# SERNOVA BIOTHERAPEUTICS INC.
## (Formerly Sernova Corp.)

### INTERIM CONDENSED
### CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE THREE AND SIX MONTHS ENDED
### APRIL 30, 2025 AND 2024

**(Unaudited)**

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

| | Note | **April 30, 2025** | October 31, 2024 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | $ 1,997,707 | $ 6,012,274 |
| Amounts receivable | | 432,979 | 298,104 |
| Prepaid expenses and other assets | | 480,438 | 159,170 |
| **Total current assets** | | 2,911,124 | 6,469,548 |
| **Non-current assets** | | | |
| Deposits | | 223,860 | 223,860 |
| Equipment, net | | 268,229 | 299,411 |
| Right-of-use asset, net | | 470,378 | 534,520 |
| **Total non-current assets** | | 962,467 | 1,057,791 |
| **Total assets** | | $ 3,873,591 | $ 7,527,339 |
| **Liabilities and shareholders' deficit** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | $ 19,797,337 | $ 19,914,007 |
| Loan payable | 4 | 3,408,936 | – |
| Lease liabilities | | 111,145 | 101,456 |
| **Total current liabilities** | | 23,317,418 | 20,015,463 |
| **Non-current liabilities** | | | |
| Convertible debentures | 5 | 806,833 | – |
| Lease liabilities | | 410,196 | 468,484 |
| **Total non-current liabilities** | | 1,217,029 | 468,484 |
| **Total liabilities** | | 24,534,447 | 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 April 30, 2025 and October 31, 2024, respectively | 6 | 118,064,607 | 116,679,651 |
| Warrants | 6 | 454,745 | 34,421 |
| Contributed surplus | 6 | 20,651,414 | 20,688,462 |
| Deficit | | (159,831,622) | (150,359,142) |
| **Total shareholders' deficit** | | (20,660,856) | (12,956,608) |
| **Total liabilities and shareholders' deficit** | | $ 3,873,591 | $ 7,527,339 |

Going concern (Note 2(c))
Commitments and Contingencies (Note 9)

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 April 30, | | Six months ended April 30, | |
|---|---|---|---|---|---|
| | | **2025** | 2024 | **2025** | 2024 |
| **Operating expenses** | | | | | |
| Research and development | 8 | $ 2,362,761 | $ 7,709,017 | $ 4,951,167 | $ 14,950,021 |
| General and administrative | 8 | 1,963,901 | 2,089,500 | 4,175,755 | 4,876,178 |
| Total operating expenses | | 4,326,662 | 9,798,517 | 9,126,922 | 19,826,199 |
| **Other expense (income)** | | | | | |
| Interest income | | (2,027) | (115,332) | (25,476) | (281,659) |
| Finance costs | | 238,728 | 21,186 | 473,706 | 31,644 |
| Foreign exchange loss (gain) | | (823,078) | 239,113 | (145,950) | 129,261 |
| Gain on disposal of right-of-use asset and lease liabilities | | – | – | – | (18,862) |
| Net other expense (income) | | (586,377) | 144,967 | 302,280 | (139,616) |
| **Net loss before income taxes** | | 3,740,285 | 9,943,484 | 9,429,202 | 19,686,583 |
| Current income tax expense | | 36,878 | – | 43,278 | – |
| **Net loss and comprehensive loss** | | $ 3,777,163 | $ 9,943,484 | $ 9,472,480 | $ 19,686,583 |
| Basic and diluted net loss per common share | 10 | $ 0.01 | $ 0.03 | $ 0.03 | $ 0.06 |
| Weighted average number of common shares outstanding – basic and diluted | | 328,484,786 | 303,402,630 | 327,971,388 | 303,366,889 |

