,000
Amounts receivable	4	298,104	1,052,991
Prepaid expenses and other assets		159,170	164,664
Total current assets		6,469,548	21,023,490
Non-current assets			
Deposits		223,860	259,164
Equipment, net	5	299,411	393,224
Intangible assets, net	6	–	316,719
Right-of-use asset, net	7	534,520	114,218
Total non-current assets		1,057,791	1,083,325
Total assets		$ 7,527,339	$ 22,106,815
Liabilities and shareholders' equity (deficit)			
Current liabilities			
Accounts payable and accrued liabilities	8	$ 19,914,007	$ 9,456,157
Lease liabilities	7	101,456	136,123
Total current liabilities		20,015,463	9,592,280
Non-current liabilities			
Lease liabilities	7	468,484	–
Total liabilities		20,483,947	9,592,280
Shareholders' equity (deficit)			
Common shares, no par value; unlimited authorized; 325,324,786 and 303,332,686 shares issued and outstanding, as of October 31, 2024 and 2023, respectively	9	116,679,651	110,987,766
Warrants	9	34,421	–
Contributed surplus	9	20,688,462	19,693,776
Deficit		(150,359,142)	(118,167,007)
Total shareholders' equity (deficit)		(12,956,608)	12,514,535
Total liabilities and shareholders' equity (deficit)		$ 7,527,339	$ 22,106,815

Going concern (Note 2(c))
Commitments and Contingencies (Note 12)

On behalf of the Board of Directors

"Steven Sangha" Director ***"Jonathan Rigby"*** Director

See accompanying notes to the consolidated financial statements.

SERNOVA CORP.
Consolidated Statements of Operations and Comprehensive Loss
(In Canadian Dollars)

	Note	**Year ended October 31, 2024**	Year ended October 31, 2023
Operating expenses			
Research and development	11	$ 22,690,650	$ 32,042,533
General and administrative	11	8,973,092	8,459,060
Total operating expenses		31,663,742	40,501,593
Other expense (income)			
Interest income		(388,391)	(1,500,222)
Finance costs		586,858	32,075
Foreign exchange loss (gain)		341,788	(35,926)
Gain on disposal of right-of-use asset and lease liabilities	7	(18,862)	–
Net other expense (income)		521,393	(1,504,073)
Net loss before income taxes		$ 32,185,135	$ 38,997,520
Current income tax expense	13	7,000	–
Net loss and comprehensive loss		$ 32,192,135	$ 38,997,520
Basic and diluted net loss per common share	14	$ 0.10	$ 0.13
Weighted average number of common shares outstanding – basic and diluted		306,954,330	303,332,686

See accompanying notes to the consolidated financial statements.

SERNOVA CORP.
Consolidated Statements of Changes in Equity
(In Canadian Dollars)

	Common Shares		Warrants	Contributed Surplus	Deficit	Total
	(Note 9)		(Note 9)	(Note 9)		
Balance, October 31, 2023	303,332,686	$ 110,987,766	$ –	$ 19,693,776	$(118,167,007)	$ 12,514,535
Net loss	–	–	–	–	(32,192,135)	(32,192,135)
Issuance of units in private placement, net of issuance costs	20,852,100	4,925,085	34,421	–	–	4,959,506
Issuance of common shares upon exercise of stock options	75,000	27,000	–	(11,250)	–	15,750
Issuance of common shares in settlement of deferred share units	1,065,000	739,800	–	(739,800)	–	–
Share-based compensation	–	–	–	1,745,736	–	1,745,736
Balance, October 31, 2024	325,324,786	$ 116,679,651	$ 34,421	$ 20,688,462	$(150,359,142)	$ (12,956,608)
Balance, October 31, 2022	303,332,686	$ 110,987,766	$ 3,296,332	$ 12,494,054	$ (79,169,487)	$ 47,608,665
Net loss	–	–	–	–	(38,997,520)	(38,997,520)
Expiry of warrants			(3,296,332)	3,296,332	–	–
Share-based compensation	–	–	–	3,903,390	–	3,903,390
Balance, October 31, 2023	303,332,686	$ 110,987,766	$ –	$ 19,693,776	$(118,167,007)	$ 12,514,535

See accompanying notes to the consolidated financial statements.

