



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

**INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED  
JULY 31, 2025 AND 2024**

**(Unaudited)**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

Interim Condensed Consolidated Statements of Financial Position

(In Canadian Dollars)

(Unaudited)

	Note	July 31, 2025	October 31, 2024
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 83,617	\$ 6,012,274
Amounts receivable		266,048	298,104
Prepaid expenses and other assets		150,086	159,170
<b>Total current assets</b>		<b>499,751</b>	<b>6,469,548</b>
<b>Non-current assets</b>			
Deposits		223,860	223,860
Equipment, net		94,683	299,411
Right-of-use asset, net	4	92,425	534,520
<b>Total non-current assets</b>		<b>410,968</b>	<b>1,057,791</b>
<b>Total assets</b>		<b>\$ 910,719</b>	<b>\$ 7,527,339</b>
<b>Liabilities and shareholders' deficit</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 20,656,395	\$ 19,914,007
Loan payable	5	3,647,810	—
Lease liabilities	4	63,289	101,456
<b>Total current liabilities</b>		<b>24,367,494</b>	<b>20,015,463</b>
<b>Non-current liabilities</b>			
Convertible debentures	6	943,195	—
Lease liabilities	4	32,477	468,484
<b>Total non-current liabilities</b>		<b>975,672</b>	<b>468,484</b>
<b>Total liabilities</b>		<b>25,343,166</b>	<b>20,483,947</b>
<b>Shareholders' deficit</b>			
Common shares, no par value; unlimited authorized; 328,484,786 and 325,324,786 shares issued and outstanding, as of July 31, 2025 and October 31, 2024, respectively	7	118,064,607	116,679,651
Warrants	7	442,665	34,421
Contributed surplus	7	20,965,686	20,688,462
Deficit		(163,905,405)	(150,359,142)
<b>Total shareholders' deficit</b>		<b>(24,432,447)</b>	<b>(12,956,608)</b>
<b>Total liabilities and shareholders' deficit</b>		<b>\$ 910,719</b>	<b>\$ 7,527,339</b>

Going concern (Note 2(c))

Commitments and Contingencies (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)

		<b>Three months ended July 31,</b>		<b>Nine months ended July 31,</b>	
	Note	<b>2025</b>	2024	<b>2025</b>	2024
<b>Operating expenses</b>					
Research and development	9	\$ 1,742,268	\$ 5,022,643	\$ 6,693,435	\$ 19,972,664
General and administrative	9	1,757,630	2,131,561	5,933,385	7,007,739
<b>Total operating expenses</b>		<b>3,499,898</b>	<b>7,154,204</b>	<b>12,626,820</b>	<b>26,980,403</b>
<b>Other expense (income)</b>					
Interest income		(131)	(55,636)	(25,607)	(337,295)
Finance costs		541,676	355,475	1,015,382	387,119
Foreign exchange loss (gain)		62,179	83,397	(83,771)	212,658
Gain on disposal of right-of-use asset and lease liabilities		(50,963)	–	(50,963)	(18,862)
<b>Net other expense</b>		<b>552,761</b>	<b>383,236</b>	<b>855,041</b>	<b>243,620</b>
<b>Net loss before income taxes</b>		<b>4,052,659</b>	<b>7,537,440</b>	<b>13,481,861</b>	<b>27,224,023</b>
Current income tax expense		21,124	–	64,402	–
<b>Net loss and comprehensive loss</b>		<b>\$ 4,073,783</b>	<b>\$ 7,537,440</b>	<b>\$ 13,546,263</b>	<b>\$ 27,224,023</b>
Basic and diluted net loss per common share	11	\$ 0.01	\$ 0.02	\$ 0.04	\$ 0.09
Weighted average number of common shares outstanding – basic and diluted		328,484,786	303,592,632	328,144,401	303,442,686

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)

	<b>Common Shares</b>		<b>Warrants</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
	(Note 7)		(Note 7)	(Note 7)		
Balance, October 31, 2024	325,324,786	\$ 116,679,651	\$ 34,421	\$ 20,688,462	\$(150,359,142)	\$ (12,956,608)
Net loss	—	—	—	—	(13,546,263)	(13,546,263)
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	—	—	202,444	37,625	—	240,069
Issuance of warrants in conjunction with loan payable	—	—	205,800	—	—	205,800
Share-based compensation	—	—	—	1,624,555	—	1,624,555
Balance, July 31, 2025	328,484,786	\$ 118,064,607	\$ 442,665	\$ 20,965,686	\$(163,905,405)	\$ (24,432,447)
Balance, October 31, 2023	303,332,686	\$ 110,987,766	\$ —	\$ 19,693,776	\$(118,167,007)	\$ 12,514,535
Net loss	—	—	—	—	(27,224,023)	(27,224,023)
Exercise of stock options	75,000	27,000	—	(11,250)	—	15,750
Equity Settled DSUs	205,000	270,600	—	(270,600)	—	—
Share-based compensation	—	—	—	2,145,105	—	2,145,105
Balance, July 31, 2024	303,612,686	\$ 111,285,366	\$ —	\$ 21,557,031	\$(145,391,030)	\$ (12,548,633)

