



SERNOVA BIOTHERAPEUTICS INC.

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED
APRIL 30, 2026 AND 2025**

(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.

Interim Condensed Consolidated Statements of Financial Position

(In Canadian Dollars)

(Unaudited)

	Note	April 30, 2026	October 31, 2025
Assets			
Current assets			
Cash		\$ 1,053,157	\$ 265,004
Amounts receivable		116,838	122,633
Prepaid expenses and other assets		355,332	135,013
Total current assets		1,525,327	522,650
Non-current assets			
Deposits		–	223,860
Equipment, net		8,862	17,724
Total non-current assets		8,862	241,584
Total assets		\$ 1,534,189	\$ 764,234
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities	4	\$ 8,720,909	\$ 8,559,341
Accounts payable to be settled in equity	4	–	12,508,057
Convertible debentures	6	2,223,554	–
Loan payable	5	–	3,730,133
Total current liabilities		10,944,463	24,797,531
Non-current liabilities			
Convertible debentures	6	229,238	1,043,533
Total non-current liabilities		229,238	1,043,533
Total liabilities		11,173,701	25,841,064
Shareholders' deficit			
Common shares, no par value; unlimited authorized; 377,642,509 and 332,854,811 shares issued and outstanding, as at April 30, 2026 and October 31, 2025, respectively	7	125,262,171	118,696,619
Preferred shares, no par value: unlimited authorized; 65,831,880 and nil shares issued and outstanding as at April 30, 2026 and October 31, 2025, respectively	7	12,025,024	–
Warrants	7	1,743,291	537,142
Contributed surplus	7	22,995,065	21,792,017
Deficit		(171,665,063)	(166,102,608)
Total shareholders' deficit		(9,639,512)	(25,076,830)
Total liabilities and shareholders' deficit		\$ 1,534,189	\$ 764,234

Going concern (Note 2(c))

Commitments and contingencies (Note 10)

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA BIOTHERAPEUTICS INC.

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

(In Canadian Dollars)

(Unaudited)

	Note	Three months ended April 30,		Six months ended April 30,	
		2026	2025	2026	2025
Operating expenses					
Research and development	9	\$ 444,871	\$ 2,362,761	\$ 879,020	\$ 4,951,167
General and administrative	9	1,851,722	1,963,901	3,532,593	4,175,755
Total operating expenses		2,296,593	4,326,662	4,411,613	9,126,922
Other expense (income)					
Interest income		(413)	(2,027)	(413)	(25,476)
Finance costs		920,947	238,728	1,398,064	473,706
Foreign exchange (gain) loss		10,926	(823,078)	(174,809)	(145,950)
Net other expense (income)		931,460	(586,377)	1,222,842	302,280
Net loss before income taxes		\$ 3,228,053	\$ 3,740,285	\$ 5,534,455	\$ 9,429,202
Current income tax (recovery) expense		–	36,878	(72,000)	43,278
Net loss and comprehensive loss		\$ 3,228,053	\$ 3,777,163	\$ 5,634,455	\$ 9,472,480
Basic and diluted net loss per common share	11	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.03
Weighted average number of common shares outstanding – basic and diluted		351,116,814	328,484,786	343,634,510	327,971,388

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA BIOTHERAPEUTICS INC.

Interim Condensed Consolidated Statements of Changes in Equity

(In Canadian Dollars)

(Unaudited)