SERNOVA CORP.
Consolidated Statements of Cash Flows
(In Canadian Dollars)

	Note	**Year ended October 31, 2024**	Year ended October 31, 2023
Cash flows from operating activities			
Net loss		$ (32,192,135)	$ (38,997,520)
Adjustments for items not affecting cash:			
Amortization and depreciation		540,280	445,551
Share-based compensation	9	1,745,736	3,903,390
Grants and contributions recognized	12	(68,384)	(326,932)
Research collaboration advances recognized as cost recoveries	12	(135,097)	(62,092)
Interest income accrued on marketable securities		–	(319,386)
Interest on lease liabilities	7	71,859	32,075
Gain on disposal of right-of-use asset and lease liabilities	12	(18,862)	–
Changes in non-cash working capital balances:			
Amounts receivable	4	561,849	229,699
Prepaid expenses		5,494	3,348
Accounts payable and accrued liabilities	8	10,592,947	4,752,750
Net cash used in operating activities		(18,896,313)	(30,339,117)
Cash flows from investing activities			
Purchase of marketable securities		–	(18,051,750)
Redemption of marketable securities		11,084,000	52,967,750
Deposits		35,304	(35,304)
Purchase of equipment		–	(99,259)
Net cash provided by investing activities		11,119,304	34,781,437
Cash flows from financing activities			
Proceeds from private placement of shares, net	9	4,959,506	–
Grant contribution receipts	12	261,422	510,170
Research collaboration advances	12	–	165,222
Proceeds from exercise of stock options	9	15,750	–
Lease liabilities payments	7	(169,230)	(171,931)
Net cash provided by financing activities		5,067,448	503,461
Net (decrease) increase in cash		(2,709,561)	4,945,781
Cash, beginning of year		8,721,835	3,776,054
Cash, end of year		$ 6,012,274	$ 8,721,835
Supplemental cash flow disclosures:			
Income taxes paid		$ –	$ –
Interest received		$ 723,947	$ 1,527,328
Right-of-use asset additions		$ 641,424	$ –

See accompanying notes to the consolidated financial statements.

1. Nature of Operations

Sernova Corp. (the "Company") is a clinical-stage biotechnology company focused on advancing regenerative medicine in the treatment of chronic diseases. The Company's primary asset is its proprietary Cell Pouch, a bio-hybrid organ system which is designed to enhance the delivery of cell therapy to better replicate natural body functions. The Cell Pouch creates a vascularized, organ-like environment that promotes the longevity and functionality of therapeutic cells and ensures containment for retrievability.

Sernova Corp. is governed federally under the Canada Business Corporations Act. The Company's head office is located in London, Ontario and its common shares are listed on the Toronto Stock Exchange (the "Exchange"), the OTCQB Venture Market and on Xetra.

2. Basis of Presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors on December 23, 2024.

(b) Basis of measurement

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

(c) Going concern

These consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred losses and generated negative cashflows since inception. A net loss and comprehensive loss of $32,192,135 was incurred during the year ended October 31, 2024 (2023 – $38,997,520). As at October 31, 2024, the Company had an accumulated deficit of $150,359,142 and a working capital deficit (current liabilities in excess of current assets) of $13,545,915. As at October 31, 2024, the working capital deficit included $15,482,016 (US$11,125,335) in arrears included in accounts payable to one vendor for which the Company has negotiated a payment plan to be paid in full by the end of December 2025, which includes a contractual minimum monthly payment of US$250,000 (approximately $347,900). For the year ended October 31, 2024, the Company generated negative cashflow from operations of $18,896,313 (2023 – $30,339,117).

Until the Company's 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 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. 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.

2. BASIS OF PRESENTATION (cont'd…)

(c) Going concern (cont'd…)

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 it will need to successfully complete certain strategic financing initiatives before March 2025 to continue as a going concern and cover its planned research and development expenditures and financial obligations.

The planned strategic financing initiatives include seeking additional funding through sources such as equity financings, loans, or strategic alliances. While the Company has been successful in securing financing in the past, there can be no assurance that it will be able to secure financing in the future or that financing can be obtained on favourable terms. Failure to successfully raise additional funding or settle amounts payable would have a significant impact on the Company's ability to continue its operations. Until sufficient financing is obtained, the Company has deferred and reduced planned expenditures.

