



SERNOVA BIOTHERAPEUTICS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE AND NINE MONTHS ENDED
JULY 31, 2026 AND 2025**

Dated September 10, 2026

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SERNOVA BIOTHERAPEUTICS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2026 AND 2025

The following MD&A is prepared as of September 10, 2026 for Sernova Biotherapeutics Inc. ("Sernova" or the "Company") for the three and nine months ended July 31, 2026 and 2025, and should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes for the three and nine months ended July 31, 2026 and 2025, which have been prepared by management in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. Our IFRS material accounting policies are set out in note 3 of the annual consolidated financial statements for the years ended October 31, 2025 and 2024. This MD&A should also be read in conjunction with the Company's Annual Information Form dated December 19, 2025.

All amounts are in Canadian dollars, unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of applicable securities laws. All statements contained herein that are not clearly historical in nature are forward-looking, and the words "anticipate", "believe", "expect", "project", "potential", "estimate", "plan", "predict", "may", "will", "could", "leading", "intend", "objective", "contemplate", "consider", "shall" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements are, by their nature, not guarantees of the Company's future operational or financial performance and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects, or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. No representation or warranty is intended with respect to anticipated future results or that estimates or projections will be sustained.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- our ability to continue operations as a going concern;
- our corporate strategy, objectives, R&D plans, projections and cash requirements;
- the availability of financing to fund our ongoing operations, liabilities and R&D activities;
- the function, potential benefits, tolerability profile, duration of benefit, effectiveness and safety of Cell Pouch™ transplanted with therapeutic cells or tissue;
- our expectations of the potential benefits to patients of the combination of our Cell Pouch , stem cell derived islets and immune suppression technology;
- the timing, cost and results of preclinical and clinical studies to treat insulin-dependent diabetes, or any other planned diseases with the Cell Pouch Bio-hybrid Organ™;
- the expected benefits to type 1 diabetes (T1D) patients implanted with Cell Pouch and human donor islets or stem cell derived islets;
- the timing and success of completing the Merger (defined below);
- the protection of therapeutic cells within Cell Pouch from immune system attack using local immune protection technologies, or using a systemic anti-rejection regimen or a combination thereof, and the expected benefits;
- our intention and ability to use human autograft cells or tissues or human donor allograft cells or xenogeneic (non-human) cells for treatment, coupled with the expectation that the use of ethically derived stem cell-derived cells could provide a virtually unlimited cell supply for Cell Pouch to treat various diseases;

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- our expectation that insulin independence can be achieved in our planned future trial with stem cell derived islets transplanted into our Cell Pouch without the need for a portal vein top up;
- our expectations to secure collaborations and partnerships to research, develop, commercialize and market our product candidates;
- our regulatory strategies and ability to obtain regulatory clearance for clinical trials and marketing approval for our product candidates;
- our ability to obtain Orphan Drug (for rare diseases), Fast Track, Breakthrough Technology, Regenerative Medicine Advanced Therapy (RMAT), Accelerated Approval or Priority Review in the US, and similar regulatory designations in other jurisdictions, and expediting clinical trials or marketing approval for product candidates;
- our belief that our technologies are unique and could become a standard of care in therapeutic cell transplantation, if they prove to be safe and effective in clinical trials;
- our intentions regarding the development and protection of our intellectual property;
- obtaining licenses for technologies complementary to or with the Cell Pouch Bio-hybrid Organ;
- securing cGMP manufacturing facilities for our cell therapy programs; and
- the benefits of developing next-generation Cell Pouch or Cell Pouch Bio-hybrid Organ technologies.

All forward-looking statements reflect our beliefs and assumptions based on information available at the time the assumption was made. These forward-looking statements are not based on historical facts but rather on management's expectations regarding future activities, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, known and unknown, that contribute to the possibility that the predictions, forecasts, projections or other forward-looking statements will not occur. Factors which could cause future outcomes to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- our ability to obtain additional financing in the future on acceptable terms;
- our ability to continue as a going concern;
- our future R&D plans proceeding substantially as currently envisioned;
- the expected benefits to patients of our product candidates and technologies, including Cell Pouch and Cell Pouch Bio-hybrid Organ cell therapy programs in combination with therapeutic cells;
- our ability, or that of partners, to receive regulatory approval for our product candidates;
- our ability to protect our intellectual property rights, and continued compliance with third-party license terms and the non-infringement of third-party intellectual property rights;
- our partner's successful and timely completion of stem cell derived pancreatic islet cell, including scale-up and manufacturing, to support planned clinical trials;
- our and our partner's ability to successfully complete all necessary preparatory work to file an IND for stem cell derived islets in combination with Cell Pouch and any applicable ancillary technologies;

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- our ability to supply Cell Pouches, therapeutic cells and or any complementary technologies comprising a product for the conduct of preclinical studies, clinical trials and commercial use following marketing approval of a product candidate;
- our ability to conduct and complete clinical trials, including our T1D Phase 1/2 study;
- our ability to maintain commercial relationships and timeliness of corporate goals as we go through a period of low cash resources;
- our ability to attract, hire and retain key personnel;
- our ability to successfully manage, optimally allocate and or reduce spending in certain areas to allow more financial resources to be applied to R&D activities;
- our ability to successfully commercialize and license our assets;
- our ability to manage growth effectively; and
- the absence of material adverse changes in our industry or the global economy, including any impact of international conflicts, the impact of any tariffs or international trade action, and any lingering effect of the COVID-19 pandemic or emergence of other pathogens on our business and operations, including supply chain, manufacturing, research and development costs, clinical trials including patient enrollment, contracted service providers and employees.

Such risks are further and more fully described under the heading "Risk Factors" in this MD&A and in our most recently filed Annual Information Form available on our profile at www.sedarplus.ca.

Although the forward-looking statements contained in this MD&A are based upon what our management believes to be reasonable assumptions, we cannot assure readers that actual results will be consistent with these forward-looking statements.

Any forward-looking statements represent our estimates only as of the date of this MD&A and should not be relied upon as representing our estimates as of any subsequent date. We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as may be required by securities legislation.

ITEM 1. BUSINESS

OVERVIEW

About Sernova Biotherapeutics

Sernova Biotherapeutics is a clinical-stage biotechnology company focused on advancing regenerative medicine in the treatment of chronic diseases. The Company's primary asset is its proprietary Cell Pouch which, when implanted into the body, vascularizes to become a bio-hybrid organ 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.

Sernova's Cell Pouch Bio-hybrid Organ is in a Phase 1/2 clinical trial with human donor islets in patients with type 1 diabetes, an autoimmune disorder in which the body's immune system destroys its own insulin-producing pancreatic beta cells. In addition to type 1 diabetes, we are pursuing research in other chronic conditions including hypothyroidism, a potentially life-threatening condition caused by a

dysfunctional thyroid gland with no or limited ability to release key hormones that regulate the metabolic process. There currently is no cure for hypothyroidism and patients may require lifelong treatment.

