



SERNOVA BIOTHERAPEUTICS INC.

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED
JANUARY 31, 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	January 31, 2026	October 31, 2025
Assets			
Current assets			
Cash		\$ 576,221	\$ 265,004
Amounts receivable		125,587	122,633
Prepaid expenses and other assets		73,860	135,013
Total current assets		775,668	522,650
Non-current assets			
Deposits		223,860	223,860
Equipment, net		13,293	17,724
Total non-current assets		237,153	241,584
Total assets		\$ 1,012,821	\$ 764,234
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities	4	\$ 9,065,692	\$ 8,559,341
Accounts payable to be settled in equity	4	12,605,835	12,508,057
Loan payable	5	3,864,073	3,730,133
Total current liabilities		25,535,600	24,797,531
Non-current liabilities			
Convertible debentures	6	1,079,368	1,043,533
Total non-current liabilities		1,079,368	1,043,533
Total liabilities		26,614,968	25,841,064
Shareholders' deficit			
Common shares, no par value; unlimited authorized; 342,080,895 and 332,854,811 shares issued and outstanding, as at January 31, 2026 and October 31, 2025, respectively	7	119,978,119	118,696,619
Warrants	7	660,997	537,142
Contributed surplus	7	22,195,747	21,792,017
Deficit		(168,437,010)	(166,102,608)
Total shareholders' deficit		(25,602,147)	(25,076,830)
Total liabilities and shareholders' deficit		\$ 1,012,821	\$ 764,234

Going concern (Note 2(c))

Commitments and contingencies (Note 10)

Events After the Reporting Period (Note 13)

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 January 31, 2026	Three months ended January 31, 2025
Operating expenses			
Research and development	9	\$ 434,149	\$ 2,588,406
General and administrative	9	1,680,871	2,211,854
Total operating expenses		2,115,020	4,800,260
Other expense (income)			
Interest income		–	(23,449)
Finance costs		477,117	234,978
Foreign exchange (gain) loss		(185,735)	677,128
Net other expense		291,382	888,657
Net loss before income taxes		\$ 2,406,402	\$ 5,688,917
Current income tax (recovery) expense		(72,000)	6,400
Net loss and comprehensive loss		\$ 2,334,402	\$ 5,695,317
Basic and diluted net loss per common share	11	\$ 0.01	\$ 0.02
Weighted average number of common shares outstanding			
– basic and diluted		336,396,195	327,474,732

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)

	Common Shares		Warrants	Contributed Surplus	Deficit	Total
	(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	—	—	—	—	(2,334,402)	(2,334,402)
Warrants in conjunction with loan payable	—	—	47,250	—	—	47,250
Issuance of units in private placement, net of issuance costs	9,226,084	1,281,500	76,605	—	—	1,358,105
Share-based compensation	—	—	—	403,730	—	403,730
Balance, January 31, 2026	342,080,895	\$ 119,978,119	\$ 660,997	\$ 22,195,747	\$(168,437,010)	\$ (25,602,147)
Balance, October 31, 2024	325,324,786	\$ 116,679,651	\$ 34,421	\$ 20,688,462	\$(150,359,142)	\$ (12,956,608)
Net loss	—	—	—	—	(5,695,317)	(5,695,317)
Issuance of common shares in settlement of deferred share units	3,160,000	1,384,956	—	(1,384,956)	—	—
Share-based compensation	—	—	—	723,455	—	723,455
Balance, January 31, 2025	328,484,786	\$ 118,064,607	\$ 34,421	\$ 20,026,961	\$(156,054,459)	\$ (17,928,470)