If the going concern assumption was not appropriate for these 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 consolidated statements of financial position, which could be material. The consolidated financial statements do not include adjustments that would be necessary if the going concern assumption was not appropriate.

(d) Use of significant estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, expenses and cost recoveries. The reported amounts and note disclosures reflect management's best estimate of the most probable set of economic conditions and planned course of actions. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Management has applied significant estimates and judgements to the following:

Going concern
The Company's assessment of its ability to continue as a going concern requires judgments about whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Management has determined that the use of the going concern basis of accounting is appropriate and has disclosed material uncertainties in note 2(c).

Estimated useful life of long-lived assets
Judgement is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Valuation of share-based payments, compensation and warrants
The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model ("Black-Scholes Model"), as well as other pricing models for equity instruments involving compound options. An estimate requires determining the most appropriate data inputs for the relevant valuation model, including the expected option life, share price volatility, risk-free interest rate and dividend yield, and application of a forfeiture rate as applicable. Changes in these subjective data input assumptions can materially affect the fair value estimate for share-based compensation and warrants.

2. BASIS OF PRESENTATION (cont'd…)

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

Accrued expenses related to research and development costs
The Company's determination of accrued research and development (R&D) costs at each reporting period requires significant judgement, as estimates are based on a number of factors, including Management's knowledge of the R&D programs and associated timelines, invoicing to date from third-party contract service providers, and the terms and conditions in the contractual arrangements. The completeness and accuracy of accrued expenses related to R&D costs are subject to risk of estimation uncertainty related to services having been received where invoices are not received from third parties in a timely manner prior to the issuance of the audited consolidated financial statements. If the actual timing of the performance of services or the level of effort varies from the estimate, the Company will adjust R&D expenses in subsequent periods.

3. MATERIAL ACCOUNTING POLICIES

The Company's material accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars as follows: monetary assets and liabilities at the closing rate at the date of the statement of financial position, non-monetary assets at historical rates, and income and expenses at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

(b) Marketable securities

Marketable securities consist of guaranteed investment certificates with a maturity of greater than 90 days and up to one year as at the date of purchase. The Company has valued its marketable securities at amortized cost.

(c) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A right-of-use asset and corresponding lease liability is recognized on the lease commencement date. The right-of-use asset is initially measured at the initial measurement of the lease liability adjusted for any initial direct costs, and lease incentives received before the commencement date and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The lease liability is initially measured at the present value of fixed lease payments and variable payments that depend on an index or rate, less any lease incentives receivable that are not paid at the commencement date, discounted using the implicit interest rate in the lease or, if the rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its estimated incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in estimate of the amount expected to be payable under a residual value guarantee, changes in the assessment of whether a purchase, extension or termination option is reasonably certain to be exercised, or if the underlying lease contract is amended. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. MATERIAL ACCOUNTING POLICIES (cont'd...)

(c) Leases (cont'd…)

The Company has elected not to separate fixed non-lease components from lease components and instead accounts for both components as a single lease component. The Company also does not recognize right-of-use assets and lease liabilities for short-term leases with a term of twelve months or less, lease payments for these leases are recorded as an expense over the lease term.

(d) Provisions

Provisions are recognized when a present legal, statutory or constructive obligation exists as a result of past events where it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, if the effect is material, its carrying amount is the present value of those cash flows.

(e) Government assistance

Government assistance, consisting of investment tax credits and or grants, is recognized as a reduction of the related expense or cost of the asset acquired. Government assistance is recognized when there is reasonable assurance that the assistance will be received, and any attached conditions will be complied with.

Research grants that compensate the Company for expenses incurred are recognized in the statement of operations and comprehensive loss as a reduction thereof on a systematic basis in the same period in which the expenses are recognized. Research grants that compensate the Company for the cost of an asset are recognized in the statement of operations and comprehensive loss on a systematic basis over the expected useful life of the asset.