	<u>Common Shares</u>		<u>Preferred Shares</u>		<u>Warrants</u>	<u>Contributed Surplus</u>	<u>Deficit</u>	<u>Total</u>
	(Note 7)		(Note 7)		(Note 7)	(Note 7)		
Balance, October 31, 2025	332,854,811	\$ 118,696,619	–	\$ –	\$ 537,142	\$ 21,792,017	\$(166,102,608)	\$ (25,076,830)
Net loss	–	–	–	–	–	–	(5,562,455)	(5,562,455)
Warrants in conjunction with loan payable	–	–	–	–	79,529	–	–	79,529
Issuance of warrants in conjunction with convertible debentures	–	–	–	–	166,293	–	–	166,293
Issuance of units in debt settlement, net of issuance costs	514,622	84,761	65,831,880	12,025,024	883,624	–	–	12,993,409
Issuance of units in private placement, net of issuance costs	44,273,076	6,480,791	–	–	76,703	–	–	6,557,494
Issuance of options as settlement of director fees	–	–	–	–	–	179,837	–	179,837
Share-based compensation	–	–	–	–	–	1,023,211	–	1,023,211
Balance, April 30, 2026	377,642,509	\$ 125,262,171	65,831,880	\$ 12,025,024	\$ 1,743,291	\$ 22,995,065	\$(171,665,063)	\$ (9,639,512)
Balance, October 31, 2024	325,324,786	\$ 116,679,651	–	\$ –	\$ 34,421	\$ 20,688,462	\$(150,359,142)	\$ (12,956,608)
Net loss	–	–	–	–	–	–	(9,472,480)	(9,472,480)
Issuance of common shares in settlement of deferred share units	3,160,000	1,384,956	–	–	–	(1,384,956)	–	–
Issuance of warrants in conjunction with convertible debentures	–	–	–	–	95,524	79,514	–	175,038
Issuance of warrants in conjunction with loan payable	–	–	–	–	324,800	–	–	324,800
Share-based compensation	–	–	–	–	–	1,268,394	–	1,268,394
Balance, April 30, 2025	328,484,786	\$ 118,064,607	–	\$ –	\$ 454,745	\$ 20,651,414	\$(159,831,622)	\$ (20,660,856)

See accompanying notes to the interim condensed consolidated financial statements.

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

	Note	Six months ended April 30, 2026	Six months ended April 30, 2025
Cash flows from operating activities			
Net loss		\$ (5,562,455)	\$ (9,472,480)
Adjustments for items not affecting cash:			
Amortization and depreciation		8,862	95,324
Share-based compensation	7	1,023,211	1,268,394
Director fees settled in equity		179,837	–
Research collaboration advances recognized as cost recoveries		–	(35,153)
Interest on lease liabilities		–	37,141
Accretion and accrued interest expense	5,6	439,632	44,729
Changes in non-cash working capital balances:			
Amounts receivable		5,795	(134,875)
Prepaid expenses and other assets		(220,319)	(321,268)
Accounts payable and accrued liabilities and deposits	4	870,780	(146,342)
Net cash used in operating activities		(3,254,657)	(8,664,530)
Net cash provided by investing activities		–	–
Cash flows from financing activities			
Loan repayment	5	(4,000,000)	–
Proceeds from private placement of shares, net of issue costs	7	6,557,494	–
Proceeds from loan, net of issue costs		–	3,703,323
Proceeds from convertible debentures, net of issue costs	6	1,485,316	967,555
Research collaboration advances		–	64,825
Lease liabilities payments		–	(85,740)
Net cash provided by financing activities		4,042,810	4,649,963
Net increase (decrease) in cash		788,153	(4,014,567)
Cash, beginning of period		265,004	6,012,274
Cash, end of period		\$ 1,053,157	\$ 1,997,707
Supplemental cash flow disclosures:			
Income taxes paid		\$ –	\$ 9,178
Interest received		\$ –	\$ 26,519
Interest paid		\$ 317,226	\$ 20,000

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three and six months ended April 30, 2026 and 2025

(In Canadian Dollars)

(Unaudited)

1. Nature of operations

Sernova Biotherapeutics Inc. (the “Company”) is a publicly listed, clinical-stage biotechnology company focused on providing a functional cure for the treatment of type 1 diabetes. 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, 2025.

These interim condensed consolidated financial statements were approved and authorized for issue by the Company’s Audit Committee of the Board of Directors on June 11, 2026.