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	Nine months ended July 31, 2025	Nine months ended July 31, 2024
<b>Cash flows from operating activities</b>			
Net loss		\$ (13,546,263)	\$ (27,224,023)
Adjustments for items not affecting cash:			
Amortization and depreciation		280,376	369,827
Share-based compensation	7	1,624,555	2,145,105
Research collaboration advances recognized as cost recoveries		(35,153)	—
Interest on lease liabilities		44,454	52,119
Accretion and accrued interest expense	5, 6	192,297	—
Gain on disposal of right-of-use asset and lease liabilities		(50,963)	(18,862)
Changes in non-cash working capital balances:			
Amounts receivable		32,056	294,178
Prepaid expenses		9,084	(546,325)
Accounts payable and accrued liabilities		712,716	9,956,074
<b>Net cash used in operating activities</b>		<b>(10,736,841)</b>	<b>(14,971,907)</b>
<b>Cash flows from investing activities</b>			
Disposal of equipment		4,784	—
Redemption of marketable securities		—	11,084,000
Deposits		—	35,304
<b>Net cash provided by investing activities</b>		<b>4,784</b>	<b>11,119,304</b>
<b>Cash flows from financing activities</b>			
Proceeds from loan, net of issue costs	5	3,703,323	—
Proceeds from convertible debentures, net of issue costs	6	1,141,254	—
Proceeds from exercise of stock options		—	15,750
Grant contribution receipts		—	261,422
Research collaboration advances		64,825	—
Lease liabilities payments	4	(106,002)	(127,200)
<b>Net cash provided by financing activities</b>		<b>4,803,400</b>	<b>149,972</b>
Net decrease in cash		(5,928,657)	(3,702,631)
Cash, beginning of period		6,012,274	8,721,835
<b>Cash, end of period</b>		<b>\$ 83,617</b>	<b>\$ 5,019,204</b>
<b>Supplemental cash flow disclosures:</b>			
Income taxes paid		\$ 9,403	\$ —
Interest received		\$ 26,650	\$ 677,208
Right-of-use asset additions		\$ 108,715	\$ 641,424

See accompanying notes to the interim condensed consolidated financial statements.

# SERNOVA BIOTHERAPEUTICS INC.

(Formerly Sernova Corp.)

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended July 31, 2025 and 2024

(In Canadian Dollars)

(Unaudited)

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## 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 September 11, 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 \$13,546,263 was incurred during the nine months ended July 31, 2025 (2024 – \$27,224,023). As at July 31, 2025, the Company had an accumulated deficit of \$163,905,405 and a working capital deficit (current liabilities in excess of current assets) of \$23,867,743. As at July 31, 2025, the working capital deficit included \$13,044,219 (US\$9,342,054) 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 \$346,100). Contractual minimum monthly payments have been temporarily paused with agreement from the vendor while the Company renegotiates payment terms for amounts outstanding. For the nine months ended July 31, 2025, the Company generated negative cashflow from operations of \$10,736,841 (2024 – \$14,971,907).

## **SERNOVA BIOTHERAPEUTICS INC.**

**(Formerly Sernova Corp.)**

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended July 31, 2025 and 2024

(In Canadian Dollars)

(Unaudited)

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### **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 September 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.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended July 31, 2025 and 2024

(In Canadian Dollars)

(Unaudited)

**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 IFRS 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. Right-of-use asset and lease liabilities**

Effective April 30, 2025, 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 \$50,963 upon derecognition of the right-of-use asset and lease liability. Effective May 1, 2025, the Company entered into a successor 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. 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 which the Company will not exercise. As of July 31, 2025, remaining undiscounted lease payment obligations total \$117,254, of which \$82,469 is payable over the next twelve months and \$34,785 is payable in the following two to five years.

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

	Right-of-use asset	Lease liabilities
Balance, October 31, 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
Derecognition on early termination	(470,378)	(521,341)
Additions	108,715	108,715
Depreciation	(80,432)	—
Interest expense	—	44,454
Payments	—	(106,002)
Balance, July 31, 2025	\$ 92,425	\$ 95,766

## SERNOVA BIOTHERAPEUTICS INC.

(Formerly Sernova Corp.)

