SERNOVA BIOTHERAPEUTICS INC.

(Formerly Sernova Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
OCTOBER 31, 2025 AND 2024

Independent Auditor's Report

To the Shareholders of Sernova Biotherapeutics Inc.,

Opinion

We have audited the consolidated financial statements of Sernova Biotherapeutics Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at October 31, 2025 and the consolidated statement of operations and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements for the year ended October 31, 2024, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on December 23, 2024.

Material uncertainty related to going concern

We draw attention to Note 2(c) in the consolidated financial statements, which indicates that the Group incurred a net loss of $15.7 million during the year ended October 31, 2025 and, as of that date, the Group's current liabilities exceeded its current assets by $24.3 million. As stated in Note 2(c), these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matter described below to be a key audit matter to be communicated in our report.

Completeness and valuation of accrued expenses related to research and development costs

Key audit matter	How our audit addressed the key audit matter
As disclosed in Notes 7 and 12 of the consolidated financial statements, the Group has recorded research and development ("R&D") expenses of $4.4 million for the year ended October 31, 2025 and accounts payable and accrued liabilities of $19.5 million as at October 31, 2025 which includes an accrual for estimated research and development clinical trial expenses incurred. Expenditures on R&D activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. R&D expenses include all direct and indirect operating expenses supporting the products in development and clinical trials, less the recognition of any cost recoveries from industry collaborators. The Group outsources a significant portion of its R&D activities to third-party contract service providers. The amount of expense recognized in a period for third-party contract service providers is based on the work performed using the accrual basis of accounting. Third-party costs include those related to preclinical research, clinical trial activities and product manufacturing. The accrued expenses related to R&D costs at period end reflects the Group's assessment of third-party information and its best estimate of the status of R&D activities and applicable costs for services completed at period end. The Group's estimate of the status of R&D activities and applicable costs incurred by the third-party contract service providers at each reporting period requires significant judgment by management, as estimates are based on a number of factors, including management's knowledge of the R&D programs and associated timelines, invoicing to date from third party vendors, and the provisions in the contracts. The completeness of R&D accruals is subject to risk of estimation uncertainty related to services having been received where invoices are not received from third party contract service providers in a timely manner prior to the consolidated financial statements being issued. Auditing the Group's accrual (and contracts) for R&D clinical trial activity requires significant auditor attention, to evaluate the completeness and accuracy of management's estimates in determining the R&D accrual at period end.	To assess the completeness and valuation of the accrual for R&D expenses incurred for clinical trials, our procedures included the following: • We inspected the contracts from third party contract service providers; • We understood the progress of research and development projects from the Group's research and development personnel that oversee the projects and any clinical studies; • We obtained external confirmations for a sample of third-party contract service providers with on-going projects open at October 31, 2025; • We reviewed subsequent invoices received from third party service providers and cash disbursements made subsequent to October 31, 2025 related to services provided prior to October 31, 2025 to evaluate whether these were appropriately considered as part of the R&D accrual; and • We evaluated the appropriateness and completeness of the financial statement presentation and disclosures.

Other information

Management is responsible for the other information. The other information comprises: Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained

up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Laura Sluce.

Ernst & Young LLP

December 19, 2025
Toronto, Canada

Chartered Professional Accountants
Licensed Public Accountants

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

	Note	**October 31, 2025**	October 31, 2024
Assets			
Current assets			
Cash		$ 265,004	$ 6,012,274
Amounts receivable	4	122,633	298,104
Prepaid expenses and other assets		135,013	159,170
Total current assets		522,650	6,469,548
Non-current assets			
Deposits		223,860	223,860
Equipment, net	5	17,724	299,411
Right-of-use asset, net	6	–	534,520
Total non-current assets		241,584	1,057,791
Total assets		$ 764,234	$ 7,527,339
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 8,559,341	$ 19,914,007
Accounts payable to be settled in equity	7	12,508,057	–
Loan payable	8	3,730,133	–
Lease liabilities	6	–	101,456
Total current liabilities		24,797,531	20,015,463
Non-current liabilities			
Convertible debentures	9	1,043,533	–
Lease liabilities	6	–	468,484
Total non-current liabilities		1,043,533	468,484
Total liabilities		25,841,064	20,483,947
Shareholders' deficit			
Common shares, no par value; unlimited authorized; 332,854,811 and 325,324,786 shares issued and outstanding, as at October 31, 2025 and October 31, 2024, respectively	10	118,696,619	116,679,651
Warrants	10	537,142	34,421
Contributed surplus	10	21,792,017	20,688,462
Deficit		(166,102,608)	(150,359,142)
Total shareholders' deficit		(25,076,830)	(12,956,608)
Total liabilities and shareholders' deficit		$ 764,234	$ 7,527,339