Certain comparative figures in the statements of cash flows have been reclassified to conform to the current period’s presentation. This reclassification had no impact on the cash provided by (used in) operating, investing or financing activities.

(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 consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred losses and generated negative cashflows since inception. A net loss and comprehensive loss of \$5,562,455 was incurred during the six months ended April 30, 2026 (2025 – \$9,472,480). As at April 30, 2026, the Company had an accumulated deficit of \$171,665,063 and a working capital deficit (current liabilities in excess of current assets) of \$9,419,136. For the six months ended April 30, 2026, the Company generated negative cash flows from operations of \$3,254,657 (2025 - \$8,664,530).

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three and six months ended April 30, 2026 and 2025

(In Canadian Dollars)

(Unaudited)

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 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.

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 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, 2025.

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, 2025, and have been applied consistently in these interim condensed consolidated financial statements.

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

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued 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.

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three and six months ended April 30, 2026 and 2025

(In Canadian Dollars)

(Unaudited)

4. Accounts payable and accrued liabilities

	April 30, 2026	October 31, 2025
Trade and other payables	\$ 5,029,361	\$ 5,160,303
Accrued liabilities	1,124,787	1,881,537
Due to related parties (Note 8)	2,566,761	1,517,501
	<u>\$ 8,720,909</u>	<u>\$ 8,559,341</u>

During the three and six months ended April 30, 2026, the Company settled \$12,605,835 of accounts payable in equity (2025 – \$nil). See Note 7 – *Share capital*.

5. Loan payable

On April 16, 2025, the Company entered into a term loan with Navigate Private Yield Fund LP III, a fund managed by Fraser Mackenzie Private Credit Inc. The loan was issued for a principal amount of \$4,000,000 and was due on the maturity date of April 16, 2026. The loan had a minimum fixed interest payable of \$400,000 for the first six months and bore interest at 15.25% per annum. The loan was 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.

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 vested in monthly increments of 833,333 beginning after six months. 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 was recognized over the term of the loan within finance costs in the statement of operations and comprehensive loss. During the three and six months ended April 30, 2026, \$32,279 and \$79,529 of guarantee warrants were vested and recognized in the statement of operations and comprehensive loss, respectively (2025 – \$7,350 and \$7,350, respectively).

During the six months ended April 30, 2026, the loan payable was fully repaid on the maturity date, and the related guarantees and asset securities were removed. For the three and six months ended April 30, 2026, the Company recognized interest and accretion expense of \$262,108 and \$549,801, respectively (2025 – \$44,719 and \$44,719, respectively).

6. Convertible debentures

Balance outstanding, October 31, 2025	<u>\$ 1,043,533</u>
Face value of convertible debentures issued	1,500,000
Less: value allocation to warrants	(167,937)
Less: issue costs allocation	(13,040)
Convertible debenture liability component	<u>2,362,556</u>
Accretion expense	<u>90,236</u>
Balance outstanding, April 30, 2026	<u>\$ 2,452,792</u>

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three and six months ended April 30, 2026 and 2025

(In Canadian Dollars)

(Unaudited)

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

As of April 30, 2026, the Company has the following unsecured convertible debentures outstanding with a Director of the Company, see Note 8 – *Related party transactions*:

- i) \$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 for 36 months. As at April 30, 2026, the carrying value of the debenture was \$889,827. During the six months ended April 30, 2026 the holder elected to defer receipt of \$150,000 of interest which became payable as of March 4, 2026;
- ii) \$100,000, 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 debenture is repayable in 24 months on July 7, 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 for 36 months. As at April 30, 2026, the carrying value of the debenture was \$77,239;
- iii) \$100,000, 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 debenture is repayable in 24 months on July 21, 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 for 36 months. As at April 30, 2026, the carrying value of the debenture was \$76,689;
- iv) \$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 for 36 months. As at April 30, 2026, the carrying value of the debenture was \$75,310; and
- v) \$1,500,000, bearing interest at a rate of 10% per annum payable monthly in arrears, in cash or common shares at the option of the Company. The debenture is repayable in six months on October 14, 2026, and has a conversion price of \$0.15 per share. A total of 10,000,000 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 \$0.25 per share for 36 months. As at April 30, 2026, the carrying value of the debenture was \$1,333,727.