Our business strategy is focused on establishing partnerships with companies in the regenerative medicine space that complement our technology, primarily those that are developing therapeutic cells for chronic conditions with no cure or pursuing immune protection technologies, to jointly develop and commercialize our products. Currently, we have two strategic partnerships in support of our efforts to develop a functional cure for T1D. The first is with Seraxis Holdings, Inc ("Seraxis") to develop stem cell derived pancreatic islet cells to treat insulin-dependent diabetes. Secondly, we are collaborating with Eledon Pharmaceuticals to use their immune suppression agent in combination with our Cell Pouch in the clinical setting.

RESEARCH & DEVELOPMENT

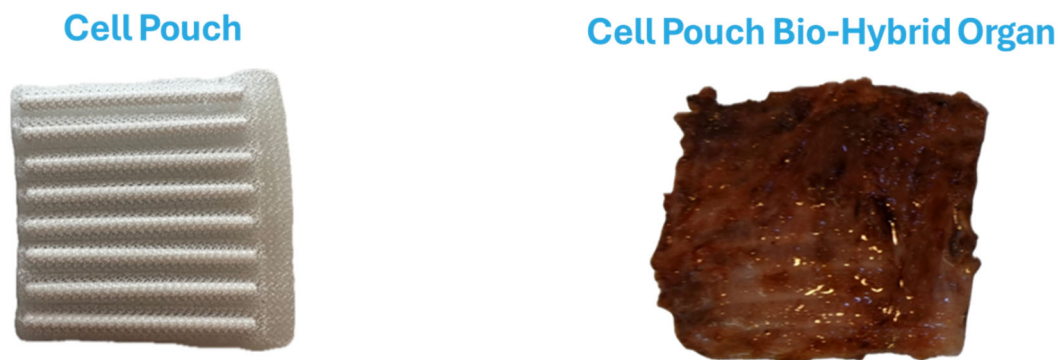
Cell Pouch Bio-hybrid Organ System

The Cell Pouch Bio-hybrid Organ system is a scaffold structure made of non-degradable polymers, formed into small cylindrical chambers, each of which contain a non-adherent rod. It is specifically designed to be biocompatible and therefore, when implanted within the abdominal sheath, vascularized tissue integrates into the mesh of the Cell Pouch, surrounding the non-adherent rods in as little as four weeks, as demonstrated in clinical studies. Once vascularized, the rods are removed, leaving fully formed tissue chambers for the transplantation of therapeutic cells including Islets of Langerhans (islets). The bio-hybrid organ system forms an environment rich in microvessels that support engraftment of the transplanted islets resulting in a bio-hybrid pancreatic organ. *See Figure 1.* The therapeutic cells are then responsive to endogenous regulation and able to correct biological dysfunctions by producing the proteins and/or hormones that a patient is lacking.

Our clinical evidence shows that the unique design of the Cell Pouch prevents the formation of detrimental fibrotic tissue following implantation, which is supported by data from our ongoing clinical study in patients with T1D which have shown that our Cell Pouch enables long-term survival and function of transplanted islets beyond 5 years.

Our bio-hybrid organ system is manufactured and produced at a US-based medical device contract manufacturing facility in compliance with ISO13485, EU Medical Devices Regulation MDR 2017/745, United States Food and Drug Administration Quality System Regulations (QSR) 21 CFR 820 and Canadian Medical Device Regulation (CMDR).

Figure 1



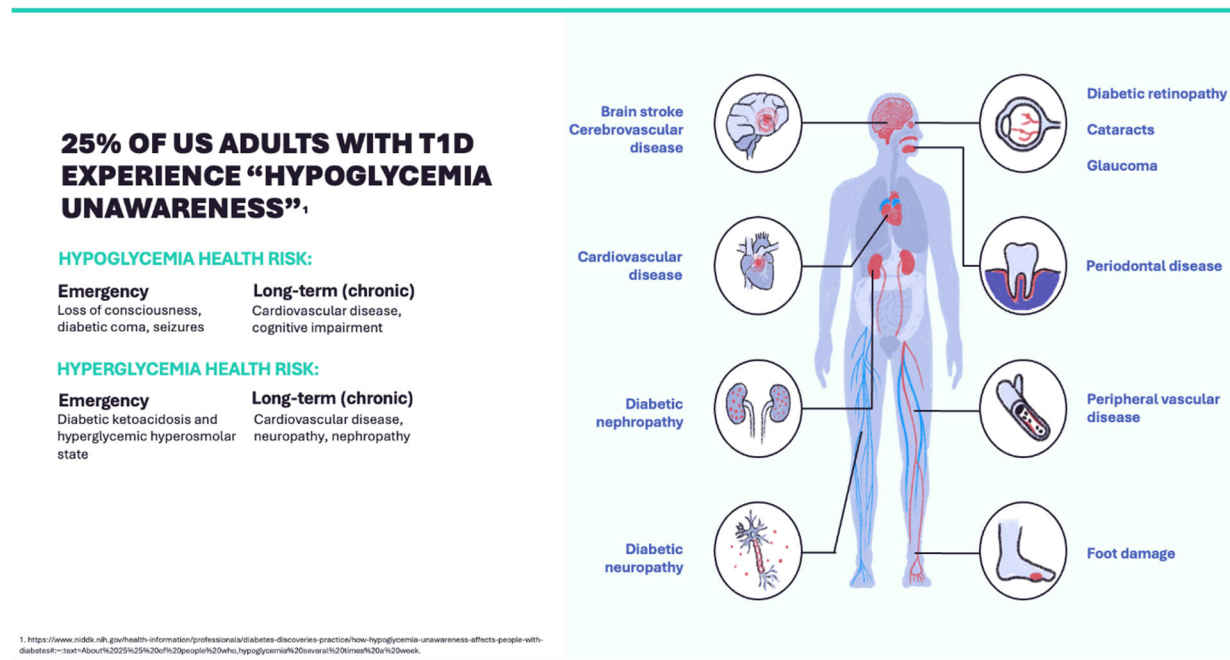
Type 1 Diabetes

Insulin, glucagon, and somatostatin are hormones secreted by beta, alpha, and delta cells, respectively, in the pancreas. Together, they are responsible for maintaining proper function of the glucose cycle which underpins the body's energy balance, cellular function, and overall health. As the body's primary source of energy, homeostasis of glucose in the bloodstream is critical.

Type 1 diabetes is an irreversible autoimmune disorder in which the body's immune system mistakenly destroys insulin-producing beta cells in the pancreas. This results in disruption of the glucose cycle which can cause serious, acute health risks such as hyperglycemia and hypoglycemia, the latter of which accounts for 10% of deaths in people with T1D. T1D patients are at risk of longer-term health complications that can be severe, life changing and often life threatening. These health risks include cardiovascular disease, kidney disease, neuropathy, ophthalmic issues, and stroke, among other serious conditions. *See Figure 2.*

The lack of pancreatic beta cells in T1D patients also leads to the dysfunction of glucagon-producing alpha cells and somatostatin-producing delta cells. Glucagon is responsible for triggering the release of glycogen, which is a form of glucose that is stored in the liver and skeletal muscles. The stored glucose provides a continuous source of energy for the body during periods such as fasting between meals. Somatostatin regulates the production of both insulin and glucagon by acting directly upon neighboring beta and alpha cells in the pancreas. When the function of alpha and/or beta cells are disrupted in people with T1D, the delta cells can no longer respond to their usual signals, and therefore, are unable to regulate the glucose cycle.