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 6) | | (Note 6) | (Note 6) | | |
| Balance, October 31, 2024 | 325,324,786 | $ 116,679,651 | $ 34,421 | $ 20,688,462 | $(150,359,142) | $ (12,956,608) |
| Net loss | – | – | – | – | (9,472,480) | (9,472,480) |
| Issuance of common shares in settlement of deferred share units | 3,160,000 | 1,384,956 | – | (1,384,956) | – | – |
| Issuance of convertible debentures and warrants | – | – | 95,524 | 79,514 | – | 175,038 |
| Issuance of warrants in conjunction with loan payable | – | – | 324,800 | – | – | 324,800 |
| Share-based compensation | – | – | – | 1,268,394 | – | 1,268,394 |
| Balance, April 30, 2025 | 328,484,786 | $ 118,064,607 | $ 454,745 | $ 20,651,414 | $(159,831,622) | $ (20,660,856) |
| | | | | | | |
| Balance, October 31, 2023 | 303,332,686 | $ 110,987,766 | $ – | $ 19,693,776 | $(118,167,007) | $ 12,514,535 |
| Net loss | – | – | – | – | (19,686,583) | (19,686,583) |
| Exercise of stock options | 75,000 | 27,000 | | (11,250) | | 15,750 |
| Share-based compensation | – | – | – | 1,652,773 | – | 1,652,773 |
| Balance, April 30, 2024 | 303,407,686 | $ 111,014,766 | $ – | $ 21,335,299 | $(137,853,590) | $ (5,503,525) |

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 | **Six months ended April 30, 2025** | Six months ended April 30, 2024 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net loss | | $ (9,472,480) | $ (19,686,583) |
| Adjustments for items not affecting cash: | | | |
| Amortization and depreciation | | 95,324 | 207,041 |
| Share-based compensation | 6 | 1,268,394 | 1,652,773 |
| Research collaboration advances recognized as cost recoveries | | (35,153) | – |
| Interest income accrued on marketable securities | | – | (238,961) |
| Interest on lease liabilities | | 37,141 | 31,645 |
| Accretion and accrued interest expense | 4, 5 | 44,729 | – |
| Gain on disposal of right-of-use asset and lease liabilities | | – | (18,862) |
| Changes in non-cash working capital balances: | | | |
| Amounts receivable | | (134,875) | (127,573) |
| Prepaid expenses | | (321,268) | (505,547) |
| Accounts payable and accrued liabilities | | (146,342) | 7,199,104 |
| **Net cash used in operating activities** | | (8,664,530) | (11,486,963) |
| **Cash flows from investing activities** | | | |
| Redemption of marketable securities | | – | 6,044,000 |
| Deposits | | – | 35,304 |
| **Net cash provided by investing activities** | | – | 6,079,304 |
| **Cash flows from financing activities** | | | |
| Proceeds from loan, net of issue costs | 4 | 3,703,323 | – |
| Proceeds from convertible debentures, net of issue costs | 5 | 967,555 | – |
| Proceeds from exercise of stock options | | – | 15,750 |
| Grant contribution receipts | | – | 193,038 |
| Research collaboration advances | | 64,825 | – |
| Lease liabilities payments | 9 | (85,740) | (85,170) |
| **Net cash provided by financing activities** | | 4,649,963 | 123,618 |
| Net decrease in cash | | (4,014,567) | (5,284,041) |
| Cash, beginning of period | | 6,012,274 | 8,721,835 |
| **Cash, end of period** | | $ 1,997,707 | $ 3,437,794 |
| **Supplemental cash flow disclosures:** | | | |
| Income taxes paid | | $ 9,178 | $ – |
| Interest received | | $ 26,519 | $ 372,427 |
| 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 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 June 13, 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 $9,472,480 was incurred during the six months ended April 30, 2025 (2024 – $19,686,583). As at April 30, 2025, the Company had an accumulated deficit of $159,831,622 and a working capital deficit (current liabilities in excess of current assets) of $20,406,294. As at April 30, 2025, the working capital deficit included $12,685,553 (US$9,184,443) 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 $345,300). For the six months ended April 30, 2025, the Company generated negative cashflow from operations of $8,664,530 (2024 – $11,486,963).

## 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 June 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 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.