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 except for the \$1,500,000 debenture payable on October 14, 2026 which the Company has the option to redeem and repay at any time without a redemption premium. 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.

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three and six months ended April 30, 2026 and 2025

(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 six months ended April 30, 2026, the Company:

- i) issued 3,843,750 units at \$0.16 per unit for gross proceeds of \$615,000, before deducting cash offering costs of \$22,628 in a non-brokered private placement. Each unit comprises one common share of the Company and one common share purchase warrant with each common share purchase warrant 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 \$76,875 as determined using the residual fair value method. Non-cash offering costs include the issuance of 105,000 compensation warrants with a fair value of \$105. The fair value of compensation warrants was determined using the Black-Scholes model based on an exercise price of \$0.40 per common share, expected life of three years, volatility of 30% and a risk-free rate of 2.5%;
- ii) issued 13,762,659 units at \$0.15 per unit for gross proceeds of \$2,064,399, before deducting cash offering costs of \$54,729 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 \$0.25 per common share for 36 months and is subject to acceleration of the exercise period in the event that the 5-day volume weighted average price of the Company's common shares exceeds \$0.50. 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 192,880 compensation warrants with a fair value of \$2,565. The fair value of compensation warrants was determined using the Black-Scholes model based on an exercise price of \$0.25 per common share, expected life of three years, volatility of 30% and a weighted average risk-free rate of 2.7%;
- iii) issued 514,622 units at \$0.19 per unit to settle salaries payable to key management personnel of \$97,778. Each unit was comprised of one common share, one half-common share warrant with an exercise price of \$0.25 exercisable for 24 months and one half-common share warrant with an exercise price of \$0.30 exercisable for 36 months. Cash offering costs of \$8,456 were incurred and allocated to common shares and common share purchase warrants based on their relative fair value. The exercise periods of the \$0.25 warrants and the \$0.30 warrants are 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 the debt resulted in a loss of \$1,747 included in finance costs on the statement of operations and comprehensive loss;
- iv) issued 65,831,880 units at \$0.19 per unit to settle accounts payable of \$12,508,057. Each unit was comprised of one preferred share, one half-preferred share warrant with an exercise price of \$0.25 exercisable for 24 months and one half-preferred share warrant with an exercise price of \$0.30 exercisable for 36 months. Cash offering costs of \$66,211 were incurred and allocated to preferred shares and preferred share purchase warrants based on their relative fair value. The exercise periods of the \$0.25 warrants and the \$0.30 warrants are 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 the debt resulted in a loss of \$460,494 included in finance costs on the statement of operations and comprehensive loss; and

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three and six months ended April 30, 2026 and 2025

(In Canadian Dollars)

(Unaudited)

7. Share capital (cont'd...)**(b) Share capital changes (cont'd...)**

- v) issued 26,666,667 units at \$0.15 per unit for gross proceeds of \$4,000,000 to a member of the Board of Directors, before deducting cash offering costs of \$44,548 in a non-brokered private placement. See Note 8 – *Related party transactions*. Each unit comprises of 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 \$0.20 per common share for 36 months and is subject to acceleration of the exercise period in the event that the 5-day volume weighted average price of the Company's common shares exceeds \$0.50. No fair value has been assigned to the common share purchase warrants under the residual fair value method.