Figure 2



Phase 1/2 Clinical Trial in Type 1 Diabetes

Sernova’s clinical trial is a Phase 1/2 study investigating our bio-hybrid organ system with human donor islet cells as a functional cure for T1D. The study is designed to assess both the safety and tolerability of transplanting pancreatic islets into our bio-hybrid organ system in individuals who experience hypoglycemia unawareness and have a history of severe hypoglycemic episodes. Hypoglycemia unawareness, which occurs when a person cannot recognize the onset of low blood sugar symptoms, can be life-threatening if onset occurs in the absence of another person who can assist during a hypoglycemic episode.

By transplanting islets into the bio-hybrid organ, the study aims to restore glucose-regulating capabilities and potentially reduce these events. We expect the study to contribute critical insights into both the safety of islet transplantation into the bio-hybrid organ, and its potential to improve blood glucose stability in T1D patients at risk for severe hypoglycemia.

The trial includes participants aged 18-65 with T1D who experience hypoglycemic unawareness and severe hypoglycemic episodes, and who are eligible for donor islet transplantation. The trial is currently divided into three cohorts. Cohort A involved six patients who received the first-generation 8-channel Cell Pouch. Cohort B is expected to evaluate up to seven patients, with an optimized 10-channel Cell Pouch, which has a 56% greater islet capacity than the Cell Pouch used in Cohort A. Patients are implanted with four Cell Pouches, subcutaneously within the abdominal sheath. Approximately six weeks later - allowing time to establish a stable immunosuppression therapy for the patient - islets are transplanted into the pre-vascularized tissue chambers of two of the four implanted Cell Pouches. If the patient has not attained optimal clinical benefit by 90 days following the islet transplant to Cell Pouch, the patient is eligible to receive a second islet transplant to the remaining two Cell Pouches. Patients who remain dependent on insulin more than 6 months after the second islet transplant to Cell Pouch

may qualify for a third transplant via the portal vein. Safety and efficacy are assessed throughout the 12 months following the last islet transplant and those subjects who retain implants will be followed for at least three years. The key endpoints for this Phase 1/2 trial include continuous glucose monitoring (time in range), production of C-peptide, insulin use, HbA1c levels, and the frequency of severe hypoglycemic episodes.

Continuous glucose monitoring (CGM), mixed meal tolerance tests and changes in daily insulin use are efficacy measures used to track the function of the cells transplanted into Cell Pouch at key time points throughout the clinical trial. The use of CGM in this study supports the analysis of serum glucose concentrations and variability, as well as the number, severity and duration of both high and low glycemic episodes.

Data from Phase 1/2 clinical trial in T1D

Interim data from 12 patients with transplanted human donor islet cells in Cohort A and Cohort B show patients achieving insulin independence, islet cell engraftment in Cell Pouch, islet function, islet survival, improved glycemic control, improved patient reported quality of life (QOL) and improved awareness of hypoglycemia and increased sensitivity to severe hypoglycemic symptoms. Improvement in patient outcomes was correlated with a cumulative increase in the quantity of transplanted islets. Based on these findings, the study is on track to meet its primary and secondary endpoints.

These interim findings show 8 of 12 patients achieving insulin independence so far, with the first patient treated in the trial having experienced sustained insulin independence for more than 4 years. These data support the thesis that Sernova's high volume ten channel Cell Pouch, used in Cohort B, has the potential to achieve insulin independence, without portal vein transplant, in our planned clinical trial with stem cell derived islets.

C-peptide is a biomarker that measures the amount of insulin produced by the transplanted islets. For successful islet transplantation, a C-peptide level of 0.3 ng/mL (0.1 nmol/L) is generally considered a threshold for graft function. 7 of 12 patients showed C-peptide levels of 0.3 ng/mL or greater, indicating successful islet cell engraftment and insulin production by islets transplanted to the Cell Pouch alone. The interim data as analyzed using industry standard composite BETA and BETA-2 scores, as well as histology of explanted Cell Pouches provide further evidence of engraftment and function of islet cells after transplantation into the Cell Pouch alone.

Measured HbA1c (a blood test that estimates the average blood sugar levels over the past 2-3 months) in patients with Cell Pouch alone, showed that 9 of 12 patients had reduced values within the American Diabetes Association (ADA) recommended range of <7.0%. Of the remaining 3 patients, 1 experienced a 24% reduction in HbA1c from 10.3% to 7.8% and the other 2 maintained a normal HbA1c value of <7% as measured at baseline. Published clinical studies found that each 1% reduction in A1c was associated with a 14 % reduced risk of myocardial infarction in patients with diabetes. A single portal vein transplant resulted in all patients having a recommended HbA1c of <7.0% that was maintained for the duration of the study.

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Additional Programs – Type 3c Diabetes, Hypothyroidism, and Hemophilia A

In June 2026, we were granted orphan drug designation from the FDA for autologous islet transplantation (“AIT”) for the prevention of diabetes due to total pancreatectomy. Chronic pancreatitis causes debilitating pain and can lead to a total pancreatectomy, resulting in the patient developing type 3c diabetes (T3cD) which is treated in the same way as T1D with the same long-term co-morbidities. Sernova is planning a clinical trial, subject to funding, with autologous islet transplantation that involves isolating the patient’s own insulin-producing islet cells from the removed pancreas, placing them in Sernova’s Cell Pouch and transplanting them back into the patient, negating the need for immune suppression. The goal is preservation of insulin production and prevention of post-surgical diabetes and its associated complex management and co-morbidities.

In February 2025, we received FDA authorization for an Investigational New Drug (IND) application to evaluate the Company’s Cell Pouch with auto-transplanted thyroid cells to prevent hypothyroidism in patients undergoing total thyroidectomy for nodular thyroid disease. Hypothyroidism, a condition characterized by insufficient production of thyroid hormones, affects millions of people worldwide, often requiring lifelong daily hormone replacement therapy. We have demonstrated in animal models that explanted thyroid tissue transplanted into our bio-hybrid organ system allows for restoration of normal hormone levels for triiodothyronine (T3) and thyroxine (T4).

In pre-clinical studies we have also been exploring the use of our bio-hybrid organ system in hemophilia A. Hemophilia A is a bleeding disorder in which the patient’s cells do not produce the necessary factors for blood to clot normally. Similar to T1D and hypothyroidism, hemophilia A is a chronic and life-limiting condition that requires lifelong monitoring and multiple daily treatments. We have also shown that cells from hemophilia A patients that have been gene-edited to produce factor VIII and transplanted into the Cell Pouch are effective in restoring blood clotting in a preclinical animal model of hemophilia A.

