SERNOVA BIOTHERAPEUTICS INC.
(Formerly Sernova Corp.)

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
JANUARY 31, 2025 AND 2024

(Unaudited)

SERNOVA BIOTHERAPEUTICS INC.
(Formerly Sernova Corp.)
Interim Condensed Consolidated Statements of Financial Position
(In Canadian Dollars)
(Unaudited)

	Note	**January 31, 2025**	October 31, 2024
Assets			
Current assets			
Cash		$ 1,207,564	$ 6,012,274
Amounts receivable		373,288	298,104
Prepaid expenses and other assets		487,407	159,170
Total current assets		2,068,259	6,469,548
Non-current assets			
Deposits		223,860	223,860
Equipment, net		283,820	299,411
Right-of-use asset, net		502,449	534,520
Total non-current assets		1,010,129	1,057,791
Total assets		$ 3,078,388	$ 7,527,339
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities		$ 20,460,390	$ 19,914,007
Lease liabilities		106,206	101,456
Total current liabilities		20,566,596	20,015,463
Non-current liabilities			
Lease liabilities		440,262	468,484
Total liabilities		21,006,858	20,483,947
Shareholders' deficit			
Common shares, no par value; unlimited authorized; 328,484,786 and 325,324,786 shares issued and outstanding, as of January 31, 2025 and October 31, 2024, respectively	4	118,064,607	116,679,651
Warrants	4	34,421	34,421
Contributed surplus	4	20,026,961	20,688,462
Deficit		(156,054,459)	(150,359,142)
Total shareholders' deficit		(17,928,470)	(12,956,608)
Total liabilities and shareholders' deficit		$ 3,078,388	$ 7,527,339

Going concern (Note 2(c))
Commitments and Contingencies (Note 7)
Events After the Reporting Period (Note 10)

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA BIOTHERAPEUTICS INC.
(Formerly Sernova Corp.)
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
(In Canadian Dollars)
(Unaudited)

	Note	**Three months ended January 31, 2025**	Three months ended January 31, 2024
Operating expenses			
Research and development	6	$ 2,588,406	$ 7,241,004
General and administrative	6	2,211,854	2,786,678
Total operating expenses		4,800,260	10,027,682
Other expense (income)			
Interest income		(23,449)	(166,327)
Finance costs		234,978	10,458
Foreign exchange loss (gain)		677,128	(109,852)
Gain on disposal of right-of-use asset and lease liabilities		–	(18,862)
Net other expense (income)		888,657	(284,583)
Net loss before income taxes		$ 5,688,917	$ 9,743,099
Current income tax expense		6,400	–
Net loss and comprehensive loss		$ 5,695,317	$ 9,743,099
Basic and diluted net loss per common share	8	$ 0.02	$ 0.03
Weighted average number of common shares outstanding – basic and diluted		327,474,732	303,332,686

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA BIOTHERAPEUTICS INC.
(Formerly Sernova Corp.)
Interim Condensed Consolidated Statements of Changes in Equity
(In Canadian Dollars)
(Unaudited)

	Common Shares		Warrants	Contributed Surplus	Deficit	Total
	(Note 4)		(Note 4)	(Note 4)		
Balance, October 31, 2024	325,324,786	$ 116,679,651	$ 34,421	$ 20,688,462	$(150,359,142)	$ (12,956,608)
Net loss	–	–	–	–	(5,695,317)	(5,695,317)
Issuance of common shares in settlement of deferred share units	3,160,000	1,384,956	–	(1,384,956)	–	–
Share-based compensation	–	–	–	723,455	–	723,455
Balance, January 31, 2025	328,484,786	$ 118,064,607	$ 34,421	$ 20,026,961	$(156,054,459)	$ (17,928,470)
Balance, October 31, 2023	303,332,686	$ 110,987,766	$ –	$ 19,693,776	$(118,167,007)	$ 12,514,535
Net loss	–	–	–	–	(9,743,099)	(9,743,099)
Share-based compensation	–	–	–	1,062,319	–	1,062,319
Balance, January 31, 2024	303,332,686	$ 110,987,766	$ –	$ 20,756,095	$(127,910,106)	$ 3,833,755

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA BIOTHERAPEUTICS INC.
(Formerly Sernova Corp.)
Interim Condensed Consolidated Statements of Cash Flows
(In Canadian Dollars)
(Unaudited)