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

(c) Warrants

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

	2026		2025	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance outstanding, beginning of period	41,421,231	\$ 0.27	21,257,050	\$ 0.30
Issued in a private placement	44,273,076	0.23	–	–
Compensation warrants issued in a private placement	297,880	0.30	–	–
Issued in conjunction with debt settlement	66,346,502	0.27	–	–
Issued with convertible debentures	10,000,000	0.25	5,000,000	0.20
Issued in conjunction with loan payable	–	–	9,000,000	0.20
Expired	(1,280,000)	(0.30)	–	–
Balance outstanding, end of period	161,058,689	\$ 0.25	35,257,050	\$ 0.25

Outstanding warrants balance of 161,058,689 includes 65,831,880 preferred share warrants which are exercisable into preferred shares and 95,226,809 common share warrants which are exercisable into common shares.

During the six months ended April 30, 2026, the Company amended the terms of outstanding warrants as follows:

- i) 19,997,050 warrants that were issued pursuant to a private placement unit offering on September 3, 2024 which were set to expire on March 3, 2026 were amended to extend the expiry date by one year to March 3, 2027; and
- ii) 5,571,250 warrants that were issued pursuant to a private placement unit offering in October and November 2025 with an exercise price of \$0.40 and a term of 36 months were amended to reduce the exercise price to \$0.25 and include a provision to allow the Company to accelerate the expiry date if the 5-day volume-weighted average trading price exceeds \$0.50.

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three and six months ended April 30, 2026 and 2025

(In Canadian Dollars)

(Unaudited)

7. 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 April 30, 2026 is 3,223,407 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 third 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 six months ended April 30 was as follows:

	2026		2025	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance outstanding, beginning of period	32,609,840	\$ 0.29	43,080,158	\$ 0.53
Granted	12,199,083	0.17	2,520,000	0.25
Forfeited	–	–	(44,039)	(0.50)
Expired	(274,595)	(1.04)	(15,973,818)	(0.84)
Balance outstanding, end of period	44,534,328	\$ 0.25	29,582,301	\$ 0.34
Options exercisable, end of period	18,591,642	\$ 0.28	4,440,059	\$ 0.71

Stock options outstanding by range of exercise prices as at April 30, 2026 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
\$ 0.15 to \$ 0.20	10,919,083	9.8	\$ 0.15	2,871,245	\$ 0.15
\$ 0.21 to \$ 0.25	8,398,612	7.8	0.25	4,933,196	0.25
\$ 0.26 to \$ 0.31	24,441,633	7.9	0.27	10,029,701	0.27
\$ 0.87 to \$ 1.32	775,000	4.8	1.18	757,500	1.18
\$ 0.15 to \$ 1.32	44,534,328	8.3	\$ 0.25	18,591,642	\$ 0.28

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.

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three and six months ended April 30, 2026 and 2025

(In Canadian Dollars)

(Unaudited)

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

For the stock options granted during the six months ended April 30, share-based compensation expense was determined based on the fair value of the stock options on the grant date using the Black-Scholes option pricing model using the following weighted average assumptions:

	2026	2025
Dividend yield	0%	0%
Expected volatility	79.2%	82.9%
Risk free interest rate	2.7%	2.8%
Expected life of options	4.9 years	5.8 years

For the six months ended April 30, 2026 and 2025, the Company issued stock options with weighted average grant date fair values of \$0.08 and \$0.19 per stock option, respectively.

The Incentive Plan allows for the issuance of DSUs to directors and officers of the Company and settlement in the form of a cash payment or issuance of shares after the DSU holder leaves the Company. Since the method of settlement of the DSUs is at the discretion of the Company, it has been accounted for as an equity-settled plan. During the six months ended April 30, 2026, no DSUs were equity settled (2025 – 3,160,000). There were no DSUs granted or cancelled during the six months ended April 30, 2026 and 2025. As at April 30, 2026, 1,285,001 DSUs were outstanding (October 31, 2025 – 1,285,001) of which 1,285,001 had vested (October 31, 2025 – 1,285,001).