COLLABORATIONS

Seraxis Development and Commercialization Agreement

In September 2026, Sernova entered into a development and commercialization agreement (the “Development Agreement”) with Seraxis Holdings, Inc to develop and commercialize certain cell-based and stem cell-derived pancreatic islet cell therapies and related products in the field of T1D and severe hypoglycemia unawareness, including Seraxis’ SR-02 and SR-03 programs and Sernova’s Cell Pouch Bio-hybrid Organ platform. The Development Agreement allows us to create an integrated platform combining Seraxis’ stem cell-derived pancreatic islets with in-house scalable cGMP manufacturing and Sernova’s Cell Pouch bio-hybrid organ which is a clinically validated implantable and retrievable device proven to support islet cell survival, engraftment and function. We believe this combination, including strategies to reduce or eliminate chronic immunosuppression, addresses key challenges in islet cell replacement therapy for T1D.

We also entered a definitive merger agreement to combine our technologies and business with Seraxis to create a clinical-stage company, BetaNova Biotherapeutics, Inc. (“BetaNova”), focused on advancing a differentiated approach to T1D islet cell replacement (the Merger”). Betanova will be a U.S.-domiciled biotechnology company headquartered in Germantown, Maryland, with integrated research laboratories and cGMP manufacturing capabilities. The completion of the Merger is subject to a number

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of conditions, including among other things, receipt of the requisite shareholder approvals of both the Company and Seraxis, final approval of the Exchange, court approval and standard conditions, including receipt of all required consents and waivers from material third parties.

Until the Merger is completed, the Development Agreement allows us to continue joint development and provides the ability to transfer required capital between the companies.

In connection with the Merger, commitments for a US\$10 million non-brokered convertible note financing have been secured from existing insider shareholders of both Sernova and Seraxis. The convertible note will be issued by Seraxis and funds will be transferred to Sernova under the Development Agreement as required. The financing is expected to provide sufficient capital to both companies to complete the Merger and advance certain milestones for BetaNova. We have also provided notice of termination in respect of its iPSC development program with Evotec International GmbH, with such termination to become effective three months after the notice date.

Eledon Pharmaceuticals Collaborative Research Agreement

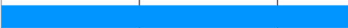
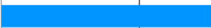
Sernova entered into a collaborative research agreement with Eledon Pharmaceuticals in July 2025, to evaluate Eledon's immunosuppressive agent tegoprubart (AT-1501) with Sernova's Cell Pouch Bio-hybrid Organ in patients with T1D. Tegoprubart is an investigational anti-CD40L antibody being evaluated as an immunosuppressive agent for its potential to prevent transplant rejection in islet cell, kidney and xeno-transplantation.

Tacrolimus is currently a standard immunosuppressive drug used in organ transplantation to prevent rejection. However, it can also have detrimental effects on islet cell survival and functionality. In particular, tacrolimus has diabetogenic properties contributing to cell death and dysfunction by promoting apoptosis, inhibiting proliferation, and interfering with vital signaling pathways involved in beta-cell survival and regeneration.

In a clinical trial at the University of Chicago in which investigators are administering human donor islets via the portal vein to treat T1D, tegoprubart is being used in place of tacrolimus. Eledon has reported that all twelve transplanted subjects in the trial have demonstrated marked improvements in glycemic control, achieving insulin independence after one or two islet transplants. All patients have maintained insulin independence for up to 22 months. In addition, Eledon reported tegoprubart demonstrated islet engraftment three to five times higher than historical tacrolimus-based regimens. Based on these results, Sernova believes tegoprubart could potentially enhance the efficacy of the Cell Pouch Bio-hybrid Organ with islet cells.

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Development Pipeline

Indication	Cell Source	Immune Protection	Discovery	Pre-clinical	Phase 1/2	Phase 3
Insulin-dependent Diabetes	Human donor islet cells	Immunosuppressives				
	Stem cell derived islets	Immunosuppressives				
	Immune evading stem cell derived islets	Local immune protection				
Thyroid Disease / Hypothyroidism	Thyroid cells	Autologous cells				
	Allograft immune protected stem cells	Local immune protection				
Hemophilia A - Severe	Corrected patient cells	Autologous cells				
Hemophilia A - All Patients	Allograft immune protected stem cells	Local immune protection				

Intellectual Property

Sernova’s intellectual property (IP) portfolio is a critical asset underpinning its strategic position in the regenerative medicine and cell therapy market. Sernova holds patents in multiple jurisdictions, securing exclusive rights to its Cell Pouch technology, associated surgical implantation techniques, and cell transplantation methodologies.

In addition to patent protections, Sernova’s proprietary cell therapy processes and trade secrets are valuable components to our overall IP strategy, providing barriers to entry for competitors. The ongoing development of additional IP around the Cell Pouch platform, such as immunosuppression protocols for implantable devices for cellular transplantation, and partnerships for therapeutic cell sources are intended to broaden and extend Sernova’s patent estate. As a result, Sernova’s intellectual property portfolio is designed to protect its unique technological innovations, offering a robust foundation for the company’s long-term growth and differentiation in the market.

Competition

Sernova operates in the regenerative medicine and cell therapy space where there is growing innovation and research capabilities. In our current stage, we view our primary competition as cell therapies that are focused on improved treatments for T1D, beyond daily disease management with exogenous insulin, glucose supplements, and other pharmaceuticals or devices that are common with today’s most effective options. We believe our bio-hybrid organ is a differentiated product among our competition given its demonstrated ability to create a localized environment for cells that becomes fully vascularized, promoting cell functionality and longevity, and due to its retrievability. This compares to

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other cell therapies in clinical development for T1D that deliver cells through the portal vein or otherwise without a retrievable containment system.

Key competitors include companies developing alternative delivery platforms for cell therapies, such as encapsulation technologies and gene-editing solutions that modify beta cells to avoid immune rejection. Additionally, firms using stem cell-derived beta cells, including those from induced pluripotent stem cells (iPSCs), pose significant competition, especially as these solutions progress in clinical trials.

The competitive landscape is also shaped by regulatory challenges and the high costs associated with developing and commercializing cell therapies.

Human Capital

As of July 31, 2026, Sernova had 8 full-time employees based in the United States and Canada with employees operating remotely. In addition to our executive management team, the functions of our full-time employees include research and development, clinical and regulatory affairs, finance, and stakeholder engagement.

We also employ consultants and advisors that support our ongoing clinical and regulatory development and provide insights as we execute our long-term strategy. Sernova continues to build relationships with well-known thought leaders that have significant experience in their respective fields as we work to expand our access to clinical and scientific advisors.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

Not applicable.

ITEM 3. Legal Proceedings

From time to time, we may be involved in various claims and legal proceedings relating to claims arising out of our operations. We are not currently subject to any material legal proceedings regarding our operations. The outcome of future litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to us, which could materially affect our financial condition or results of operations.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the Toronto Stock Exchange under the symbol "SVA", on the OTC Venture Market under the symbol SEOVF and on the Xetra Exchange under the symbol PSH.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our Board of Directors.