### (a) Compound financial instruments

Compound financial instruments issued by the Company are comprised of convertible debentures issued together with common share purchase warrants which are accounted for separately by their components. The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option and subsequently measured at amortized cost. The equity components are initially recognized as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

## 3. Material accounting policies (cont'd…)

### (b) 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. Loan payable

The Company is indebted to Navigate Private Yield Fund LP III, a fund managed by Fraser Mackenzie Private Credit Inc. The loan principal is $4,000,000 and has minimum fixed interest payable of $400,000 for the first six months and bears interest at 14.25% per annum thereafter. The loan principal is due on the maturity date, and interest is due and payable monthly. The loan is secured against the assets of the Company and Company's US subsidiary as well as against the assets of a member of the Company's Board of Directors.

The loan matures on the earlier of April 16, 2026, or the later of 120 days from the closing date of the loan and ten days following the occurrence of certain specified monetization transactions. If a specified monetization transaction occurs, the Company is required to repay the loan before the end of April 16, 2026. The potential early maturity date is accounted for as an option to prepay the loan principal and is classified as an embedded derivative of the loan. The option to prepay is accounted for as a separate financial instrument with changes in fair value recognized in the statements of operations and comprehensive loss. The initial value of the option to prepay is $nil for the first six months of the loan term due to the minimum fixed interest payable of $400,000. The option to prepay will be revalued subsequent to the minimum fixed interest payable period the using an interest rate differential between the interest rate of the loan and the market rate of a similar loan without an option to prepay.

In consideration for the guarantee and assumption of liability, the Company granted a member of the Board of Directors 9,000,000 common share purchase warrants. Each warrant is exercisable, once vested, at a price of $0.20 per share for a term of 36 months. On the closing of the loan, 4,000,000 warrants vested and the remaining 5,000,000 will vest in monthly increments of 833,333 beginning after six months, only while the loan remains outstanding. The 4,000,000 warrants which vested on the closing of the loan are accounted for as issue costs and reduce the carrying value of the loan. The value of the vested warrants was determined using an interest rate differential between the interest rate of the loan and the market rate of a similar transaction without a guarantee, resulting in a fair value of $324,800. The vesting of the remaining 5,000,000 warrants is contingent on the loan remaining outstanding over the vesting period. The 5,000,000 warrants will be valued using the Black-Scholes model and expensed in the Statements of Operations and Comprehensive Loss as they vest.

Total issue costs of $621,477, inclusive of the non-cash warrants issued with a value of $324,800, were incurred and are allocated against the carrying value of the loan. Interest expense and issue costs accrete on the discounted loan amount until it reaches its face value at maturity. As at April 30, 2025, the balance outstanding is $3,408,936.

(In Canadian Dollars)

## 5. Convertible debentures

On March 4, 2025, the Company issued unsecured convertible debentures through a non-brokered private placement for an aggregate principal amount and gross proceeds of $1,000,000 to a Director of the Company. The convertible debentures are repayable in 24 months, on March 4, 2027, unless earlier converted or redeemed and bear interest at a rate of 15% per annum payable annually in arrears, in cash or common shares at the option of the Company. 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. The Company has an option to redeem and repay the convertible debt at any time after 12 months following the issue date at a redemption premium equal to 2% of the principal amount called for redemption. A total of 5,000,000 non-transferable common share purchase warrants were issued as part of the offering with each warrant being exercisable into a common share at a price of $0.20 per share up to March 4, 2028. No finder's fees or finder's warrants were paid or issued, respectively, in connection with this offering. The convertible debentures and warrants, and any securities into which they may be exchanged or converted, are subject to a four month hold period in accordance with applicable securities regulations.