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	Three months ended January 31, 2026	Three months ended January 31, 2025
Cash flows from operating activities			
Net loss		\$ (2,334,402)	\$ (5,695,317)
Adjustments for items not affecting cash:			
Amortization and depreciation		4,431	47,662
Share-based compensation	7	403,730	723,455
Research collaboration advances recognized as cost recoveries		—	(35,153)
Interest on lease liabilities		—	18,978
Accretion and accrued interest expense	5,6	217,025	—
Changes in non-cash working capital balances:			
Amounts receivable		(2,954)	(75,184)
Prepaid expenses and other assets		61,153	(328,237)
Accounts payable and accrued liabilities	4	604,129	516,711
Net cash used in operating activities		(1,046,888)	(4,827,085)
Net cash provided by investing activities		—	—
Cash flows from financing activities			
Proceeds from private placement of shares, net	7	1,358,105	—
Research collaboration advances		—	64,825
Lease liabilities payments		—	(42,450)
Net cash provided by financing activities		1,358,105	22,375
Net increase (decrease) in cash		311,217	(4,804,710)
Cash, beginning of period		265,004	6,012,274
Cash, end of period		\$ 576,221	\$ 1,207,564
Supplemental cash flow disclosures:			
Income taxes paid		\$ 4,778	\$ —
Interest received		\$ —	\$ 24,492

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three months ended January 31, 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 advancing regenerative medicine in the treatment of chronic diseases. The Company’s primary asset is its proprietary Cell Pouch, a bio-hybrid organ system which is designed to enhance the delivery of cell therapy to better replicate natural body functions. The Cell Pouch creates a vascularized, organ-like environment that promotes the longevity and functionality of therapeutic cells and ensures containment for retrievability.

Effective February 4, 2025, the corporate name changed from Sernova Corp. to Sernova Biotherapeutics Inc. Sernova Biotherapeutics Inc. is governed under the British Columbia Business Corporations Act. The Company has operations in the United States and Canada and its common shares are listed on the Toronto Stock Exchange (the “Exchange”), the OTCQB Venture Market and on Xetra.

2. Basis of presentation

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) and are in compliance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended October 31, 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 March 13, 2026.

(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 \$2,334,402 was incurred during the three months ended January 31, 2026 (2025 – \$5,695,317). As at January 31, 2026, the Company had an accumulated deficit of \$168,437,010 and a working capital deficit (current liabilities in excess of current assets) of \$24,759,932. As at January 31, 2026, the working capital deficit included approximately \$12.6 million of accounts payable which the Company expects will settle in equity. See Note 4 – *Accounts payable and accrued liabilities*. For the three months ended January 31, 2026, the Company generated negative cash flows from operations of \$1,046,888 (2025 - \$4,827,085).

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three months ended January 31, 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.

After the reporting period, the Company completed various financings, including: a non-brokered private placement for gross proceeds of \$846,816; an advance of \$1.5 million from a Director for convertible debenture financing, subject to TSX approval; and entered into a subscription agreement with the same Director for \$4.0 million in equity financing which is subject to shareholder approval and will be used to retire the Company's loan payable. See Note 13 – *Events After the Reporting Period*.

(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.

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three months ended January 31, 2026 and 2025

(In Canadian Dollars)

(Unaudited)

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.

4. Accounts payable and accrued liabilities

	January 31, 2026	October 31, 2025
Trade and other payables	\$ 5,414,013	\$ 5,160,303
Accrued liabilities	1,429,468	1,881,537
Due to related parties (Note 8)	2,222,211	1,517,501
	<u>\$ 9,065,692</u>	<u>\$ 8,559,341</u>

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

The Company entered into agreements with certain Executive Officers to settle \$97,778 of amounts payable in equity which is included in accounts payable to be settled in equity on the statement of financial position. See Note 8 – *Related party transactions*. In consideration for the settlement of debt the Company will issue 514,622 units at \$0.19 per unit. Each unit is comprised of one common share, one half-warrant with an exercise price of \$0.25 exercisable for 24 months and one half-warrant with an exercise price of \$0.30 exercisable for 36 months. Each full warrant is exercisable for one common share at a price of \$0.25 or \$0.30, respectively. The exercise period of the \$0.25 warrants and the \$0.30 warrants is subject to acceleration on 30 days notice to the warrant holder in the event that the 5-day volume weighted average price of the Company's common shares exceeds \$0.40 and \$0.50 per share, respectively. The debt settlement transaction is subject to shareholder and Toronto Stock Exchange approval.