Recent Sales of Prospectus Exempt Securities

In April 2026, we issued 26,666,667 units at \$0.15 per unit for gross proceeds of \$4,000,000 to a member of our Board of Directors, before deducting cash offering costs of \$44,548 in a non-brokered private placement. 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.

In April 2026, we 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. 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.

In April 2026, we 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. 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.

In April 2026, we issued \$1,500,000 of convertible debentures to a Director of Sernova, 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.

From January to March 2026, we 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

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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.

In November 2025, we issued 3,843,750 units at \$0.16 per unit for gross proceeds of \$615,000 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 \$0.40 per common share for 36 months. As part of the transaction, 105,000 compensation warrants with the same terms as the unit warrants were issued. Subsequently in March 2026, the warrants were amended to be exercisable for one common share at a price of \$0.25 per common share for 36 months, subject to acceleration.

Repurchases of Shares or of Company Equity Securities

None.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with our interim condensed consolidated financial statements for the three and nine months ended July 31, 2026 and 2025 filed on [sedarplus.ca](https://www.sedarplus.ca). This discussion and other parts of this report contain forward-looking statements that involve risk and uncertainties, such as statements of our plans, objectives, expectations and intentions. As a result of many factors, including those factors set forth in the "Risk Factors" section of this report, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Financial Operations Overview

Research and Development Expenses

Research and development expenses represent costs incurred to conduct research, such as the discovery and development of our product candidates, as well as the development of product candidates pursuant to our collaboration, license and option to license agreements. Research and development costs include employee-related costs; research and clinical development; manufacturing; intellectual property costs; and other costs which includes other expenses incurred to advance our research and development activities. We recognize all research and development costs as they are incurred. Clinical trial costs, contract manufacturing and other development costs incurred by third parties are expensed as the contracted work is performed.

We expect our research and development expenses to increase in the future as we raise funding to continue our development plan and as we advance our product candidates into and through clinical trials and pursue regulatory approval of our product candidates. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time-consuming. The probability of success for our product candidates and technologies may be affected by a variety of factors including: the quality of our product candidates, early clinical data, investment in our clinical programs, competition, manufacturing capability and commercial viability. We may never succeed in obtaining regulatory approval for any of our product

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candidates. As a result of these uncertainties, we are unable to determine the duration and completion costs of our research and development projects or when and to what extent we will generate revenue from the commercialization and sale of our product candidates.

General and Administrative Expenses

General and administrative expenses include employee-related costs, expenses for outside professional services, directors fees, investor relations and corporate communications, public company expenses and insurance costs.

Other expense (income)

Other expenses (income) consist of interest income generated on our cash, interest expense on accounts payable, convertible debentures and loans payable, and foreign exchange and other gains and losses.

Income taxes

Our current taxes relate to services that our U.S. subsidiary provides to the Canadian parent company. Our deferred taxes relate to differences in the tax basis compared to accounting basis of our convertible debentures.

Results of Operations

Comparison of the three months ended July 31, 2026 and 2025 (unaudited)

	Three months Ended July 31,		Change
	2026	2025	
Operating expenses			
Research and development	\$ 432,624	\$ 1,742,268	\$ (1,309,644)
General and administrative	1,685,182	1,757,630	(72,448)
Total operating expenses	2,117,806	3,499,898	(1,382,092)
Other expense (income)			
Interest income	-	(131)	131
Finance costs	260,183	541,676	(281,493)
Foreign exchange loss	196,273	62,179	134,094
Gain on disposal of right-of-use asset and lease liabilities	-	(50,963)	50,963
Net other expense	456,456	552,761	(96,305)
Net loss before income taxes	2,574,262	4,052,659	(1,478,397)
Deferred income tax recovery	(45,000)	-	(45,000)
Current income tax expense	-	21,124	(21,124)
Net loss and comprehensive loss	\$ 2,529,262	\$ 4,073,783	\$ (1,544,521)
Basic and diluted loss per common share	\$ 0.01	\$ 0.01	\$ -

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For the three months ended July 31, 2026, we recorded a loss of \$2,529,262, a decrease of \$1,544,521 compared to the same period in the prior year. The decrease was driven mainly by continued company wide cost saving initiatives resulting in an overall decrease in R&D expenses and a decrease in finance costs due mainly to less interest expense incurred on our term loan which was repaid in the current fiscal year. The decrease in R&D expenses was primarily related to our phase 1/2 clinical trial and iPSC program. The overall decrease is partially off set by a greater foreign exchange loss in the current period compared to the prior period as well as a gain on disposal of right-of-use asset and lease liabilities recorded in the prior period.

Research and Development Expenses

For the three months ended July 31, 2026, we incurred net R&D expenses of \$432,624, a \$1,309,644 decrease from the comparative period. The decrease reflects lower clinical trial related activities in line with overall trial and protocol progression of Cohort B patients, and decreases in personnel costs, preclinical studies, and manufacturing costs.

General and Administrative Expenses

For the three months ended July 31, 2026, total G&A expenses of \$1,685,182 were consistent with the comparative period as management continues its cost savings initiatives.

Other expense (income)

Interest income for the three months ended July 31, 2026 was consistent with the comparable prior period. Finance costs decreased by \$281,493 from the comparable prior period due mainly to decreased interest and accretion costs associated with our \$4 million term loan which was settled in Q2 2026. The overall decrease in finance costs was partially offset by an increase in interest and accretion expense on convertible debentures consistent with issuance of additional convertible debentures in the current period.

The foreign exchange loss results mainly from currency revaluation of U.S. dollar denominated balance sheet amounts into Canadian dollars each quarter. As our accounts payable balance is denominated mainly in U.S. dollars, our U.S. dollar currency exposure will vary throughout the year due to changes in exchange rates. A weakening Canadian dollar against the U.S. dollar resulted in a larger net foreign exchange loss for the three months ended July 31, 2026 over the comparative period.

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Comparison of the nine months ended July 31, 2026 and 2025 (unaudited)

	Nine months Ended July 31,		Change
	2026	2025	
Operating expenses			
Research and development	\$ 1,311,644	\$ 6,693,435	\$ (5,381,791)
General and administrative	5,217,775	5,933,385	(715,610)
Total operating expenses	6,529,419	12,626,820	(6,097,401)
Other expense (income)			
Interest income	(413)	(25,607)	25,194
Finance costs	1,658,247	1,015,382	642,865
Foreign exchange loss (gain)	21,464	(83,771)	105,235
Gain on disposal of right-of-use asset and lease liabilities	-	(50,963)	50,963
Net other expense	1,679,298	855,041	824,257
Net loss before income taxes	8,208,717	13,481,861	(5,273,144)
Deferred income tax recovery	(45,000)		
Current income tax (recovery) expense	(72,000)	64,402	(136,402)
Net loss and comprehensive loss	\$ 8,091,717	\$ 13,546,263	\$ (5,454,546)
Basic and diluted loss per common share	\$ 0.02	\$ 0.04	\$ (0.02)

For the nine months ended July 31, 2026, we recorded a loss of \$8,091,717, a decrease of \$5,454,546 compared to the same period in the prior year. The decrease was driven mainly by continued company wide cost saving initiatives resulting in an overall decrease to both R&D and G&A expenses, particularly in R&D expenses related to our phase 1/2 clinical trial and iPSC program. The overall decrease is partially off set by an increase in finance costs as a result of loss on debt settlements and interest and accretion on loans and convertible debentures.