Going concern (Note 2(c))
Commitments and contingencies (Note 13)

On behalf of the Board of Directors

"John Brooks III" Director ***"Jonathan Rigby"*** Director

See accompanying notes to the consolidated financial statements.

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

	Note	**Year ended October 31, 2025**	Year ended October 31, 2024
Operating expenses			
Research and development	12	$ 7,503,068	$ 22,690,650
General and administrative	12	7,519,956	8,973,092
Total operating expenses		15,023,024	31,663,742
Other expense (income)			
Interest income		(25,634)	(388,391)
Finance costs		754,813	586,858
Foreign exchange loss		37,047	341,788
Gain on disposal of right-of-use assets and lease liabilities	6	(55,215)	(18,862)
Net other expense		711,011	521,393
Net loss before income taxes		$ 15,734,035	$ 32,185,135
Deferred income tax expense	14	(70,000)	–
Current income tax expense	14	79,431	7,000
Net loss and comprehensive loss		$ 15,743,466	$ 32,192,135
Basic and diluted net loss per common share	15	$ 0.05	$ 0.10
Weighted average number of common shares outstanding – basic and diluted		328,286,722	306,954,330

See accompanying notes to the consolidated financial statements.

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

	Common Shares		Warrants	Contributed Surplus	Deficit	Total
	(Note 10)		(Note 10)	(Note 10)		
Balance, October 31, 2024	325,324,786	$ 116,679,651	$ 34,421	$ 20,688,462	$(150,359,142)	$ (12,956,608)
Net loss	–	–	–	–	(15,743,466)	(15,743,466)
Issuance of common shares in settlement of deferred share units	3,160,000	1,384,956	–	(1,384,956)	–	–
Issuance of warrants in conjunction with convertible debentures	–	–	212,492	52,198	–	264,690
Issuance of warrants in conjunction with loan payable	–	–	260,671	–	–	260,671
Issuance of units in debt settlement, net of issuance costs	2,747,525	398,913	14,018	–	–	412,931
Issuance of units in private placement, net of issuance costs	1,622,500	233,099	15,540	–	–	248,639
Issuance of options as settlement of director fees	–	–	–	203,419	–	203,419
Deferred tax asset on convertible debentures (Note 14)	–	–	–	(70,000)	–	(70,000)
Share-based compensation	–	–	–	2,302,894	–	2,302,894
Balance, October 31, 2025	332,854,811	$ 118,696,619	$ 537,142	$ 21,792,017	$(166,102,608)	$ (25,076,830)
Balance, October 31, 2023	303,332,686	$ 110,987,766	$ –	$ 19,693,776	$(118,167,007)	$ 12,514,535
Net loss	–	–	–	–	(32,192,135)	(32,192,135)
Issuance of units in private placement, net of issuance costs	20,852,100	4,925,085	34,421	–	–	4,959,506
Issuance of common shares upon exercise of stock options	75,000	27,000	–	(11,250)	–	15,750
Issuance of common shares in settlement of deferred share units	1,065,000	739,800	–	(739,800)	–	–
Share-based compensation	–	–	–	1,745,736	–	1,745,736
Balance, October 31, 2024	325,324,786	$ 116,679,651	$ 34,421	$ 20,688,462	$(150,359,142)	$ (12,956,608)

See accompanying notes to the consolidated financial statements.