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three months ended January 31, 2026 and 2025

(In Canadian Dollars)

(Unaudited)

5. Loan payable

The Company is indebted to Navigate Private Yield Fund LP III, a fund managed by Fraser Mackenzie Private Credit Inc. The loan was issued on April 16, 2025 for a principal amount of \$4,000,000 and has a minimum fixed interest payable of \$400,000 for the first six months and bears interest at 14.25% per annum thereafter. The loan principal is due on the maturity date, and interest is due and payable monthly. The loan is secured against the assets of the Company and Company's US subsidiary as well as against the assets of a member of the Company's Board of Directors.

The original term of the loan considered a maturity date on the earlier of April 16, 2026, or the later of 120 days from the closing date of the loan and ten days following the occurrence of certain specified monetization transactions. In October 2025, the loan agreement was amended to remove the repayment condition upon a monetization transaction so that the repayment date is the maturity date which is 12 months from the issue date, on April 16, 2026, and to increase the interest rate following the fixed interest period from 14.25% per annum to 15.25% per annum.

In addition, the Company has the option to prepay the principal without penalty or bonus at anytime, except if the prepayment occurs in the first six months of the loan, the Company will still be required to pay the minimum fixed interest of \$400,000. The option to prepay is accounted for as a separate financial instrument with changes in fair value recognized in the statements of operations and comprehensive loss. The initial value of the option to prepay was \$nil for the first six months of the loan term due to the minimum fixed interest payable of \$400,000. The option to prepay will be revalued subsequent to the minimum fixed interest payable period using an interest rate differential between the interest rate of the loan and the market rate of a similar loan without an option to prepay. As of January 31, 2026, the value of option to prepay is \$nil and no amounts have been recognized in the statements of operations and comprehensive loss.

In consideration for the guarantee and assumption of liability, the Company granted a member of the Board of Directors 9,000,000 common share purchase warrants, see Note 8 – *Related party transactions*. Each warrant is exercisable, once vested, at a price of \$0.20 per share for a term of 36 months. On the closing of the loan, 4,000,000 warrants vested and the remaining 5,000,000 will vest in monthly increments of 833,333 beginning after six months, only while the loan remains outstanding. The value of the guarantee was determined to be \$340,200 using a Black-Scholes pricing model, of which \$151,200 was recognized as a transaction cost and recorded against the debt and \$189,000 will be recognized over the term of the loan within finance costs in the statement of operations and comprehensive loss.

Total issue costs of \$447,877, inclusive of the guarantee value of \$151,200, were incurred and are recorded against the carrying value of the loan. Interest expense and issue costs accrete on the discounted loan amount until it reaches its face value at maturity. As at January 31, 2026, the carrying value of the loan payable was \$3,864,073.

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three months ended January 31, 2026 and 2025

(In Canadian Dollars)

(Unaudited)

6. Convertible debentures

Balance outstanding, October 31, 2025	\$ 1,043,533
Accretion expense	35,835
Balance outstanding, January 31, 2026	\$ 1,079,368

As of January 31, 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 January 31, 2026, the carrying value of the debenture was \$860,607;
- 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 January 31, 2026, the carrying value of the debenture was \$73,744;
- 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 January 31, 2026, the carrying value of the debenture was \$73,194; and
- 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 January 31, 2026, the carrying value of the debenture was \$71,823.

The Company has the option to redeem and repay the convertible debt at any time after 12 months following the issue date at a redemption premium of 2% of the principal amount called for redemption. No finder's fees or finder's warrants were paid or issued, respectively, in connection with these offerings. The convertible debentures and warrants, and any securities into which they may be exchanged or converted, are subject to a four month hold period in accordance with applicable securities regulations.

The liability component of each convertible debenture was initially recognized at the fair value of a comparable liability without an equity conversion option and related warrant issuance (before issue cost allocation) based on future cash flows discounted at the estimated market interest rate of 30%. The residual values of the gross proceeds were allocated to the conversion options based on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component and to the warrants based on their relative fair value. Accretion of interest on the liability components and accrued interest expense on the convertible debentures are included in finance costs in the statements of loss and comprehensive loss.

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three months ended January 31, 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 three months ended January 31, 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%.