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended July 31, 2025 and 2024

(In Canadian Dollars)

(Unaudited)

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### 5. 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. In addition, the Company has the option to prepay the principal without penalty or bonus at anytime, except if the prepayment occurs in the first six months of the loan, the Company will still be required to pay the minimum fixed interest amount of \$400,000. 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, see Note 8 – *Related party transactions*. 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 value of the guarantee was determined to be \$340,200 using a Black-Scholes pricing model, of which \$151,200 was recognized as a transaction cost and allocated against the debt and \$189,000 will be recognized over the term of the loan within Finance costs in the statement of operations and comprehensive loss.

Total issue costs of \$447,877, inclusive of the guarantee value of \$151,200, 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 July 31, 2025, the carrying value of the loan payable is \$3,647,810.

### 6. 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.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended July 31, 2025 and 2024

(In Canadian Dollars)

(Unaudited)

**6. Convertible debentures (cont'd...)**

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 \$795,858 (before issue costs allocation) based on future cash flows discounted at the estimated market interest rate of 30%. The residual value of the gross proceeds was allocated to the conversion option based on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component and to the warrants based on their relative fair value. 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.

On July 7, 2025 and July 21, 2025 the Company issued unsecured convertible debentures through non-brokered private placements for aggregate principal amount and gross proceeds of \$100,000 each, to a Director of the Company. The convertible debentures are repayable in 24 months, on July 7, 2027 and July 21, 2027, respectively, unless earlier converted or redeemed and bear interest at a rate of 12% 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 \$0.15 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 666,667 and 666,667 non-transferable common share purchase warrants were issued as part of the offerings with each warrant being exercisable into a common share at a price of \$0.25 per share up to July 7, 2028 and July 21, 2028, respectively. No finder's fees or finder's warrants were paid or issued, respectively, in connection with these offerings. 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 July 7, 2025 and July 21, 2025 convertible debentures were initially recognized at the fair value of a comparable liability without an equity conversion option and related warrant issuance, in the amount of \$75,503 and \$75,503, respectively (before issue costs allocation) based on future cash flows discounted at the estimated market interest rate of 30%. The residual value of the gross proceeds was allocated to the conversion options based on the difference between the fair value of the compound financial instruments as a whole and the fair value of the liability components and to the warrants based on their relative fair values. Issue costs totalling \$13,151 and \$13,151, respectively, 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	1,200,000
Less: value allocation to conversion option	(41,977)
Less: value allocation to warrants	(211,159)
Less: issue costs allocation	(45,679)
Convertible debenture liability component initial recognition	901,185
Accretion expense	42,010
Balance outstanding, end of period	\$ 943,195

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended July 31, 2025 and 2024

(In Canadian Dollars)

(Unaudited)

**7. Share capital****(a) Authorized**

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

**(b) Share capital changes**

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

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

- i) received proceeds of \$15,750 from the exercise of stock options and the corresponding issuance of 75,000 common shares; and
- ii) issued 205,000 common shares upon the equity settlement of DSUs.

**(c) Warrants**

Warrant activity during the nine months ended July 31 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 with convertible debentures	6,333,334	0.21	—	—
Issued in conjunction with loan payable	9,000,000	0.20	—	—
Balance outstanding, end of period	36,590,384	\$ 0.26	—	\$ —

**(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 July 31, 2025 is 18,666,098 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 by the second quarter of 2026 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.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended July 31, 2025 and 2024

(In Canadian Dollars)

(Unaudited)

**7. Share capital (cont'd...)****(d) Incentive plan (cont'd...)**

Stock option activity during the nine months ended July 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	2,995,000	0.25	3,296,500	0.34
Exercised	—	—	(75,000)	(0.21)
Forfeited	(719,035)	(0.68)	(1,561,508)	(1.18)
Expired	(16,264,486)	0.84	(5,623,255)	(1.15)
Balance outstanding, end of period	29,091,637	\$ 0.33	26,110,919	\$ 0.79
Options exercisable, end of period	5,141,270	\$ 0.64	18,573,976	\$ 0.84

Stock options outstanding by range of exercise prices as at July 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	26,776,635	8.7	\$ 0.26	2,906,684	\$ 0.27
\$ 0.84 to \$ 0.96	870,835	0.9	0.92	870,835	0.92
\$ 1.18 to \$ 1.32	1,444,167	3.0	1.25	1,363,751	1.26
\$ 0.21 to \$ 1.32	29,091,637	8.2	\$ 0.33	5,141,270	\$ 0.64

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 nine months ended July 31, 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	80.6%	81.0%
Risk free interest rate	2.8%	3.4%
Expected life of options	5.4 years	5.1 years

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**7. Share capital (cont'd...)****(d) Incentive plan (cont'd...)**

For the nine months ended July 31, 2025 and 2024, the Company issued stock options with weighted average grant date fair values of \$0.12 and \$0.19 per stock option, respectively.