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

	Note	**Year ended October 31, 2025**	Year ended October 31, 2024
Cash flows from operating activities			
Net loss		$ (15,743,466)	$ (32,192,135)
Adjustments for items not affecting cash:			
Amortization and depreciation		342,591	540,280
Share-based compensation	10	2,302,894	1,745,736
Director fees settled in equity	10	203,419	–
Grants and contributions recognized		–	(68,384)
Research collaboration advances recognized as cost recoveries		(35,153)	(135,097)
Interest on lease liabilities	6	46,689	71,859
Accretion and accrued interest expense	8,9	363,996	–
Gain on disposal of right-of-use asset and lease liabilities	6	(55,215)	(18,862)
Deferred tax asset on convertible debentures	14	(70,000)	–
Changes in non-cash working capital balances:			
Amounts receivable	4	175,471	561,849
Prepaid expenses and other assets		24,157	5,494
Accounts payable and accrued liabilities	7	1,536,650	10,592,947
Net cash used in operating activities		(10,907,967)	(18,896,313)
Cash flows from investing activities			
Disposal of equipment	5	24,958	–
Redemption of marketable securities		–	11,084,000
Deposits		–	35,304
Net cash provided by investing activities		24,958	11,119,304
Cash flows from financing activities			
Proceeds from loan, net	8,10	3,703,323	–
Proceeds from convertible debentures, net	9,10	1,231,708	–
Proceeds from private placement of shares, net	10	248,639	4,959,506
Proceeds from exercise of stock options	10	–	15,750
Grant contribution receipts		–	261,422
Research collaboration advances		64,825	–
Lease liabilities payments	6	(112,756)	(169,230)
Net cash provided by financing activities		5,135,739	5,067,448
Net decrease in cash		(5,747,270)	(2,709,561)
Cash, beginning of year		6,012,274	8,721,835
Cash, end of year		$ 265,004	$ 6,012,274
Supplemental cash flow disclosures:			
Income taxes paid		$ 9,403	$ –
Interest received		$ 26,678	$ 723,947
Right-of-use asset additions		$ 108,715	$ 641,424

See accompanying notes to the consolidated financial statements.

1. Nature of operations

Sernova Biotherapeutics Inc. (the "Company") is a publicly listed, 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 Business Corporations Act (British Columbia). The Company has operations in the United States and Canada.

2. Basis of presentation

(a) Statement of compliance

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on December 19, 2025.

(b) Basis of measurement

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

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

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

(c) Going concern

These consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred losses and generated negative cashflows since inception. A net loss and comprehensive loss of $15,743,466 was incurred during the year ended October 31, 2025 (2024 – $32,192,135). As at October 31, 2025, the Company had an accumulated deficit of $166,102,608 and a working capital deficit (current liabilities in excess of current assets) of $24,274,881. As at October 31, 2025, the working capital deficit included approximately $12.5 million included in accounts payable for which the Company and a vendor have agreed to settlement of the amount in equity. See Note 7 – *Accounts payable and accrued liabilities*. For the year ended October 31, 2025, the Company generated negative cash flows from operations of $10,907,967 (2024 - $18,896,313).

Until the Company's products are approved and available for sale and profitable operations are developed, the Company's liquidity requirements will be dependent on its ability to continue to secure additional funding to meet its financial obligations and to fund research and development expenditures. Failure to do so could have a material adverse effect on the Company's financial condition. As a result, material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business.

2. Basis of presentation (cont'd…)

(c) Going concern (cont'd…)

The Company expects to incur further losses in the development and commercialization of its proprietary Cell Pouch platform for the foreseeable future and forecasts that it will need to successfully complete additional financing initiatives in the near term to continue as a going concern and cover its planned research and development expenditures and financial obligations. After the reporting period, the Company received $615,000 in gross proceeds in an on-going private placement. See Note 18 – *Events after the reporting period*.