After the reporting period, the Company amended the terms of the common share purchase warrants so that each common share purchase warrant is exercisable for one common share at a price of \$0.25 per common share for 36 months, subject to acceleration if the 5-day volume-weighted average trading price exceeds \$0.50. See Note 13 – *Events after the reporting period*. The amendment to the terms of the common share purchase warrants does not impact their initial fair value which is determined under the residual fair value method; and

- ii) issued 5,382,334 units at \$0.15 per unit for gross proceeds of \$807,350, before deducting cash offering costs of \$41,617 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 185,880 compensation warrants with a fair value of \$2,467. 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 risk-free rate of 2.7%.

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

(c) Warrants

Warrant activity during the three months ended January 31 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	9,226,084	0.31	–	–
Compensation warrants issued in a private placement	290,880	0.30	–	–
Balance outstanding, end of period	50,938,195	\$ 0.28	21,257,050	\$ 0.30

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three months ended January 31, 2026 and 2025

(In Canadian Dollars)

(Unaudited)

7. Share capital (cont'd...)**(c) Warrants (cont'd...)**

As of January 31, 2026, outstanding warrants expire between March 3, 2026 and January 30, 2029. After the reporting period, the Company amended the terms of 19,977,050 common share purchase warrants issued in a private placement offering on September 3, 2024 with an expiry date of March 3, 2026 to extend the term by one-year so the expiry is March 3, 2027. See *Note 13 – Events after the reporting period*.

(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 January 31, 2026 is 15,262,900 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 three months ended January 31 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	–	–	250,000	0.25
Forfeited	–	–	(10,707)	(0.40)
Expired	(115,005)	(1.11)	(15,553,818)	(0.83)
Balance outstanding, end of period	32,494,835	\$ 0.29	27,765,633	\$ 0.36
Options exercisable, end of period	11,976,288	\$ 0.33	4,253,077	\$ 0.79

Stock options outstanding by range of exercise prices as at January 31, 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
\$ 0.21 to \$ 0.25	8,398,612	8.0	\$ 0.25	3,609,862	\$ 0.25
\$ 0.26 to \$ 0.31	23,192,473	8.6	0.26	7,497,676	0.27
\$ 0.87 to \$ 1.32	903,750	4.3	1.18	868,750	1.18
\$ 0.21 to \$ 1.32	32,494,835	8.3	\$ 0.29	11,976,288	\$ 0.33

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three months ended January 31, 2026 and 2025

(In Canadian Dollars)

(Unaudited)

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

The Black-Scholes option pricing model was used to estimate fair value for the purpose of recording share-based compensation expense. Historical data was used to estimate the expected dividend yield and volatility of the Company's common shares in determining the fair value of the stock options. The risk-free interest rate was based on the Government of Canada benchmark bond yield rates in effect at the time of grant and the expected life of the options represents the estimated length of time the options are expected to remain outstanding.

For the stock options granted during the three months ended January 31, share-based compensation expense was determined based on the fair value of the stock options on the grant date using the Black-Scholes option pricing model using the following weighted average assumptions:

	2026	2025
Dividend yield	–	0%
Expected volatility	–	82.9%
Risk free interest rate	–	3.0%
Expected life of options	–	5.9 years

No stock options were issued in the three months ended January 31, 2026. For the three months ended January 31, 2025, the Company issued stock options with weighted average grant date fair values of \$0.13 per stock option.

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 three months ended January 31, 2026, no DSUs were equity settled (2025 – 3,160,000). There were no DSUs granted or cancelled during the three months ended January 31, 2026 and 2025. As at January 31, 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 is the guarantor of the Company's loan payable. See Note 5 – *Loan payable* and Note 6 – *Convertible debentures*;
- ii) unsecured debt to the same Director, who guarantees the loan payable, of \$86,269 with \$6,605 of related interest payable which will be settled in cash and is recorded in accounts payable and accrued liabilities at January 31, 2026; and
- iii) \$1,379,448 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. The salaries and fees payable to Executive Officers includes \$97,778 which will be settled in equity, see Note 4 – *Accounts payable and accrued liabilities*.