The liability component of the convertible debentures was initially recognized at the fair value of a comparable liability without an equity conversion option and related warrant issuance, in the amount of $819,092 (before issue costs allocation) based on future cash flows discounted at the estimated market interest rate of 28%. The residual value of the gross proceeds was allocated to the conversion option and warrants based on their relative fair values. Issue costs totalling $32,445 were incurred and allocated on a pro rata basis to the convertible debentures, conversion option and warrants. Accretion of the liability component and accrued interest expense on the convertible debentures are included in finance costs in the Statements of Loss and Comprehensive Loss.

| | |
|---|---|
| Balance outstanding, October 31, 2024 | $ - |
| Face value of convertible debentures issued | 1,000,000 |
| Less: value allocation to conversion option | (82,181) |
| Less: value allocation to warrants | (98,727) |
| Less: issue costs allocation | (26,575) |
| Convertible debenture liability component initial recognition | 792,517 |
| Accretion expense | 14,316 |
| Balance outstanding, end of period | $ 806,833 |

## 6. Share capital

### (a) Authorized

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

### (b) Share capital changes

During the six months ended April 30, 2025, the Company issued 3,160,000 common shares upon the equity settlement of DSUs.

During the six months ended April 30, 2024, the Company received proceeds of $15,750 from the exercise of stock options and the corresponding issuance of 75,000 common shares.

(In Canadian Dollars)

## 6. Share capital (cont'd…)

### (c) Warrants

Warrant activity during the six months ended April 30 was as follows:

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Number of warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| Balance outstanding, beginning of period | 21,257,050 | $ 0.30 | – | $ – |
| Issued in a private placement | – | – | 20,852,100 | 0.30 |
| Compensation warrants issued in a private placement | – | – | 404,950 | 0.30 |
| Issued with convertible debentures | 5,000,000 | 0.20 | – | – |
| Issued in conjunction with loan payable | 9,000,000 | 0.20 | – | – |
| Balance outstanding, end of period | 35,257,050 | $ 0.25 | 21,257,050 | $ 0.30 |

### (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 April 30, 2025, is 18,175,434 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.

Stock option activity during the six months ended April 30 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 | 2,520,000 | 0.25 | 400,000 | 0.73 |
| Exercised | – | – | (75,000) | (0.21) |
| Forfeited | (44,039) | (0.50) | (1,351,508) | (1.17) |
| Expired | (15,973,818) | (0.84) | (5,448,669) | (1.15) |
| Balance outstanding, end of period | 29,582,301 | $ 0.34 | 23,599,005 | $ 0.85 |
| Options exercisable, end of period | 4,440,059 | $ 0.71 | 18,038,816 | $ 0.84 |

(In Canadian Dollars)

**6. Share capital (cont'd…)**

**(d) Incentive plan (cont'd…)**

Stock options outstanding by range of exercise prices as at April 30, 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 | 26,637,301 | 9.2 | $ 0.26 | 2,047,555 | $ 0.27 |
| $ 0.73 to $ 0.96 | 1,500,000 | 7.0 | 0.92 | 1,072,085 | 0.90 |
| $ 1.17 to $ 1.32 | 1,445,000 | 3.7 | 1.25 | 1,320,419 | 1.26 |
| $ 0.21 to $ 1.32 | 29,582,301 | 8.8 | $ 0.34 | 4,440,059 | $ 0.71 |

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.

For the stock options granted during the six months ended April 30, 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% | 59.4% |
| Risk free interest rate | 2.8% | 4.7% |
| Expected life of options | 5.8 years | 1.3 years |

For the six months ended April 30, 2025 and 2024, the Company issued stock options with weighted average grant date fair values of $0.19 and $0.16 per stock option, respectively.

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 six months ended April 30, 2025, 3,160,000 DSUs were equity settled (2024 – nil). There were no DSUs granted or cancelled during the six months ended April 30, 2025 and 2024.

As at April 30, 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).

(In Canadian Dollars)

## 7. Related party transactions

The key management personnel of the Company are the Directors, Executive Officers and Vice Presidents. The Company issued convertible debentures to a Director, and the same Director guaranteed the loan payable. See Note 4 – *Loan payable* and Note 5 – *Convertible debentures*. Other than the convertible debentures and loan payable, 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 April 30, 2025, was $843,400 due to key management personnel (October 31, 2024 – $919,680).