8. Related party transactions

The key management personnel of the Company are the Directors, Executive Officers and Vice Presidents. Generally, amounts due to related parties, including amounts due to key management personnel, are unsecured, interest free and settlement generally occurs in cash. The Company has the following debt and repayment arrangements with key management personnel beyond ordinary course operations:

- i) convertible debentures with a Director, and the same Director was the guarantor of the Company's loan payable. See Note 5 – *Loan payable* and Note 6 – *Convertible debentures*; and
- ii) issued units in a non-brokered private placement to a Director for gross proceeds of \$4,000,000. See Note 7 – *Share capital*.
- iii) \$1,506,850 of salaries and fees payable to Executive Officers bearing interest at a rate of 12% per annum payable upon settlement which takes place upon the occurrence of specified financial milestones.

At April 30, 2026, amounts due to key management personnel included in accounts payable and accrued liabilities was \$2,566,761 (October 31, 2025 – \$1,517,501).

Compensation to key management personnel for the reporting period:

	Three months ended April 30,		Six months ended April 30,	
	2026	2025	2026	2025
Personnel costs	\$ 834,078	\$ 997,879	\$ 1,588,191	\$ 1,775,644
Director fees	55,125	82,798	136,375	136,896
Share-based compensation	507,483	549,667	819,202	1,237,498
	\$ 1,396,686	\$ 1,630,344	\$ 2,543,768	\$ 3,150,038

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

	Three months ended April 30,		Six months ended April 30,	
	2026	2025	2026	2025
Personnel costs	\$ 131,721	\$ 613,385	\$ 311,634	\$ 1,167,894
Research and clinical development	99,480	1,411,918	261,904	3,059,760
Manufacturing costs	–	64,147	–	234,698
Patent fees and other costs	112,327	217,176	129,361	381,871
Amortization and depreciation	4,431	40,433	8,862	80,866
Share-based compensation - options	93,893	54,173	164,240	129,702
	441,852	2,401,232	876,001	5,054,791
Grants, contributions and taxes	3,019	(38,471)	3,019	(103,624)
Total research and development expenses	\$ 444,871	\$ 2,362,761	\$ 879,020	\$,951,167

General and administrative expenses

	Three months ended April 30,		Six months ended April 30,	
	2026	2025	2026	2025
Personnel costs	\$ 770,402	\$ 716,345	\$ 1,410,424	\$ 1,323,536
Consulting and professional fees	233,017	321,328	427,932	592,571
Director fees and expenses	55,125	82,798	136,375	137,337
Investor relations and corporate communications	120,777	201,443	386,682	535,813
Public company expenses	61,632	42,191	129,220	136,594
Insurance and other costs	85,181	101,801	182,989	296,754
Depreciation	–	7,229	–	14,458
Share-based compensation - DSUs	–	–	–	2,853
Share-based compensation - options	525,588	490,766	858,971	1,135,839
Total general and administrative expenses	\$ 1,851,722	\$ 1,963,901	\$ 3,532,593	\$ 4,175,755

10. Commitments and contingencies

The Company was previously awarded a US\$2.45 million (\$3.34 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. Generally, these contracts are cancellable by the Company with notice. As at April 30, 2026, the Company has commitments totaling approximately \$516,000 which is expected to be paid over the next twelve months.

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 conversion of preferred shares, exercise of stock options, common share purchase warrants and preferred 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.

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 April 30, 2026 are primarily composed of amounts due from Canadian federal government agencies and full collection is expected for all amounts.

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12. Financial instruments (cont'd...)**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is a development stage company and is reliant on external fundraising to support its operations. Once funds have been raised, the Company manages its liquidity risk by investing its cash resources in high interest savings accounts or marketable securities to provide regular cash flow for its operations and monitoring actual and projected cash flows. As at April 30, 2026, the Company had a working capital deficit of \$9,419,136. 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.

(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 six months ended April 30, 2026 of \$620,048 (October 31, 2025 – \$ 643,063).

Balances in US dollars are as follows:

	As at April 30, 2026	As at October 31, 2025
Cash	\$ 50,463	\$ 117
Accounts payable and accrued liabilities	(4,601,610)	(4,587,524)
	\$ (4,551,147)	\$ (4,587,407)