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

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

(d) Use of significant estimates and judgments

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

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

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

2. Basis of presentation (cont'd…)

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

Convertible instruments
Convertible debentures are compound financial instruments which are accounted for separately by their components which include financial liabilities and equity instruments. The financial liability, which represents the obligation to pay coupon interest on the convertible debenture in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

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

3. Material accounting policies

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

(a) Foreign currency translation

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

(b) Provisions

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

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

3. Material accounting policies (cont'd…)

(c) Research and development costs

Expenditures on R&D activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. R&D expenses include all direct and indirect operating expenses supporting the products in development and clinical trials, less the recognition of any cost recoveries from industry collaborators. The Company outsources a significant portion of its R&D activities to third-party contract service providers. Third-party costs include those related to preclinical research, clinical trial activities and product manufacturing. Clinical trial activities expenses include investigator fees, clinical site costs, contract research organization fees and other related costs.

The amount of expense recognized in a period for third-party contract service providers is based on the work performed using the accrual basis of accounting. The Company's third-party contract service providers generally provide information of services performed to enable the Company to determine the appropriate accrual at period end. The accrued expenses related to R&D costs at period end reflect the Company's assessment of third-party information and its best estimate of the status of R&D activities and applicable costs for services completed at period end. Any changes to the estimates could have a significant impact on the accruals for R&D activities recorded. If the actual timing of services provided or level of effort varies from the Company's estimates, R&D expense and accrued liabilities are adjusted accordingly on a prospective basis.

(d) Share-based payments and compensation

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

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

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

In conjunction with private placements or brokered financings, the Company may issue compensatory warrants to agents as consideration for services provided. Awards of warrants are accounted at fair value.

(e) Loss per share

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

3. Material accounting policies (cont'd…)

(f) Financial instruments

Classification and Measurement of Financial Instruments

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

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

i) Amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Finance income from these financial instruments is recorded in the consolidated statement of operations and comprehensive loss using the effective interest rate method;

ii) Fair value through other comprehensive income ("FVOCI"): Financial instruments that are held for collection of contractual cash flows and for selling the financial instruments, where the financial instruments' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in the consolidated statement of operations and comprehensive loss; and

iii) Fair value through profit (loss) ("FVTPL"): Financial instruments that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit (loss). A gain or loss on a financial instrument that is subsequently measured at fair value through profit (loss) and is not part of a hedging relationship is recognized in income (loss) and presented net in the consolidated statement of operations and comprehensive loss in the period in which it arises.

Financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL. Financial liabilities are subsequently measured as FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as FVTPL if eligible.

Impairment of Financial Assets

Financial assets measured at amortized cost and subject to the expected credit loss model may consist of short-term investments and amounts receivable. Short-term investments at amortized cost are considered to be low risk, and therefore the impairment provision is determined using a twelve-month expected credit loss basis. No impairment in the Company's financial assets was identified as at October 31, 2025.

(g) Valuation of equity units issued

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

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

(In Canadian Dollars)

3. Material accounting policies (cont'd…)

(h) 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.

(i) 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. Amounts receivable

	October 31, 2025	October 31, 2024
Grant contributions receivable	$ –	$ 39,756
Tax credits receivable	104,478	258,348
Other receivable	18,155	–
	$ 122,633	$ 298,104

(In Canadian Dollars)

5. Equipment

	Computer and office equipment	Laboratory equipment	Manufacturing equipment	Total
Cost				
Balance, October 31, 2023	$ 150,433	$ 577,733	$ 171,557	$ 899,723
Additions	–	–	–	–
Balance, October 31, 2024	150,433	577,733	171,557	899,723
Disposals	(109,455)	(577,733)	–	(687,188)
Balance, October 31, 2025	$ 40,978	$ –	$ 171,557	$ 212,535
Accumulated depreciation				
Balance, October 31, 2023	$ 98,742	$ 318,241	$ 89,516	$ 506,499
Depreciation	21,936	55,469	16,408	93,813
Balance, October 31, 2024	120,678	373,710	105,924	600,312
Depreciation	24,972	183,848	47,909	256,729
Disposals	(104,672)	(557,558)	–	(662,230)
Balance, October 31, 2025	$ 40,978	$ –	$ 153,833	$ 194,811
Net carrying amounts				
October 31, 2024	$ 29,755	$ 204,023	$ 65,633	$ 299,411
October 31, 2025	$ –	$ –	$ 17,724	$ 17,724

6. Right-of-use assets and lease liabilities

Effective April 30, 2025, the Company terminated its lease for 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 2024 lease at a rate of $6,754 per month. On August 31, 2025, the May 2025 lease was terminated which resulted in a gain on disposal of right-of-use asset and lease liability of $4,252 upon derecognition of right-of-use asset and lease liability. No successor lease was entered into.