Research and Development Expenses

For the nine months ended July 31, 2026, we incurred net R&D expenses of \$1,311,644, a \$5,381,791 decrease from the comparative period. The factors driving the decrease are largely the same as the factors mentioned above in the three-month analysis.

General and Administrative Expenses

For the nine months ended July 31, 2026, total G&A expenses of \$5,217,775 decreased by \$715,610 from the comparative period. The decrease was due primarily to lower non-cash share-based compensation, consulting and professional fees, investor relations and corporate communications costs and insurance and other costs consistent with cost saving initiatives implemented throughout the prior fiscal year and into the current period. The overall decrease was partially offset by an increase in personnel costs.

Other expense (income)

Interest income for the nine months ended July 31, 2026 decreased by \$25,194 from the comparable prior period due mainly to the use of our cash balances to finance operations throughout the period and therefore we had less cash than in the prior period with which to earn interest income. Finance costs increased by \$642,865 from the comparable prior period. The factors driving the changes in finance

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costs are largely the same as the factors mentioned above in the three-month analysis as well as losses on debt settlements incurred in the current period.

The foreign exchange loss (gain) results mainly from currency revaluation of U.S. dollar denominated balance sheet amounts into Canadian dollars each quarter. As our accounts payable balance is denominated mainly in U.S. dollars, our U.S. dollar currency exposure will vary throughout the year due to changes in exchange rates. A weakening Canadian dollar against the U.S. dollar resulted in a net foreign exchange loss for the nine months ended July 31, 2026.

LIQUIDITY AND CAPITAL RESOURCES

The Company's interim condensed consolidated financial statements have been prepared assuming we will continue as a going concern. The Company has incurred losses and generated negative cashflows since inception. A net loss and comprehensive loss of \$8,091,717 was incurred during the nine months ended July 31, 2026 (2025 – \$13,546,263). As at July 31, 2026, the Company had an accumulated deficit of \$174,194,325 and a working capital deficit (current liabilities in excess of current assets) of \$11,679,569. For the nine months ended July 31, 2026, the Company generated negative cashflow from operations of \$4,244,483 (2025 – \$10,736,841).

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 Bio-hybrid Organ platform and associated technologies 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. During the nine months ended July 31, 2026, the Company secured \$6.7 million of gross proceeds from private placements of common shares, \$4 million of which was used to retire our secured loan payable, received \$1,500,000 of convertible debenture financing, and settled \$12.6 million in accounts payable in equity. We also entered into a commercialization and development agreement and intend to complete a Merger with Seraxis. In connection with the Merger, commitments for a US\$10 million non-brokered convertible note financing have been secured from existing insider shareholders of both Sernova and Seraxis. The convertible note will be issued by Seraxis and funds will be transferred to the Company, as required, under the commercialization and development agreement. At this time, no assurance can be given that new funding will be available or can be obtained on favorable terms. Management is working towards securing additional funding from lenders and investors, but there can be no assurance as to when or whether the Company will succeed in establishing such funding. Raising additional equity capital in the future is subject to market conditions and is not within the Company's control. Refer to sections **"RISKS FACTORS"** and **"CAPITAL MANAGEMENT, FINANCIAL INSTRUMENTS AND RISKS"** in this MD&A.

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

Cash flows

The following table summarizes our cash flows for the periods indicated:

	Nine months ended July 31		Change
	2026	2025	
Cash flows provided by (used in):			
Operating activities	\$ (4,244,483)	\$ (10,736,841)	\$ 6,492,358
Investing activities	-	4,784	(4,784)
Financing activities	4,042,810	4,803,400	(760,590)
Net increase (decrease) in cash	\$ (201,673)	\$ (5,928,657)	\$ 5,726,984

Operating Activities

Net cash used in operating activities was \$4,244,483 for the nine months ended July 31, 2026, a decrease of \$6,492,358 compared to the same period in the prior year. The decrease was primarily due to less cash used for operations.

Investing Activities

There was no cash used in or provided by investing activities during the nine months ended July 31, 2026 compared to \$5 thousand for the nine months ended July 31, 2025. The decrease was due to disposal of equipment recorded in the prior period.

Financing Activities

Net cash provided by financing activities was \$4,042,810 for the nine months ended July 31, 2026, a decrease of \$760,590 compared to the same period in the prior year. The decrease is primarily due to the repayment of our term loan of \$4 million in the current period.

Common and preferred share activity is set out below:

	Number of common shares	Number of preferred shares
Balance outstanding as at October 31, 2025	332,854,811	-
Issuance of units in debt settlements	514,622	65,831,880
Issuance of units in private placement	44,273,076	-
Balance outstanding as at July 31, 2026 and the date of this MD&A	377,642,509	65,831,880

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Warrant activity is set out below:

	Number of warrants	Weighted average exercise price
Balance outstanding as at October 31, 2025	41,421,231	\$ 0.27
Issued in private placement	44,273,076	0.23
Compensation warrants issued in private placement	297,880	0.30
Issued in conjunction with debt settlements	66,346,502	0.27
Issued with convertible debentures	10,000,000	0.25
Expired	(1,280,000)	(0.30)
Balance outstanding as at July 31, 2026 and the date of this MD&A	161,058,689	\$ 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.

Incentive plan

The Company has an incentive plan with two components: (i) a fixed Share Option Plan (Option Plan) and (ii) a Deferred Share Unit Plan (DSU Plan) (collectively the Incentive Plan).

Incentive plan activity is set out below:

	Number of options	Weighted average exercise price
Balance outstanding as at October 31, 2025	32,609,840	\$ 0.29
Granted	14,417,618	0.17
Canceled	(163,485)	(0.15)
Expired	(774,595)	(0.53)
Balance outstanding as at July 31, 2026 and the date of this MD&A	46,089,378	0.25

	Number of deferred share units
Balance outstanding as at October 31, 2025, July 31, 2026 and the date of this MD&A	1,285,001

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 up to an aggregate fixed maximum of 51,285,001 of the Company's issued and outstanding common shares, representing approximately 13.6% of the common shares outstanding as at July 31, 2026. The remaining balance available for grant under the Incentive Plan as of July 31, 2026 is 1,668,357 which is reserved for the issuance of stock options.

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COMMITMENTS AND CONTINGENCIES

The Company was previously awarded a US\$2.45 million (\$3.44 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 T1D. Pursuant to the agreement, the Company has committed to perform certain clinical trial activities and to use commercially reasonable efforts to introduce a diabetes product into the US market. All milestone achievements under this agreement have been reached and the full amount of the grant has been earned. The Company is required to pay royalties to Breakthrough T1D as a percentage of any future net sales received from such diabetes product or in certain future license or disposition transactions up to a maximum of four times the aggregate amount of Breakthrough T1D grant funding received. A bonus amount equal to the total amount of grant funding received is also payable to Breakthrough T1D on two aggregate net sales thresholds if they are achieved. Given the early and inconclusive stage of development of the diabetes product, the royalty is not probable at this time and therefore no liability has been recorded.