At January 31, 2026, amounts due to key management personnel included in accounts payable and accrued liabilities and accounts payable to be settled in equity was \$2,319,989 (October 31, 2025 – \$1,517,501).

SERNOVA BIOTHERAPEUTICS INC.

Notes to the Consolidated Financial Statements

For the three months ended January 31, 2026 and 2025

(In Canadian Dollars)

(Unaudited)

8. Related party transactions (cont'd...)

Compensation to key management personnel for the reporting period:

	Three months ended January 31,	
	2026	2025
Personnel costs	\$ 754,114	\$ 777,765
Director fees	81,250	54,098
Share-based compensation	311,719	687,831
	<u>\$ 1,147,083</u>	<u>\$ 1,519,694</u>

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

	Three months ended January 31,	
	2026	2025
Personnel costs	\$ 179,913	\$ 554,509
Research and clinical development	162,424	1,647,842
Manufacturing costs	–	170,551
Patent fees and other costs	17,034	164,695
Amortization and depreciation	4,431	40,433
Share-based compensation - options	70,347	75,529
	<u>434,149</u>	<u>2,653,559</u>
Grants, contributions and tax credits	–	(65,153)
Total research and development expenses	<u>\$ 434,149</u>	<u>\$ 2,588,406</u>

General and administrative expenses

	Three months ended January 31,	
	2026	2025
Personnel costs	\$ 640,022	\$ 607,191
Consulting and professional fees	194,915	271,243
Director fees and expenses	81,250	54,539
Investor relations and corporate communications	265,905	334,370
Public company expenses	67,588	94,403
Insurance and other costs	97,808	194,953
Depreciation	–	7,229
Share-based compensation - DSUs	–	2,853
Share-based compensation - options	333,383	645,073
Total general and administrative expenses	<u>\$ 1,680,871</u>	<u>\$ 2,211,854</u>

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(Unaudited)

10. Commitments and contingencies

The Company was previously awarded a US\$2.45 million (\$3.32 million) grant under an agreement with Breakthrough T1D (formerly JDRF) that supports its Phase 1/2 clinical trial of Sernova's Cell Pouch for treatment of patients with type 1 diabetes. Pursuant to the agreement, the Company has committed to perform certain clinical trial activities and to use commercially reasonable efforts to introduce a diabetes product into the US market. All milestone achievements under this agreement have been reached and the full amount of the grant has been earned. The Company is required to pay royalties to Breakthrough T1D as a percentage of any future net sales received from such diabetes product or in certain future license or disposition transactions up to a maximum of four times the aggregate amount of Breakthrough T1D grant funding received. A bonus amount equal to the total amount of grant funding received is also payable to Breakthrough T1D on two aggregate net sales thresholds if they are achieved. Given the early and inconclusive stage of development of the diabetes product, the royalty is not probable at this time and therefore no liability has been recorded.

The Company has a strategic partnership with Evotec for the development and commercialization of an iPSC-based beta cell replacement therapy ("iPSC Program") with the goal to provide an unlimited insulin-producing cell source to treat patients with insulin-dependent diabetes. The Company has committed to make future development milestone and royalty payments to Evotec contingent on the occurrence of certain events, including the Company's exercise of the option, as set forth in the collaboration agreement (the "Evotec Agreement"). Under the terms of the Evotec Agreement, the preclinical development program will be jointly funded up to IND submission with the Company's share of costs being 75% and Evotec's share being 25%. There are significant future development costs expected under the agreement. The Evotec Agreement is cancellable by the Company with notice, subject to certain terms and conditions. The amount of joint iPSC Program costs originally incurred by Evotec and subsequently recharged to the Company was recorded in research and development expenses, and the reimbursement of iPSC Program costs originally incurred by the Company was recorded as a reduction of research and development expenses.

The Company enters into contracts in the normal course of business, including for research and development activities, consulting and other services. As at January 31, 2026, the Company has commitments totaling approximately \$3.6 million, of which approximately \$1.5 million is expected to be paid over the next twelve months. These contracts are cancellable by the Company with notice.