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

	Right-of-use assets	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
Additions	108,715	108,715
Derecognition on early termination	(557,373)	(612,588)
Depreciation	(85,862)	–
Interest expense	–	46,689
Payments	–	(112,756)
Balance, October 31, 2025	$ –	$ –

(In Canadian Dollars)

7. Accounts payable and accrued liabilities

	October 31, 2025	October 31, 2024
Trade and other payables	$ 5,160,303	$ 17,244,417
Accrued liabilities	1,881,537	1,749,910
Due to related parties (Note 11)	1,517,501	919,680
	$ 8,559,341	$ 19,914,007

On September 30, 2025, the Company entered into an agreement with a vendor to settle $12,508,057 of amounts payable in equity which is included in accounts payable to be settled in equity on the statement of financial position. In consideration for the settlement of debt, the Company will issue 65,831,880 units at $0.19 per unit. Each unit is comprised of one preferred share, one half-warrant with an exercise price of $0.25 exercisable for 24 months and one half-warrant with an exercise price of $0.30 exercisable for 36 months. Each full warrant is exercisable for one preferred share at a price of $0.25 or $0.30, respectively. The exercise period of the $0.25 warrants and the $0.30 warrants is subject to acceleration on 30 days notice to the warrant holder in the event that the 5-day volume weighted average price of the Company's common shares exceeds $0.40 and $0.50 per share, respectively. The debt settlement transaction must be completed by March 30, 2026 and is subject to shareholder and Toronto Stock Exchange approval.

8. Loan payable

The Company is indebted to Navigate Private Yield Fund LP III, a fund managed by Fraser Mackenzie Private Credit Inc. The loan was issued on April 16, 2025 for a principal amount of $4,000,000 and has a 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 original term of the loan considered a maturity date 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. In October 2025, the loan agreement was amended to remove the repayment condition upon a monetization transaction so that the repayment date is the maturity date which is 12 months from the issue date, on April 16, 2026, and to increase the interest rate following the fixed interest period from 14.25% per annum to 15.25% per annum.

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 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 was $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 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. As of October 31, 2025, the value of option to prepay is $nil and no amounts have been recognized in the statements of operations and comprehensive loss.

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 11 – *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 recorded 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.

8. Loan payable (cont'd…)

Total issue costs of $447,877, inclusive of the guarantee value of $151,200, were incurred and are recorded 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 October 31, 2025, the carrying value of the loan payable was $3,730,133.

9. Convertible debentures

During the year ended October 31, 2025, the Company issued unsecured convertible debentures through non-brokered private placements to a Director of the Company as follows:

i) On March 4, 2025 for an aggregate principal amount and gross proceeds of $1,000,000, bearing interest at a rate of 15% per annum payable annually in arrears, in cash or common shares at the option of the Company. The debenture is repayable in 24 months on March 4, 2027 and has a conversion price of $0.20 per share. 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. The initial fair value of the liability component of the convertible debenture was $795,858;

ii) On July 7, 2025 and July 21, 2025 for an aggregate principal amount and gross proceeds of $100,000 each, bearing interest at a rate of 12% per annum payable annually in arrears, in cash or common shares at the option of the Company. The debentures are repayable in 24 months on July 7, 2027 and July 21, 2027, respectively, and have conversion prices of $0.15 per share. 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. The initial fair value of the liability components of the convertible debentures were $75,503 and $75,503, respectively; and

iii) On September 2, 2025 for an aggregate principal amount and gross proceeds of $100,000, bearing interest at a rate of 10% per annum payable annually in arrears, in cash or common shares at the option of the Company. The debenture is repayable in 24 months on September 2, 2027 and has a conversion price of $0.15 per share. A total of 666,667 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 $0.25 per share up to September 2, 2028. The initial fair value of the liability component of the convertible debenture was $72,781.