The Company 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 July 31, 2026, the Company has commitments totaling approximately \$330,000 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.

The following table summarizes our significant future contractual obligations as at July 31, 2026:

Contractual Obligations ⁽¹⁾⁽²⁾	Payment due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Purchase Obligations ⁽³⁾	\$ -	\$ -	\$ -	\$ -	\$ -
Other ⁽⁴⁾	\$ 330,000	\$ 330,000	\$ -	\$ -	\$ -
Total	\$ 330,000	\$ 330,000	\$ -	\$ -	\$ -

Notes:

- (1) Contractual obligations in the above table do not include amounts in accounts payable and accrued liabilities on our statement of financial position as at July 31, 2026.
- (2) Contingent milestone and royalty payments under collaboration agreements noted above are not included in the table.
- (3) Purchase obligations generally include cancellable and non-cancellable contracts including agreements related to the conduct of our clinical trial, preclinical studies, and manufacturing activities.
- (4) Includes a provision for potential future payments related to retention arrangements with key employees.

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RELATED PARTY TRANSACTIONS

For the nine months ended July 31, 2026, related party transactions were for the payment of and accruals for compensation to key management personnel of the Company in the ordinary course of business and convertible debenture and private placement financings with a Director. Refer to Note 8 – *Related party transactions* in our interim condensed consolidated financial statements for further information.

SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for the eight most recently completed fiscal quarters:

	Q3 2026	Q2 2026	Q1 2026	Q4 2025
	\$	\$	\$	\$
Net loss and comprehensive loss	2,529,262	3,228,053	2,334,402	2,197,203
Net loss per share	0.01	0.01	0.01	0.01

	Q3 2025	Q2 2025	Q1 2025	Q4 2024
	\$	\$	\$	\$
Net loss and comprehensive loss	4,073,783	3,777,163	5,695,317	4,968,112
Net loss per share	0.01	0.01	0.02	0.02

From Q4 2024 to Q1 2026, our expenses decreased on a net basis as we took measures to reduce our costs with staff reductions, focus on our T1D clinical trial, and stretch our cash resources pending new financing, while increasing some costs with the hiring of new senior management. In Q2 2026, we incurred a loss on the settlement of debt and from Q2 2025 to Q3 2026, higher interest and accretion expenses on our convertible debentures and loan payable contributed to higher net losses. The losses in 2025 and 2026 are also impacted by foreign exchange gains and losses as our accounts payable is denominated mainly in U.S. dollars and our U.S. dollar currency exposure fluctuates throughout the year with changes in exchange rates.

Our costs can vary significantly between reporting periods due to differences in timing of expenditures as well as the level and status of specific R&D and corporate activities being undertaken.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CAPITAL MANAGEMENT, FINANCIAL INSTRUMENTS AND RISKS

This section provides disclosures relating to the nature and extent of our exposure to risks arising from financial instruments, including credit risk, liquidity risk, interest rate risk and foreign currency risk, and how we manage those risks.

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Credit risk

Credit risk is the risk of loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash, in excess of insured amounts, held or invested at financial institutions including Canadian chartered banks and financial service firms. Management actively reviews the risk of the financial institutions and or the counterparty to the underlying financial instruments held failing to meet its obligations and adjusts expected credit losses if and when any undue risk is identified. Amounts receivable at July 31, 2026 are composed primarily of amounts due from Canadian federal government agencies with full collection expected.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is a development stage company and is reliant on external fundraising to support its operations. Once funds have been raised, the Company manages its liquidity risk by investing its cash resources in high interest savings accounts or marketable securities to provide regular cash flow for its operations and monitoring actual and projected cash flows. As at July 31, 2026, the Company had a working capital deficit of \$11,679,569. Additional financing is required for the Company to meet its short-term financial obligations. Refer to the *Liquidity and Capital Resources* section of this MD&A for more information.

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 payables have fixed rates of interest.

Foreign currency risk

Foreign currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign currency risk on fluctuations in foreign exchange rates for any cash, amounts receivable, accounts payable and accrued liabilities and grant contributions that are denominated in foreign currencies. The Company's foreign currency risk is primarily related to US dollar denominated expenses and accounts payable. Fluctuations in the US dollar exchange rate could have a significant impact on the Company's results. Assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase or decrease in loss and comprehensive loss for the nine months ended July 31, 2026 of \$700,393 (2025 – \$1,893,353). Note 12(d) to the interim condensed consolidated financial statements for nine months ended July 31, 2026 and 2025 provides information on our significant foreign exchange currency exposures as at that date.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements requires us to make judgments, estimates, and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, and expenses, as well as our ability to continue as a going concern. The estimates and assumptions made are continually evaluated and have been based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are inherently uncertain, and actual results could differ materially from these estimates and assumptions. Revisions to estimates are recognized in the period in which the estimate is revised and may impact future periods.

Refer to the Company's annual consolidated financial statements for the years ended October 31, 2025 and 2024 for discussions on our material accounting policies and significant estimates that are most important in assessing, understanding and evaluating our interim condensed consolidated financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining disclosure controls and procedures (DC&P), as defined in NI 52-109. Management has designed such DC&P to provide reasonable assurance that material information with respect to the Company is made known to them and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the specified time periods and in compliance with applicable securities legislation and guidelines.

The Company's management is responsible for establishing and maintaining internal controls over financial reporting (ICFR), as defined in NI 52-109 and have designed such ICFR to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS.

There have been no changes in the Company's ICFR during the three months ended July 31, 2026, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

RISK FACTORS

An investment in our common shares involves a high degree of risk and should be considered speculative. An investment in our common shares should only be undertaken by those persons who can afford the total loss of their investment. You should carefully consider the risks and uncertainties described below, and in the Company's most recently filed Annual Information Form available on www.sedarplus.ca, as well as other information contained in this MD&A. The risks and uncertainties below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we believe to be immaterial may also adversely affect our business. If any of the following risks occur, our business, financial condition and results of operations could be seriously harmed and you could lose all or part of your investment. Further, if we fail to meet the expectations of the public market in any given period, the market price of our common shares could decline. We operate in a highly competitive and regulated environment that involves significant risks and uncertainties, some of which are outside of our control.

Completion of the Merger is subject to a number of conditions that must be satisfied or waived.