The Company has entered into research collaboration agreements with strategic partners in the ordinary course of operations that may include contractual milestone payments related to the achievement of pre-specified research, development, regulatory and commercialization events and indemnification provisions, which are common in such agreements. Pursuant to the agreements, the Company is obligated to make research and development and regulatory milestone payments upon the occurrence of certain events and royalty payments based on net sales. The maximum amount of potential future indemnification could be unlimited, however, the Company currently holds commercial and product liability insurance that limits the Company's liability and may enable it to recover a portion of any future amounts paid. Historically, the Company has not made any indemnification payments under such agreements and believes that the fair value of these indemnification obligations is minimal. Accordingly, the Company has not recognized any liabilities relating to indemnification obligations.

11. Net loss per share

Basic net loss per share is calculated by dividing the net loss by the weighted average number of shares outstanding during the reporting period. The effect of any potential exercise of stock options and common share purchase warrants and settlement of DSUs and convertible debentures has been excluded from the calculation of diluted loss per share as they would be anti-dilutive.

SERNOVA BIOTHERAPEUTICS INC.

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(Unaudited)

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 January 31, 2026 are primarily composed of amounts due from Canadian federal government agencies and full collection is expected for all amounts.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is a development stage company and is reliant on external fundraising to support its operations. Once funds have been raised, the Company manages its liquidity risk by investing its cash resources in high interest savings accounts or marketable securities to provide regular cash flow for its operations and monitoring actual and projected cash flows. As at January 31, 2026, the Company had a working capital deficit of \$24,759,932 which includes \$12,605,835 expected to be settled in equity, see Note 4 – *Accounts payable and accrued liabilities*. Additional financing is required for the Company to meet its short-term financial obligations, see Note 2(c) – *Going concern*.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds its cash in bank accounts and manages its interest rate risk by holding cash in high yield savings accounts or highly liquid short-term investments. Interest income is not significant to the Company's projected operational budget and rate fluctuations are not significant to the Company's risk assessment. The convertible debentures and loan payable have fixed rates of interest.

(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 three months ended January 31, 2026 of \$657,164 (October 31, 2025 – \$ 643,063).

Balances in US dollars are as follows:

	As at January 31, 2026	As at October 31, 2025
Cash	\$ 876	\$ 117
Amounts receivable	–	–
Accounts payable and accrued liabilities	(4,846,502)	(4,587,524)
	\$ (4,845,626)	\$ (4,587,407)

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Notes to the Consolidated Financial Statements

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(Unaudited)

13. Events after the reporting period

In March 2026, the Company:

- i) amended the terms of 19,997,050 warrants that we issued pursuant to a private placement unit offering on September 3, 2024 which were set to expire on March 3, 2026. The warrants were amended to extend the expiry date by one year to March 3, 2027;
- ii) amended the terms of 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. The warrants were amended to amend 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;
- iii) issued 5,645,439 units at \$0.15 in a non-brokered private placement financing for gross proceeds of \$846,816. 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 \$0.25 per common share for 36 months, subject to acceleration. As part of the private placement, 7,000 compensation warrants with the same terms as the unit warrants were issued;
- iv) issued \$1,500,000 of convertible debentures to a Director of the Company. The debenture is repayable in six months, unless earlier converted or redeemed. The holder has the right to convert the principal amount into common shares of the Company at a conversion price of \$0.15 per share. Interest on the debenture at an annual rate of 10% is payable monthly on the 15th of each month, in cash or common shares at the option of the Company. In conjunction with the issuance of the debenture, 10,000,000 non-transferable share purchase warrants were issued with each warrant being exercisable into one common share at a price of \$0.25 per share for 36 months, subject to acceleration provisions. The debenture funds have been advanced and the Company will close this transaction immediately upon TSX acceptance; and
- v) entered into a subscription agreement with a Director of the Company for \$4.0 million in equity financing consisting of 26,666,667 units at \$0.15 per unit and will be used to retire the secured loan payable. Each unit is comprised of one common share of the Company and one common share purchase warrant exercisable at \$0.20 for 36 months, subject to acceleration provisions. The close of this transaction is subject to shareholder approval at the annual general meeting of shareholders.