(f) Research and development costs

Expenditures on R&D activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. R&D expenses include all direct and indirect operating expenses supporting the products in development and clinical trials, less the recognition of any cost recoveries from industry collaborators. The Company outsources a significant portion of its R&D activities to third-party contract service providers. Third-party costs include those related to preclinical research, clinical trial activities and product manufacturing. Clinical trial activities expenses include investigator fees, clinical site costs, contract research organization fees and other related costs. The amount of expense recognized in a period for third-party contract service providers is based on the work performed using the accrual basis of accounting. The Company's third-party contract service providers generally provide information of services performed to enable the Company to determine the appropriate accrual at period end. The accrued expenses related to R&D costs at period end reflects the Company's assessment of third-party information and its best estimate of the status of R&D activities and applicable costs for services completed at period end. Any changes to the estimates could have a significant impact on the accruals for R&D activities recorded. If the actual timing of services provided or level of effort varies from the Company's estimates, R&D expense and accrued liabilities are adjusted accordingly on a prospective basis.

(g) Share-based payments and compensation

The Company may grant stock options to its directors, officers, employees and consultants and previously granted deferred share units ("DSUs") to directors. The Company records share-based compensation related to stock options using the fair value method using the Black-Scholes option pricing model. The Company records share-based compensation related to DSUs using the fair value of the Company's common shares on the DSU grant date.

3. MATERIAL ACCOUNTING POLICIES (cont'd...)

(g) Share-based payments and compensation (cont'd…)

The grant-date fair value of the stock options and previously granted DSUs are recognized, together with a corresponding increase in contributed surplus, over the period that the performance and or service conditions are fulfilled. The amount recognized as an expense at each reporting date is adjusted to reflect the number of awards for which the related service and non-market conditions are expected to be met at the vesting date.

For equity-settled share-based payment transactions, the Company measures the goods and services received, and the corresponding increase in contributed surplus, directly, at the fair value of goods and services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it measures their value by reference to the fair value of the equity instrument granted.

In conjunction with private placements or brokered financings, the Company may issue compensatory warrants to agents as consideration for services provided. Awards of warrants are accounted for in accordance with the fair value method of accounting and result in share issue costs and a credit to warrants within shareholders' equity when warrants are issued.

(h) Income taxes

Income tax expense comprises current and deferred taxes which are recognized in profit and loss, except to the extent that they relate to items recognized directly in other comprehensive income or in equity.

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities and any adjustment to tax payable in respect of previous years. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the company operates. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of operations and comprehensive loss.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Investment tax credits related to research and development expenditures are recorded as government assistance when there is reasonable assurance they will be collected. Investment tax credits can be subject to government audits, so the amount received by the Company may differ from the amounts recorded.

(i) Loss per share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, DSUs and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options, DSUs and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. The inclusion of the Company's stock options, DSUs and warrants in the computation of diluted loss per share has an anti-dilutive effect on the loss per share and therefore have been excluded from the calculation of diluted loss per share.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

(j) Financial instruments

Classification and Measurement of Financial Instruments

At initial recognition, the Company measures a financial instrument at its fair value plus, in the case of a financial instrument not at fair value through profit (loss), transaction costs that are directly attributable to the acquisition of the financial instrument. Transaction costs of financial instruments carried at fair value through profit (loss) are expensed in profit (loss).

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in which the Company classifies its financial instruments:

- Amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Finance income from these financial instruments is recorded in the consolidated statement of operations and comprehensive loss using the effective interest rate method;
- Fair value through other comprehensive income ("FVOCI"): Financial instruments that are held for collection of contractual cash flows and for selling the financial instruments, where the financial instruments' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in the consolidated statement of operations and comprehensive loss; and
- Fair value through profit (loss) ("FVTPL"): Financial instruments that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit (loss). A gain or loss on a financial instrument that is subsequently measured at fair value through profit (loss) and is not part of a hedging relationship is recognized in income (loss) and presented net in the consolidated statement of operations and comprehensive loss in the period in which it arises.

Financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL. Financial liabilities are subsequently measured as FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as FVTPL if eligible. When the Company's short-term investments include guaranteed investment certificates ("GICs") held, they are measured at amortized cost. The Company generally holds GICs to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Impairment of Financial Assets

Financial assets measured at amortized cost and subject to the expected credit loss model may consist of short-term investments and amounts receivable. Short-term investments at amortized cost are considered to be low risk, and therefore the impairment provision is determined using a twelve-month expected credit loss basis. No impairment in the Company's financial assets was identified as at October 31, 2024.