Compensation to key management personnel for the reporting period:

| | Three months ended April 30, | | Six months ended April 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Personnel costs | $ 997,879 | $ 845,119 | $ 1,775,644 | $ 1,639,038 |
| Director fees | 82,798 | 80,339 | 136,896 | 160,509 |
| Share-based compensation | 549,667 | 537,453 | 1,237,498 | 1,536,701 |
| | $ 1,630,344 | $ 1,462,911 | $ 3,150,038 | $ 3,336,248 |

## 8. Nature of expenses

### Research and development expenses

| | Three months ended April 30, | | Six months ended April 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Personnel costs | $ 613,385 | $ 965,385 | $ 1,167,894 | $ 1,830,384 |
| Research and clinical development | 1,395,097 | 5,744,337 | 3,027,063 | 11,422,875 |
| Manufacturing costs | 64,147 | 154,398 | 234,698 | 196,377 |
| Patent fees and costs | 194,252 | 100,338 | 288,891 | 132,724 |
| Other costs | 39,745 | 126,377 | 125,677 | 201,028 |
| Amortization and depreciation | 40,433 | 94,897 | 80,866 | 190,960 |
| Share-based compensation - options | 54,173 | 583,285 | 129,702 | 1,095,673 |
| | 2,401,232 | 7,769,017 | 5,054,791 | 15,070,021 |
| Grants, contributions and tax credits | (38,471) | (60,000) | (103,624) | (120,000) |
| Total research and development expenses | $ 2,362,761 | $ 7,709,017 | $ 4,951,167 | $ 14,950,021 |

(In Canadian Dollars)

## 8. Nature of expenses (cont'd…)

**General and administrative expenses**

| | Three months ended April 30, | | Six months ended April 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Personnel costs | $ 716,345 | $ 332,957 | $ 1,323,536 | $ 915,004 |
| Consulting and professional fees | 321,328 | 1,124,985 | 592,571 | 1,817,238 |
| Director fees and expenses | 82,798 | 86,441 | 137,337 | 171,840 |
| Investor relations and corporate communications | 201,443 | 228,980 | 535,813 | 771,130 |
| Public company expenses | 42,191 | 146,861 | 136,594 | 213,619 |
| Insurance and other costs | 101,801 | 154,213 | 296,754 | 414,166 |
| Depreciation | 7,229 | 7,894 | 14,458 | 16,081 |
| Share-based compensation – DSUs | – | 6,184 | 2,853 | 20,919 |
| Share-based compensation - options | 490,766 | 985 | 1,135,839 | 536,181 |
| Total general and administrative expenses | $ 1,963,901 | $ 2,089,500 | $ 4,175,755 | $ 4,876,178 |

## 9. Commitments and contingencies

The Company was previously awarded a US$2.45 million ($3.39 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 April 30, 2025, the Company has commitments totaling approximately $4.4 million, of which approximately $1.3 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.

## 9. 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 April 30, 2025, remaining undiscounted lease payment obligations total $666,720 assuming the Company exercises both options, of which $174,892 is payable over the next twelve months and $491,828 is payable in the following two to five years. On May 1, 2025, the Company entered into a new lease for reduced office space with the same landlord and terms as the January 1, 2024 lease at a rate of $6,754 per month with a 3% increase on the first day of January each year.

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.

## 10. 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 and convertible debentures has been excluded from the calculation of diluted loss per share as they would be anti-dilutive.

## 11. 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 April 30, 2025 are primarily composed of amounts due from Canadian federal government agencies and full collection is expected for all amounts.

## 11. Financial instruments (cont'd…)

### (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 April 30, 2025, the Company had a working capital deficit of $20,406,294 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*.

### (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 six months ended April 30, 2025 of $1,821,910 (2024 – $963,902).

Balances in US dollars are as follows:

| | As at April 30, 2025 | As at October 31, 2024 |
|---|---|---|
| Cash | $ 120,664 | $ 639,778 |
| Amounts receivable | – | 24,270 |
| Accounts payable and accrued liabilities | (13,311,422) | (14,642,534) |
| | $ (13,190,758) | $ (13,978,486) |