	Note	**Three months ended January 31, 2025**	Three months ended January 31, 2024
Cash flows from operating activities			
Net loss		$ (5,695,317)	$ (9,743,099)
Adjustments for items not affecting cash:			
Amortization and depreciation		47,662	104,250
Share-based compensation	4	723,455	1,062,319
Research collaboration advances recognized as cost recoveries		(35,153)	–
Interest income accrued on marketable securities		–	(333,283)
Interest on lease liabilities		18,978	10,459
Gain on disposal of right-of-use asset and lease liabilities		–	(18,862)
Changes in non-cash working capital balances:			
Amounts receivable		(75,184)	357,183
Prepaid expenses		(328,237)	(335,393)
Accounts payable and accrued liabilities		516,711	4,647,988
Net cash used in operating activities		(4,827,085)	(4,248,438)
Cash flows from investing activities			
Redemption of marketable securities		–	2,044,000
Deposits		–	35,304
Net cash provided by investing activities		–	2,079,304
Cash flows from financing activities			
Research collaboration advances		64,825	–
Lease liabilities payments	7	(42,450)	(43,140)
Net cash provided by (used in) financing activities		22,375	(43,140)
Net decrease in cash		(4,804,710)	(2,212,274)
Cash, beginning of period		6,012,274	8,721,835
Cash, end of period		$ 1,207,564	$ 6,509,561
Supplemental cash flow disclosures:			
Income taxes paid		$ –	$ –
Interest received		$ 24,492	$ 152,295
Right-of-use asset additions		$ –	$ 641,424

See accompanying notes to the interim condensed consolidated financial statements.

1. Nature of Operations

Sernova Biotherapeutics Inc. (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.

Effective February 4, 2025, the corporate name changed from Sernova Corp. to Sernova Biotherapeutics Inc. Sernova Biotherapeutics Inc. is governed under the British Columbia Business Corporations Act. The Company's has operations in the United States and Canada 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 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 and should be read in conjunction with the Company's annual consolidated financial statements for the year ended October 31, 2024.

These interim condensed consolidated financial statements were approved and authorized for issue by the Company's Audit Committee of the Board of Directors on March 14, 2025.

(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 cashflows since inception. A net loss and comprehensive loss of $5,695,317 was incurred during the three months ended January 31, 2025 (2024 – $9,743,099). As at January 31, 2025, the Company had an accumulated deficit of $156,054,459 and a working capital deficit (current liabilities in excess of current assets) of $18,498,337. As at January 31, 2025, the working capital deficit included $15,647,905 (US$10,803,580) 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 $362,100). For the three months ended January 31, 2025, the Company generated negative cashflow from operations of $4,827,085 (2024 – $4,248,438).

2. BASIS OF PRESENTATION (cont'd…)

(c) Going concern (cont'd…)

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.

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 the end of March 2025 to continue as a going concern and cover its planned research and development expenditures and financial obligations. After the reporting period, the Company issued $1,000,000 in convertible debentures. See note 10 – *Events After the Reporting Period*.

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 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.

(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, 2024.

3. MATERIAL ACCOUNTING POLICIES

The Company's material accounting policies are outlined in the Company's audited consolidated financial statements for the year ended October 31, 2024, and have been applied consistently in these interim condensed consolidated financial statements.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

(a) New accounting standards and interpretations issued but not yet effective

IFRS 18 Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IRFS 18 *Presentation and Disclosure in Financial Statements* which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified roles of the primary financial statements and the notes. IFRS 18 and the amendments to the other standards are effective for annual periods beginning on or after January 1, 2027, with early application permitted. IFRS 18 applies retrospectively to both annual and interim financial statements. The Company is assessing the impact of adopting this standard on the consolidated financial statements.

4. Share Capital

(a) Authorized

Unlimited number of common shares and preferred shares, without par value.

(b) Share capital changes

During the three months ended January 31, 2025, the Company issued 3,160,000 common shares upon the equity settlement of DSUs.

There were no issuances of common shares during the three months ended January 31, 2024.

(c) Warrants

There was no warrant activity during the three months ended January 31, 2025 or 2024.

There are 21,257,050 warrants outstanding that are exercisable for one common share at a price of $0.30 per common share until March 3, 2026 and are 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.

(d) Incentive Plan

The Company has an Incentive Plan that was last approved by shareholders on January 10, 2025. 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 authorized for issuance under the Incentive Plan is 55,510,001. The remaining balance available for grant under the Incentive Plan as of January 31, 2025, is 19,992,102 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 are estimated to vest within one year of the grant date 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.

(In Canadian Dollars)

4. Share Capital (cont'd…)

(d) Incentive Plan (cont'd…)

Stock option activity during the three months ended January 31 was as follows:

	2025		2024	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance outstanding, beginning of period	43,080,158	$ 0.53	30,074,182	$ 0.92
Granted	250,000	0.25	200,000	0.80
Forfeited	(10,707)	(0.40)	–	–
Expired	(15,553,818)	(0.83)	(24,585)	(1.30)
Balance outstanding, end of period	27,765,633	$ 0.36	30,249,597	$ 0.92
Options exercisable, end of period	4,253,077	$ 0.79	21,263,747	$ 0.88

Stock options outstanding by range of exercise prices as at January 31, 2025 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	24,383,133	9.4	$ 0.26	1,629,426	$ 0.26
$ 0.74 to $ 0.96	1,517,500	7.4	0.91	952,814	0.90
$ 1.18 to $ 1.32	1,865,000	3.1	1.24	1,670,837	1.25
$ 0.21 to $ 1.32	27,765,633	8.8	$ 0.36	4,253,077	$ 0.79

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:

	2025	2024
Dividend yield	0%	0%
Expected volatility	82.9%	62.8%
Risk free interest rate	3.0%	4.7%
Expected life of options	5.9 years	1.5 years

For the three months ended January 31, 2025 and 2024, the Company issued stock options with weighted average grant date fair values of $0.13 and $0.20 per stock option, respectively.