(k) Valuation of equity units issued

The Company uses the residual fair value method with respect to the measurement of shares and warrants issued as part of units in connection with private placement and brokered financings. The residual method first allocates value to the most readily measurable component based on fair value and then the residual value, if any, to the other component(s) as applicable.

The common share component of the equity units issued in connection with private placement and brokered financings is the more readily measurable component and the last traded market price of the common share has been used to determine its fair value and portion of the equity proceeds. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants within shareholders' equity.

(In Canadian Dollars)

4. Amounts Receivable

	October 31, 2024	October 31, 2023
Grant contributions receivable (Note 12)	$ 39,756	$ 194,998
Tax credits receivable	258,348	538,607
Interest receivable	–	319,386
	$ 298,104	$ 1,052,991

5. Equipment

	Computer and office equipment	Laboratory equipment	Manufacturing equipment	Total
Cost				
Balance, October 31, 2022	$ 124,713	$ 570,653	$ 105,098	$ 800,464
Additions	25,720	7,080	66,459	99,259
Balance, October 31, 2023	150,433	577,733	171,557	899,723
Additions	–	–	–	–
Balance, October 31, 2024	$ 150,433	$ 577,733	$ 171,557	$ 899,723
Accumulated depreciation				
Balance, October 31, 2022	$ 86,625	$ 241,424	$ 69,994	$ 398,043
Depreciation	12,117	76,817	19,522	108,456
Balance, October 31, 2023	98,742	318,241	89,516	506,499
Depreciation	21,936	55,469	16,408	93,813
Balance, October 31, 2024	$ 120,678	$ 373,710	$ 105,924	$ 600,312
Net carrying amounts				
October 31, 2023	$ 51,691	$ 259,492	$ 82,041	$ 393,224
October 31, 2024	$ 29,755	$ 204,023	$ 65,633	$ 299,411

6. Intangible Assets

	Total
Cost	
Balance, October 31, 2022, 2023 and 2024	$ 1,000,165
Accumulated amortization	
Balance, October 31, 2022	$ 483,413
Amortization	200,033
Balance, October 31, 2023	683,446
Amortization	316,719
Balance, October 31, 2024	$ 1,000,165
Net carrying amounts	
October 31, 2023	$ 316,719
October 31, 2024	$ –

(In Canadian Dollars)

7. Right-of-Use Asset and Lease Liabilities

Right-of-use asset and lease liabilities carrying amounts and changes during the years 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	(129,748)	–
Interest expense	–	71,859
Payments	–	(169,230)
Balance, October 31, 2024	$ 534,520	$ 569,940

8. Accounts Payable and Accrued Liabilities

	October 31, 2024	October 31, 2023
Trade and other payables	$ 17,244,417	$ 6,850,693
Accrued liabilities	1,749,910	1,848,190
Research collaboration advances	–	95,013
Due to related parties (Note 10)	919,680	662,261
	$ 19,914,007	$ 9,456,157

9. Share Capital

(a) Authorized

Unlimited number of common shares, without par value.

(b) Share capital changes

During the year ended October 31, 2024, the Company:

i) issued 75,000 common shares on the exercise of stock options receiving proceeds of $15,750;

ii) issued 1,065,000 common shares upon the equity settlement of DSUs.

iii) issued 20,852,100 units at $0.25 per unit for gross proceeds of $5,213,025, before deducting cash offering costs of $253,519 in a non-brokered private placement. Each unit comprises one common share of the Company and one common share purchase warrant. Each common share purchase warrant will be exercisable for one common share at a price of $0.30 per common share for 18 months and is subject to acceleration of the exercise period on 30 days notice to warrant holders in the event that the 20-day volume weighted average price of the Company's common shares exceeds $0.50 per share. No fair value has been assigned to the common share purchase warrants under the residual fair value method.

Non-cash offering costs include the issuance of 404,950 compensation warrants with a fair value of $34,421. The fair value of compensation warrants was determined using the Black-Scholes model based on an exercise price of $0.30 per common share, expected life of 1.5 years, volatility of 67.6% and a risk-free interest rate of 3.4%.

(In Canadian Dollars)

9. Share Capital (cont'd…)

(b) Share capital changes (cont'd…)

There were no issuances of common shares during the year ended October 31, 2023.