The holder has the right to convert the principal amount into common shares of the Company at specified conversion prices per share. The Company has the option to redeem and repay the convertible debt at any time after 12 months following the issue date at a redemption premium of 2% of the principal amount called for redemption. 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 each convertible debenture was initially recognized at the fair value of a comparable liability without an equity conversion option and related warrant issuance (before issue cost allocation) based on future cash flows discounted at the estimated market interest rate of 30%. The residual values of the gross proceeds were allocated to the conversion options 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. Accretion of interest on the liability components and accrued interest expense on the convertible debentures are included in finance costs in the statements of loss and comprehensive loss.

(In Canadian Dollars)

9. Convertible debentures (cont'd…)

Balance outstanding, October 31, 2024	$ –
Face value of convertible debentures issued	1,300,000
Less: value allocation to conversion option	(58,088)
Less: value allocation to warrants	(222,267)
Less: issue costs allocation	(52,627)
Convertible debenture liability component initial recognition	967,018
Accretion expense	76,515
Balance outstanding, October 31, 2025	$ 1,043,533

10. Share capital

(a) Authorized

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

(b) Share capital changes

During the year ended October 31, 2025, the Company:

i) issued 3,160,000 common shares upon the equity settlement of DSUs;

ii) issued 1,622,500 units at $0.16 per unit for gross proceeds of $259,600, before deducting expenses of $10,961 in a non-brokered private placement. Each unit comprises one common share of the Company and one common share purchase warrant. Each common share purchase warrant will be exercisable for one common share at a price of $0.40 per common share for 36 months. The common share purchase warrants have a fair value of $16,225 as determined using the residual fair value method;

iii) issued 205,845 common shares at $0.20 per share to settle accounts payable of $39,697. Cash offering costs of $8,000 were incurred and recorded against the fair value of the common shares; and

iv) issued 2,541,680 units at $0.19 per unit to settle accounts payable of $482,919. Each unit was comprised of one common share, one half-warrant with an exercise price of $0.25 exercisable for 24 months and one half-warrant with an exercise price of $0.30 exercisable for 36 months. Cash offering costs of $10,234 were incurred and allocated to common shares and common share purchase warrants based on their relative fair values. The exercise period of the $0.25 warrants and the $0.30 warrants is subject to acceleration on 30 days notice to warrant holders in the event that the 5-day volume weighted average price of the Company's common shares exceeds $0.40 and $0.50 per share, respectively. The settlement of debt resulted in a gain of $87,180 included in finance costs on the statement of operations and comprehensive loss.

The fair value of the 24-month warrants was determined using the Black-Scholes model based on the exercise price of $0.25 per common share, expected life of 2 years, volatility of 30% and a risk-free interest rate of 2.4%. The fair value of the 36-month warrants was determined using the Black-Scholes model based on the exercise price of $0.30 per common share, expected life of 3 years, volatility of 30% and a risk-free interest rate of 2.5%. A total value of $15,088 was assigned to the common share purchase warrants using the relative fair value method.

(In Canadian Dollars)

10. Share capital (cont'd…)

(b) Share capital changes (cont'd…)

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

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

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

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

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

(c) Warrants

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

	2025		2024	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance outstanding, beginning of year	21,257,050	$ 0.30	–	$ –
Issued in a private placement	1,622,500	0.40	20,852,100	0.30
Compensation warrants issued in a private placement	–	–	404,950	0.30
Issued in conjunction with debt settlement	2,541,680	0.27		
Issued with convertible debentures	7,000,001	0.21	–	–
Issued in conjunction with loan payable	9,000,000	0.20	–	–
Balance outstanding, end of year	41,421,231	$ 0.27	21,257,050	$ 0.30

(In Canadian Dollars)

10. Share capital (cont'd…)

(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 51,285,001. The remaining balance available for grant under the Incentive Plan as of October 31, 2025 is 15,147,895 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 that 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 Toronto Stock Exchange.