During the nine months ended July 31, 2025, the terms of 500,000 options were modified to be fully vested on an accelerated basis. The modification resulted in the accelerated recognition of \$55,640 of share-based compensation expense in these periods, and 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 nine months ended July 31, 2025, 3,160,000 DSUs were equity settled (2024 – 205,000). There were no DSUs granted or cancelled during the nine months ended July 31, 2025 and 2024.

As at July 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).

**8. 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 5 – *Loan payable* and Note 6 – *Convertible debentures*. The Company also incurred unsecured debt to the same director for the payment of legal fees on loan payable transactions which bears interest at 12% per annum and will be settled in cash. The legal fee debt of \$26,269 and related interest payable of \$216 are recorded in accounts payable and accrued liabilities at July 31, 2025. Remaining amounts due to related parties, including amounts due to key management personnel, included in accounts payable and accrued liabilities at the end of the reporting period are unsecured, interest free and settlement generally occurs in cash. At July 31, 2025, amounts due to key management personnel included in accounts payable and accrued liabilities was \$975,130 (October 31, 2024 – \$919,680).

Compensation to key management personnel for the reporting period:

	Three months ended July 31,		Nine months ended July 31,	
	2025	2024	2025	2024
Personnel costs	\$ 799,925	\$ 585,633	\$ 2,575,569	\$ 2,224,671
Director fees	67,371	63,394	204,267	223,614
Share-based compensation	341,009	451,025	1,578,507	1,987,725
	\$ 1,208,305	\$ 1,100,052	\$ 4,358,343	\$ 4,436,010

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**9. Nature of expenses****Research and development expenses**

	Three months ended July 31,		Nine months ended July 31,	
	2025	2024	2025	2024
Personnel costs	\$ 519,512	\$ 770,999	\$ 1,687,406	\$ 2,601,383
Research and clinical development	1,030,000	3,494,755	4,057,063	14,917,630
Manufacturing costs	–	88,085	234,698	284,462
Patent fees and costs	144,101	49,734	432,992	182,458
Other costs	47,142	122,714	172,819	323,742
Amortization and depreciation	181,936	154,893	262,802	345,853
Share-based compensation - options	(150,423)	238,721	(20,721)	1,334,394
	1,772,268	4,919,901	6,827,059	19,989,922
Grants, contributions and tax credits	(30,000)	102,742	(133,624)	(17,258)
Total research and development expenses	\$ 1,742,268	\$ 5,022,643	\$ 6,693,435	\$ 19,972,664

**General and administrative expenses**

	Three months ended July 31,		Nine months ended July 31,	
	2025	2024	2025	2024
Personnel costs	\$ 587,534	\$ 362,730	\$ 1,911,070	\$ 1,277,734
Consulting and professional fees	260,821	1,026,385	853,392	2,843,623
Director fees and expenses	67,371	69,612	204,708	241,452
Investor relations and corporate communications	216,042	217,363	751,855	988,493
Public company expenses	5,309	49,498	141,903	263,117
Insurance and other costs	110,852	144,469	407,607	558,635
Depreciation	3,116	7,893	17,574	23,974
Share-based compensation – DSUs	–	5,031	2,853	25,950
Share-based compensation - options	506,584	248,580	1,642,423	784,761
Total general and administrative expenses	\$ 1,757,630	\$ 2,131,561	\$ 5,933,385	\$ 7,007,739

**10. 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.

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**10. Commitments and contingencies (cont'd...)**

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 July 31, 2025, the Company has commitments totaling approximately \$3.6 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.

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.

**11. 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.

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**12. 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 July 31, 2025 are primarily composed of amounts due from Canadian federal government agencies and financial service firms 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 July 31, 2025, the Company had a working capital deficit of \$23,867,743 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 nine months ended July 31, 2025 of \$1,893,353 (2024 – \$ 1,789,024).

Balances in US dollars are as follows:

	As at July 31, 2025	As at October 31, 2024
Cash	\$ 2,982	\$ 639,778
Amounts receivable	–	24,270
Accounts payable and accrued liabilities	(13,679,325)	(14,642,534)
	\$ (13,676,343)	\$ (13,978,486)