(c) Warrants

Warrant activity during the years ended October 31 was as follows:

	2024		2023	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance outstanding, beginning of year	–	$ –	20,136,918	$ 1.67
Expired	–	–	(20,136,918)	(1.67)
Warrants issued in a private placement	20,852,100	0.30		
Compensation warrants issued in a private placement	404,950	0.30	–	–
Balance outstanding, end of year	21,257,050	$ 0.30	–	$ –

(d) Incentive Plan

The Company has an Incentive Plan that was last approved by shareholders on April 30, 2024. 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 Incentive Plan is 45,511,153. The remaining balance available for grant under the Incentive Plan as of October 31, 2024, is 178,729 which is reserved for the issuance of stock options. 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 and typically vest quarterly or annually over periods of up to four years. During the year ended October 31, 2024, 3,036,126 performance-based stock options were granted which will vest over an approximately one year period and only upon achievement of predetermined performance criteria. The exercise price of any stock options granted is no less than the price pursuant to the policies of the Exchange.

During the year ended October 31, 2024, 5,500,000 stock options were granted to officers of the Company that are subject to the approval of the Company's shareholders.

Stock option activity during the years ended October 31 was 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	22,285,984	$ 0.91
Granted	23,728,133	0.27	8,738,613	0.95
Exercised	(75,000)	(0.21)	–	–
Forfeited	(4,798,902)	(0.92)	(612,081)	(1.21)
Cancelled	(5,848,255)	(1.15)	(338,334)	(0.62)
Balance outstanding, end of period	43,080,158	$ 0.53	30,074,182	$ 0.92
Options exercisable, end of period	19,123,750	$ 0.83	20,326,683	$ 0.87

(In Canadian Dollars)

9. Share Capital (cont'd…)

(d) Incentive Plan (cont'd…)

Stock options outstanding by range of exercise prices as at October 31, 2024 are set forth below:

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	30,623,133	7.6	$ 0.26	7,690,547	$ 0.23
$ 0.65 to $ 0.96	2,522,271	4.7	0.88	1,818,026	0.85
$ 1.18 to $ 1.32	9,934,754	0.8	1.30	9,615,177	1.31
$ 0.21 to $ 1.32	43,080,158	5.9	$ 0.53	19,123,750	$ 0.83

The Black-Scholes option pricing model was used to estimate fair value for the purpose of recording share-based compensation expense. Historical data was 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 was 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.

Share-based compensation expense was determined based on the fair value of the stock options on the grant date using the Black-Scholes option pricing model using the following weighted average assumptions:

	2024	2023
Dividend yield	0%	0%
Expected volatility	83.4%	85.5%
Risk free interest rate	3.1%	1.8%
Expected life of options	5.9 years	4.8 years

For the years ended October 31, 2024 and 2023, the Company issued stock options with weighted average grant date fair values of $0.18 and $0.63 per stock option, respectively.

During the year ended October 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, but no incremental fair value recognition.

The 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 after 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 year ended October 31, 2024, 1,065,000 DSUs were equity settled (2023 – nil). There were no DSUs granted or cancelled during the year ended October 31, 2024 and 2023. DSUs have generally vested over a three-year period after the date of grant.

As at October 31, 2024, a total of 4,445,001 DSUs were outstanding (October 31, 2023 – 5,510,001) of which 4,434,168 had vested (October 31, 2023 – 5,455,836).

(In Canadian Dollars)

10. Related Party Transactions

The key management personnel of the Company are the Directors, 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 year ended October 31, 2024, compensation to key management personnel included termination benefits of $1,234,905. Included in accounts payable and accrued liabilities at October 31, 2024, was $919,680 due to key management personnel (October 31, 2023 – $662,261).