(In Canadian Dollars)

4. Share Capital (cont'd…)

(d) Incentive Plan (cont'd…)

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 three months ended January 31, 2025, 3,160,000 DSUs were equity settled (2024 – nil). There were no DSUs granted or cancelled during the three months ended January 31, 2025 and 2024. DSUs have generally vested over a three-year period after the date of grant.

As at January 31, 2025, a total of 1,285,001 DSUs were outstanding (October 31, 2024 – 4,445,001) of which 1,285,001 had vested (October 31, 2024 – 4,434,168).

5. 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. Included in accounts payable and accrued liabilities at January 31, 2025, was $601,100 due to key management personnel (October 31, 2024 – $919,680).

Compensation to key management personnel for the reporting period:

	Three months ended January 31,	
	2025	2024
Personnel costs	$ 777,765	$ 793,919
Director fees	54,098	80,110
Share-based compensation	687,831	999,248
	$ 1,519,694	$ 1,873,277

6. Nature of Expenses

Research and development expenses:

	Three months ended January 31,	
	2025	2024
Personnel costs	$ 554,509	$ 864,999
Research and clinical development	1,631,966	5,678,538
Manufacturing costs	170,551	41,979
Patent fees and costs	94,639	32,386
Other costs	85,932	74,651
Amortization and depreciation	40,433	96,063
Share-based compensation - options	75,529	512,388
	2,653,559	7,301,004
Grants, contributions and tax credits	(65,153)	(60,000)
Total research and development expenses	$ 2,588,406	$ 7,241,004

(In Canadian Dollars)

6. Nature of Expenses (cont'd…)

General and administrative expenses:

	Three months ended January 31,	
	2025	2024
Personnel costs	$ 607,191	$ 582,047
Consulting and professional fees	271,243	692,253
Director fees and expenses	54,539	85,399
Investor relations and corporate communications	334,370	542,150
Public company expenses	94,403	66,758
Insurance and other costs	194,953	259,953
Depreciation	7,229	8,187
Share-based compensation - DSUs	2,853	14,735
Share-based compensation - options	645,073	535,196
Total general and administrative expenses	$ 2,211,854	$ 2,786,678

7. Commitments and Contingencies

The Company was previously awarded a US$2.45 million ($3.55 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. All milestone achievements under this agreement have been reached and the full amount of the grant has been earned. 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.

The Company has 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%. There are significant future development costs expected under the agreement. The Evotec Agreement is cancellable by the Company with notice, subject to certain terms and conditions. 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 January 31, 2025, the Company has commitments totaling approximately $4.9 million, of which approximately $1.5 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.

7. Commitments and Contingencies (cont'd…)

Effective January 1, 2024, the Company entered into a three-year lease for office premises and lab space 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 January 31, 2025, remaining undiscounted lease payment obligations total $710,010 assuming the Company exercises both options, of which $173,593 is payable over the next twelve months and $536,417 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.

8. 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.

9. Financial Instruments

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 January 31, 2025 are primarily composed of amounts due from Canadian federal government agencies and full collection is expected for all amounts.

(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 January 31, 2025, the Company had a working capital deficit of $18,498,337 with accounts payable and accrued liabilities payable within the next twelve months. Additional financing is required for the Company to meet its short-term financial obligations, see Note 2(c) – *Going Concern*.

9. Financial Instruments (cont'd…)

(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*.

(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 three months ended January 31, 2025 of $1,972,767 (2024 – $737,026).

Balances in US dollars are as follows:

	As at January 31, 2025	As at October 31, 2024
Cash	$ 224,055	$ 639,778
Amounts receivable	–	24,270
Accounts payable and accrued liabilities	(13,844,372)	(14,642,534)
	$ (13,620,317)	$ (13,978,486)

10. Events After the Reporting Period

In March 2025, the Company issued $1,000,000 of convertible debentures to a director and shareholder of Sernova. The debentures are repayable in 24 months, on March 4, 2027, unless earlier converted or redeemed. The holder has the right to convert the principal amount into common shares of the Company at a conversion price of $0.20 per share. Interest on the debentures at an annual rate of 15% is payable annually, in cash or common shares at the option of the Company. In conjunction with the issuance of the debentures, 5,000,000 non-transferable share purchase warrants were issued with each warrant being exercisable into one common share at a price of $0.20 per share, exercisable up to March 4, 2028.