Stock option activity during the years ended October 31 was as follows:

	2025		2024	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance outstanding, beginning of year	43,080,158	$ 0.53	30,074,182	$ 0.92
Granted	7,898,612	0.25	23,728,133	0.27
Exercised	–	–	(75,000)	(0.21)
Forfeited	(803,609)	(0.65)	(4,798,902)	(0.92)
Expired	(17,565,321)	(0.86)	(5,848,255)	(1.15)
Balance outstanding, end of year	32,609,840	$ 0.29	43,080,158	$ 0.53
Options exercisable, end of year	10,290,925	$ 0.35	19,123,750	$ 0.83

Stock options outstanding by range of exercise prices as at October 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	31,601,923	8.7	$ 0.26	9,335,508	$ 0.26
$ 0.73 to $ 0.96	90,000	4.7	0.87	90,000	0.87
$ 1.18 to $ 1.32	917,917	4.1	1.21	865,417	1.21
$ 0.21 to $ 1.32	32,609,840	8.5	$ 0.29	10,290,925	$ 0.35

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.

(In Canadian Dollars)

10. Share capital (cont'd…)

(d) Incentive plan (cont'd…)

For the stock options granted during the years ended October 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	81.9%	83.4%
Risk free interest rate	2.9%	3.1%
Expected life of options	5.4 years	5.9 years

For the years ended October 31, 2025 and 2024, the Company issued stock options with weighted average grant date fair values of $0.12 and $0.18 per stock option, respectively.

During the year ended October 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.

During the year ended October 31, 2025, the Company granted 1,753,612 options to settle $203,419 of amounts due to Directors. See Note 11 – *Related party transactions*.

The Incentive Plan allows for the issuance of DSUs to directors and officers of the Company and settlement in the form of a cash payment or issuance of shares after the DSU holder leaves the Company. Since the method of settlement of the DSUs is at the discretion of the Company, it has been accounted for as an equity-settled plan. During the year ended October 31, 2025, 3,160,000 DSUs were equity settled (2024 – 1,065,000). There were no DSUs granted or cancelled during the years ended October 31, 2025 and 2024. As at October 31, 2025, 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).

11. 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 8 – *Loan payable* and Note 9 – *Convertible debentures*. The Company also incurred unsecured debt to the same director of $86,269 with $2,210 of related interest payable which will be settled in cash and is recorded in accounts payable and accrued liabilities at October 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 October 31, 2025, amounts due to key management personnel included in accounts payable and accrued liabilities was $1,517,501 (October 31, 2024 – $919,680).

Compensation to key management personnel for the reporting period:

	Years ended October 31, 2025	2024
Personnel costs	$ 3,050,873	$ 3,448,301
Director fees	275,979	284,543
Share-based compensation	2,130,375	1,570,671
	$ 5,457,227	$ 5,303,515

(In Canadian Dollars)

12. Nature of expenses

Research and development expenses

	Years ended October 31, 2025	2024
Personnel costs	$ 1,901,288	$ 3,494,963
Research and clinical development	4,427,539	16,378,474
Manufacturing costs	234,698	608,795
Patent fees and costs	441,613	360,745
Other costs	219,208	444,687
Amortization and depreciation	321,901	506,188
Share-based compensation - options	58,445	1,071,153
	7,604,692	22,865,005
Grants, contributions and tax credits	(101,624)	(174,355)
Total research and development expenses	$ 7,503,068	$ 22,690,650

General and administrative expenses

	Years ended October 31, 2025	2024
Personnel costs	$ 2,356,933	$ 2,071,760
Consulting and professional fees	1,202,054	3,133,990
Director fees and expenses	276,420	319,043
Investor relations and corporate communications	752,434	1,289,768
Public company expenses	160,532	762,025
Insurance and other costs	506,444	687,831
Depreciation	20,690	34,092
Share-based compensation - DSUs	2,853	29,848
Share-based compensation - options	2,241,596	644,735
Total general and administrative expenses	$ 7,519,956	$ 8,973,092

13. Commitments and contingencies

The Company was previously awarded a US$2.45 million ($3.43 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.

(In Canadian Dollars)

13. 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 October 31, 2025, the Company has commitments totaling approximately $3.7 million, of which approximately $1.4 million is expected to be paid over the next twelve months. These contracts are cancellable by the Company with notice.