The completion of the Merger is subject to a number of conditions precedent, some of which are outside the control of Sernova and Seraxis, including, without limitation, receipt of the requisite shareholder approvals of both Sernova and Seraxis, approval of the Toronto Stock Exchange of the listing of the combined entity, court approval and other standard conditions, including receipt of all required consents and waivers from material third parties. If the Merger is not completed for any reason, there are risks that the announcement of the Merger and the dedication of substantial resources by us to the completion of the Agreement could have a negative impact on our current business relationships and could have a material adverse effect on our current and future operations, financial condition and prospects. In addition, failure to complete the Merger for any reason could materially negatively impact the trading price of our common shares and/or value of our other securities. If the Merger is not completed and our Board of Directors decides to seek an alternative transaction, there can be no assurance that it will be able to find a party willing to complete a similar transaction at equivalent or more attractive conditions.

Sernova will incur costs and may have to pay a termination fee.

Certain costs relating to the Merger, such as certain legal, accounting and financial advisor fees, must be paid by Sernova even if the Merger is not completed. If the Merger is not completed for certain reasons, Sernova may also be required to pay a termination fee of US\$5,000,000 to Seraxis. If Sernova is required to pay this termination fee under the merger agreement, the financial condition and ability of Sernova to fund current operations could be materially adversely affected.

Lawsuits may be filed against us and the members of our Board of Directors arising out of the proposed Merger, which may delay or prevent the proposed Merger.

Complaints may be filed against us, our Board of Directors, Seraxis, Seraxis' board of directors and/or others in connection with the transactions contemplated by the Merger. The outcome of litigation is uncertain, and we may not be successful in defending against any such future claims. Lawsuits that may be filed against us, our Board of Directors, Seraxis, or Seraxis' board of directors could delay or prevent the Merger, divert the attention of our management and employees from our day-to-day business and otherwise adversely affect us financially.

Our prospects depend on the success of our product candidates which are at early stages of development, and we may not generate revenue for several years, if at all, from these products.

Given the early stage of our product development, we can make no assurance that our research and development programs will result in regulatory approval or commercially viable products. All of our current product candidates involve the use of our Cell Pouch Bio-hybrid Organ platform and are still in preclinical or clinical development. If we are unable to commercialize our product or experience significant delays in doing so, the business may be materially harmed. To achieve profitable operations, we, alone or with others, must successfully develop, gain regulatory approval, and market our future products. We currently have no products that have been approved by the U.S. Food and Drug Administration, or FDA, Health Canada, or HC, or any similar regulatory authority. To obtain regulatory approvals for our product candidates being developed and to achieve commercial success, clinical trials must demonstrate that the product candidates are safe for human use and that they demonstrate efficacy. While we have commenced Phase 1/2 clinical trials for our Cell Pouch Bio-hybrid Organ in T1D, we have not yet completed later stage clinical trials for any of our product candidates.

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Many product candidates never reach the stage of clinical testing and even those that do have only a small chance of successfully completing clinical development and gaining regulatory approval. Product candidates may fail for a number of reasons, including, but not limited to, being unsafe for human use or due to the failure to provide therapeutic benefits equal to or better than the standard of treatment at the time of testing. Unsatisfactory results obtained from a particular study relating to a research and development program may cause us or our collaborators to abandon commitments to that program.

The early stage of our product development makes it particularly uncertain whether any of our product development efforts will prove to be successful and meet applicable regulatory requirements, and whether any of our product candidates will receive the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or be successfully marketed. If we are successful in developing our current and future product candidates into approved products, we will still experience many potential obstacles such as the need to develop or obtain manufacturing, marketing and distribution capabilities. If we are unable to successfully commercialize any of our products, our financial condition and results of operations may be materially and adversely affected.

We will require additional capital to finance our operations, which may not be available to us on acceptable terms, or at all. As a result, we may not complete the development and commercialization of our product candidates or develop new product candidates.

As a medical products development company, our operations have consumed substantial amounts of cash since inception. We expect to spend substantial funds to continue the research, development and testing of our product candidates and to prepare to commercialize products subject to approval of the FDA, in the U.S. and similar approvals in other jurisdictions. We will also require significant additional funds if we expand the scope of our current clinical plans or if we were to acquire any new assets and advance their development. Therefore, for the foreseeable future, we will have to fund our operations and development expenditures from cash on hand, equity or debt financings, through collaborations with other biotechnology or pharmaceutical companies or through financings from other sources. As at July 31, 2026 we have a negative working capital deficit of \$11,679,569. Additional financing will be required in the near term to continue as a going concern and to meet our short-term and longer-term liquidity needs. If we do not succeed in raising additional funds on acceptable terms, we might not be able to complete clinical trials or pursue and obtain approval of any product candidates from the FDA and other regulatory authorities. It is possible that future financing will not be available or, if available, may not be on favorable terms. The availability of financing will be affected by the achievement of our corporate goals, the results of scientific and clinical research, the ability to obtain regulatory approvals, the state of the capital markets generally and with particular reference to medical product development companies, the status of strategic alliance agreements and other relevant commercial considerations. If adequate funding is not available, we may be required to delay, reduce or eliminate one or more of our product development programs, or obtain funds through corporate partners or others who may require us to relinquish significant rights to product candidates or obtain funds on less favorable terms than we would otherwise accept. To the extent that external sources of capital become limited or unavailable or available on onerous terms, our intangible assets and our ability to continue our clinical development plans may become impaired, and our assets, liabilities, business, financial condition and results of operations may be materially or adversely affected.

SERNOVA BIOTHERAPEUTICS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2026 AND 2025

Future sales or issuances of equity securities and the conversion of outstanding securities to common shares could decrease the value of the common shares, dilute investors' voting power, and reduce our earnings per share. There are a large number of common shares underlying our outstanding preferred shares, warrants, options and deferred share units and the conversion, exercise or redemption of these securities may depress the market price of our common shares and cause immediate and substantial dilution to our existing stockholders.

As of July 31, 2026, we had 377,642,509 common shares issued and outstanding, outstanding preferred shares convertible into an additional 65,831,880 common shares, outstanding DSUs convertible into an additional 1,285,001 common shares, outstanding options to purchase 46,089,378 common shares, outstanding warrants to purchase preferred shares which are convertible into an additional 65,831,880 common shares and outstanding warrants to purchase 95,226,809 common shares. The issuance of common shares upon the conversion of preferred shares, exercise of our outstanding options and warrants, or the redemption of our DSUs, will cause immediate and substantial dilution to our stockholders.

We may sell additional equity securities in future offerings, including through the sale of securities convertible into equity securities, to finance operations, acquisitions or projects, and issue additional common shares if outstanding warrants or stock options are exercised, which may result in dilution.

Our Board of Directors has the authority to authorize certain offers and sales of additional securities without the vote of, or prior notice to, shareholders. Based on the need for additional capital to fund expected expenditures and growth, it is likely that we will issue additional securities to provide such capital. Such additional issuances may involve the issuance of a significant number of common shares at prices less than the current market price for our common shares.

Sales of substantial amounts of our securities, or the availability of such securities for sale, as well as the issuance of substantial amounts of our common shares upon conversion of outstanding convertible equity securities, could adversely affect the prevailing market prices for our securities and dilute investors' earnings per share. A decline in the market prices of our securities could impair our ability to raise additional capital through the sale of securities should we desire to do so.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR+ at www.sedarplus.ca.