Compensation to key management personnel for the reporting period:

	Years ended October 31,	
	2024	2023
Personnel costs	$ 3,448,301	$ 2,233,810
Director fees	284,543	354,152
Share-based compensation	1,570,671	3,536,753
	$ 5,303,515	$ 6,124,715

11. Nature of Expenses

Research and development expenses:

	Years ended October 31,	
	2024	2023
Personnel costs	$ 3,494,963	$ 2,767,778
Research and clinical development	16,378,474	26,296,160
Manufacturing costs	608,795	595,266
Patent fees and costs	360,745	546,657
Other costs	444,687	500,333
Amortization and depreciation	506,188	414,249
Share-based compensation - options	1,071,153	1,551,114
	22,865,005	32,671,557
Grants, contributions and tax credits	(174,355)	(629,024)
Total research and development expenses	$ 22,690,650	$ 32,042,533

General and administrative expenses:

	Years ended October 31,	
	2024	2023
Personnel costs	$ 2,071,760	$ 1,788,360
Consulting and professional fees	3,133,990	840,033
Director fees and expenses	319,043	425,143
Investor relations and corporate communications	1,289,768	1,390,157
Public company expenses	762,025	978,997
Insurance and other costs	687,831	652,792
Depreciation	34,092	31,302
Share-based compensation - DSUs	29,848	564,066
Share-based compensation - options	644,735	1,788,210
Total general and administrative expenses	$ 8,973,092	$ 8,459,060

12. Commitments and Contingencies

The Company was previously awarded a US$2.45 million ($3.41 million) grant under an agreement with Breakthrough T1D (formerly JDRF) that supports its 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. Contributions relating to milestone achievements totaling US$49,998 ($68,384) were earned during the year ended October 31, 2024 (2023 – US$239,010 ($326,932)). All milestone achievements under this agreement have been reached and the full amount of the grant has been earned as of October 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 a 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.

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 make future development milestone and royalty payments to Evotec contingent on the occurrence of certain events, including the Company's exercise of the option, as set forth in the 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 being 75% and Evotec's share being 25%. The initial budgeted cost share for the Company was estimated to be approximately US$25.0 million ($34.8 million). It is now anticipated that the total project cost will be higher. The Evotec Agreement is cancellable by the Company with notice, subject to certain terms and conditions. iPSC Program costs of US$8.6 million ($11.6 million) were incurred during the year ended October 31, 2024 (2023 – US$13.8 million ($18.6 million)). The amount of joint iPSC Program costs originally incurred by Evotec and subsequently recharged to the Company was recorded in research and development expenses, and the reimbursement of iPSC Program costs originally incurred by the Company was recorded as a reduction of research and development expenses.

The Company enters into contracts in the normal course of business, including for research and development activities, consulting and other services. As at October 31, 2024, the Company has commitments totaling approximately $5.5 million, of which approximately $1.8 million is expected to be paid over the next twelve months. The majority of these contracts are cancellable by the Company with notice. The Company has committed to use 10% of future financings to pay certain accounts payable and accrued liabilities. In addition, the Company has minimum annual royalty payment obligations of approximately $34,000 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 October 31, 2024, remaining undiscounted lease payment obligations total $752,460 assuming the Company exercises both options, of which $172,320 is payable over the next twelve months and $580,140 is payable in the following two to five years.

The Company has entered into research collaboration agreements with strategic partners in the ordinary course of operations that may include contractual milestone payments related to the achievement of pre-specified research, development, regulatory and commercialization events and indemnification provisions, which are common in such agreements. Pursuant to the agreements, the Company is obligated to make research and development and regulatory milestone payments upon the occurrence of certain events and royalty payments based on net sales. The maximum amount of potential future indemnification could be unlimited, however, the Company currently holds commercial and product liability insurance that limits the Company's liability and may enable it to recover a portion of any future amounts paid. Historically, the Company has not made any indemnification payments under such agreements and believes that the fair value of these indemnification obligations is minimal. Accordingly, the Company has not recognized any liabilities relating to indemnification obligations.

(In Canadian Dollars)

13. Income Taxes

(a) Unrecognized deferred tax assets

As at October 31, 2024, and 2023, deferred tax assets have not been recognized with respect to the following items:

	2024	2023
Non-capital losses	$ 27,848,000	$ 22,047,000
Tax credits	2,694,000	2,402,000
Tax basis of property, equipment and intangible assets greater than accounting basis	521,000	409,000
Scientific research and experimental development expenditures	3,597,000	3,074,000
Share issue costs and other	317,000	515,000
	$ 34,977,000	$ 28,447,000

As at October 31, 2024, the Company had available research and development expenditures of approximately $13,572,000 (October 31, 2023 - $11,600,000), which may be carried forward indefinitely to reduce future years' taxable income.