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.

14. Income taxes

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

	2025	2024
Loss for the year before income tax	$ (15,734,035)	$ (32,185,135)
Expected income tax recovery at statutory rates	$ (4,170,000)	$ (8,529,000)
Change in statutory tax, foreign tax and foreign exchange rates	(12,000)	69,000
Permanent differences	566,000	453,000
Change in unrecognized deductible temporary differences	3,588,000	6,454,000
Application of non-capital losses	–	(33,000)
Tax credits and other	(97,569)	(273,000)
Expiry of non-capital losses	–	1,834,000
Adjustment to prior year provision versus statutory returns	135,000	32,000
Income tax expense	$ 9,431	$ 7,000

As at October 31, 2025, there was $149,000 of temporary differences associated with investments in the Company's subsidiary for which a deferred tax liability has not been recognized (2024 – $10,000) and $70,000 of current and deferred tax relating to items charged or credited directly to equity (2024 – $nil).

(In Canadian Dollars)

14. Income taxes (cont'd…)

As at October 31, 2025, and 2024, the following temporary differences have not been recognized:

	2025	2024
Non-capital losses	$ 31,474,000	$ 27,848,000
Tax credits	2,575,000	2,694,000
Tax basis of property, equipment and intangible assets greater than accounting basis	424,000	521,000
Scientific research and experimental development expenditures	3,692,000	3,597,000
Share issue costs and other	198,000	317,000
Non-deductible book reserves	263,000	–
Debt with accretion	(139,000)	–
	$ 38,487,000	$ 34,977,000

As at October 31, 2025, the Company had the following tax balances available for future use:

i) Canadian research and development expenditures of approximately $13,931,000 (2024 – $13,572,000), which may be carried forward indefinitely to reduce future years' taxable income;

ii) unclaimed Canadian research and development tax credits of approximately $3,285,000 (2024 – $3,335,000), which are available to reduce future taxes payable, with expiries from 2026 through 2044;

iii) other available Canadian future tax deductions related to assets and share issuance costs of approximately $3,030,000 (2024 – $3,160,000); and

iv) Canadian non-capital tax losses of $118,193,000 with expiries from 2026 through 2045 if not utilized. There were no non-capital tax losses available to offset future taxable income in the United States.

15. 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.

16. Capital risk management

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

The Company's debts include accounts payable and accrued liabilities, loan payable and convertible debentures. The Company also has commitments relating to the execution of its research and development programs.

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

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

17. Financial instruments

Fair value

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

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

The Company has classified cash as Level 1.

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

Financial risk factors

The Company's risk exposures and impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk is the risk of loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash, in excess of insured amounts, held or invested at financial institutions including Canadian chartered banks and financial service firms. Management actively reviews the risk of the financial institutions and or the counterparty to the underlying financial instruments held failing to meet its obligations and adjusts expected credit losses if and when any undue risk is identified. Amounts receivable at October 31, 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 October 31, 2025, the Company had a working capital deficit of $24,274,881 which includes $12,508,057 expected to be settled in equity, see Note 7 – *Accounts payable and accrued liabilities*. 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. The convertible debentures and loan payable have fixed rates of interest.

17. Financial instruments (cont'd…)

(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 and accrued liabilities. Fluctuations in the US dollar exchange rate could have a significant impact on the Company's results. Assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase or decrease in loss and comprehensive loss for the year ended October 31, 2025 of $643,063 (2024 – $ 1,945,246).

Balances in US dollars are as follows:

	As at October 31, 2025	As at October 31, 2024
Cash	$ 117	$ 639,778
Amounts receivable	–	24,270
Accounts payable and accrued liabilities	(4,587,524)	(14,642,534)
	$ (4,587,407)	$ (13,978,486)

18. Events after the reporting period

In November 2025, the Company issued 3,843,750 units at $0.16 in an on-going non-brokered private placement financing for gross proceeds of $615,000. Each unit was comprised of one common share of the Company and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.40 per common share for 36 months. As part of the private placement, 105,000 compensation warrants with the same terms as the unit warrants were issued.