As at October 31, 2024, the Company also had available unclaimed research and development tax credits of approximately $3,335,000 (October 31, 2023 - $2,948,000), which are available to reduce future taxes payable, with expiries from 2026 through 2044.

As at October 31, 2024, the Company has other available future tax deductions related to assets and share issuance costs of approximately $3,160,000 (October 31, 2023 - $3,487,000).

The Company's Canadian non-capital tax losses expire as follows:

Years ended October 31,	Amount
2026	$ 355,044
2027	599,000
2028	580,631
2029	353,274
2030	682,246
2031	599,170
2032	992,747
2033	901,738
2034	926,182
2035	1,520,901
2036	1,490,274
2037	1,304,483
2038	2,561,697
2039	2,489,810
2040	3,980,946
2041	6,762,626
2042	16,252,326
2043	33,209,490
2044	29,504,862
	$ 105,067,447

As at October 31, 2024, the Company also had non-capital income tax losses available to offset future taxable income in the United States of approximately $25,000 which do not expire.

(In Canadian Dollars)

13. INCOME TAXES (cont'd…)

(b) Reconciliation of expected and actual income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2024	2023
Loss for the year before income tax	$ (32,185,135)	$ (38,997,520)
Expected income tax recovery at statutory rates	$ (8,529,000)	$ (10,334,000)
Change in statutory tax, foreign tax and foreign exchange rates	69,000	(79,000)
Tax credits	(273,000)	(313,000)
Permanent differences	453,000	1,039,000
Share issue costs	(76,000)	–
Change in unrecognized deductible temporary differences	6,530,000	9,640,000
Application of non-capital losses	(33,000)	–
Expiry of non-capital losses	1,834,000	–
Adjustment to prior year provision versus statutory returns	32,000	47,000
Income tax expense	$ 7,000	$ –

14. Net Loss Per Share

Basic net loss per share is calculated by dividing the net 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 they would be anti-dilutive.

15. Capital Risk Management

The Company's objective when managing capital is to ensure adequate cash resources exist to carry out its operational and strategic plans. The Company includes shareholders' equity and cash in the definition of capital.

The Company has no debt other than accounts payable and accrued liabilities and lease liabilities. As of October 31, 2024, the Company is current with all accounts payable debt obligations. The Company also has commitments relating to the execution of its research and development programs.

In managing the Company's capital, management prepares annual budgets and a multi-year forecast for review and approval by the Board of Directors. The budget establishes the approved activities for the upcoming year and estimates the associated costs. The multi-year forecast estimates future cash requirements to assist with longer-term planning. budget to actual variances are monitored by management and presented quarterly to the Board of Directors.

Funding has been primarily achieved through the issuance of common shares and warrants. Given the Company's clinical stage of development, it is reliant on capital markets to fund its operations. Management regularly monitors the capital markets to balance the timing of issuing additional equity with its progress through its development programs, general market conditions, and the availability of capital. There are no assurances that funds will be made available to the Company when required.

16. Financial Instruments

Fair value

IFRS 13 *Fair Value Measurement* provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those which reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the following three different levels of the fair value hierarchy:

- Level 1: Quoted prices in active markets for identical instruments that are observable
- Level 2: Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable

The Company has classified cash as Level 1.

The Company's financial assets and financial liabilities, including cash, amounts receivable, accounts payable and accrued liabilities, are all short-term in nature and their carrying values approximate fair values.

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, 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 October 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 October 31, 2024, the Company had a working capital deficit of $13,545,915 with accounts payable and accrued liabilities payable within the next twelve months except for amounts owing to one vendor where payment terms extend to the end of December 2025. 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. Amounts in arrears due to a vendor accrue interest at Euribor plus one percent, see Note 2(c) – *Going Concern*.

16. Financial Instruments

(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 US dollar denominated expenses and accounts payable. 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 year ended October 31, 2024 of $1,945,246 (October 31, 2023 – $323,101).

Balances in US dollars are as follows:

	As at October 31, 2024	As at October 31, 2023
Cash	$ 639,778	$ 3,288,063
Amounts receivable	24,270	140,580
Accounts payable and accrued liabilities	(14,642,534)	(5,757,977)
	$ (13,978,486)	$ (2,329,334)