SERNOVA CORP.

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED
APRIL 30, 2022 AND 2021

(Expressed in Canadian Dollars)
(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 CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)

	Note	**April 30, 2022**	October 31, 2021
ASSETS			
Current assets			
Cash		**$ 24,238,375**	$ 27,874,198
Amounts receivable	4	**633,310**	448,947
Prepaid expenses		**259,048**	4,200
		25,130,733	28,327,345
Non-current assets			
Deposits		**211,548**	211,548
Property and equipment, net		**440,606**	176,325
Intangible assets, net		**616,769**	716,785
Right-of-use asset	5	**319,811**	388,341
		1,588,734	1,492,999
		$ 26,719,467	$ 29,820,344
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**$ 2,572,600**	$ 1,358,496
Lease liabilities	5	**128,191**	117,375
		2,700,791	1,475,871
Non-current liabilities			
Lease liabilities	5	**208,933**	275,979
		208,933	275,979
		2,909,724	1,751,850
SHAREHOLDERS' EQUITY			
Common shares	7	**75,595,698**	74,010,694
Warrants	7	**3,557,344**	3,693,248
Contributed surplus	7	**9,784,274**	5,113,503
Deficit		**(65,127,573)**	(54,748,951)
		23,809,743	28,068,494
		$ 26,719,467	$ 29,820,344

Commitments and Contingencies (Note 11)
Events After the Reporting Period (Note 15)

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2022 AND 2021
(Expressed in Canadian Dollars)
(Unaudited)

		Three months ended April 30,		Six months ended April 30,	
	Note	**2022**	2021	**2022**	2021
EXPENSES					
Research and development	9	**$ 3,178,035**	$ 1,111,105	**$ 6,347,540**	$ 1,789,385
General and administrative	9	**1,755,961**	565,233	**4,043,445**	1,052,514
		4,933,996	1,676,338	**10,390,985**	2,841,899
OTHER EXPENSE (INCOME)					
Interest income		**(19,884)**	(26,073)	**(39,389)**	(30,165)
Finance costs		**15,185**	5,351	**31,567**	323,189
Foreign exchange (gain) loss		**(9,610)**	11,350	**(4,541)**	24,275
		(14,309)	(9,372)	**(12,363)**	317,299
LOSS AND COMPREHENSIVE LOSS		**$ 4,919,687**	$ 1,666,966	**$ 10,378,622**	$ 3,159,198
Weighted average number of common shares outstanding – basic and diluted		**262,522,342**	236,670,373	**261,978,291**	214,003,636
Basic and diluted loss per common share	12	**$ 0.02**	$ 0.01	**$ 0.04**	$ 0.02

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED APRIL 30, 2022 AND 2021
(Expressed in Canadian Dollars)
(Unaudited)

	Note	**2022**	2021
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Loss for the period		**$ (10,378,622)**	$ (3,159,198)
Adjustments for items not affecting cash:			
Amortization and depreciation		**205,761**	121,249
Share-based compensation	7	**4,711,271**	79,210
Grants and contributions recognized	11	**(439,127)**	(500,014)
Accretion and accrued interest expense		**–**	297,388
Interest on lease liabilities	5	**27,770**	–
Changes in non-cash working capital balances:			
Amounts receivable		**(163,659)**	(72,723)
Prepaid expenses		**(254,848)**	140,701
Accounts payable and accrued liabilities		**1,408,359**	3,168
		(4,883,095)	(3,090,219)
INVESTING ACTIVITIES			
Acquisition of property and equipment		**(301,496)**	(3,296)
		(301,496)	(3,296)
FINANCING ACTIVITIES			
Proceeds from prospectus offering of units, net	7	**–**	21,334,182
Proceeds from exercise of warrants	7	**1,356,850**	7,540,706
Proceeds from exercise of stock options	7	**51,750**	436,525
Other financing costs		**–**	(11,807)
Grant contribution receipts	11	**224,168**	630,966
Research collaboration advances	11	**–**	261,439
Lease liabilities payments	5	**(84,000)**	–
		1,548,768	30,192,011
CHANGE IN CASH DURING THE PERIOD		**(3,635,823)**	27,098,496
CASH, BEGINNING OF PERIOD		**27,874,198**	3,949,412
CASH, END OF PERIOD		**$ 24,238,375**	$ 31,047,908

Cash Flows Supplementary Information (Note 10)

See accompanying notes to the interim condensed consolidated financial statements.

SERNOVA CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED APRIL 30, 2022 AND 2021
(Expressed in Canadian Dollars)
(Unaudited)

	Common Shares (Note 7)		**Warrants** (Note 7)	**Contributed Surplus** (Note 7)	**Deficit**	**Total**
Balance, October 31, 2021	261,133,258	$ 74,010,694	$ 3,693,248	$ 5,113,503	$ (54,748,951)	$ 28,068,494
Loss and comprehensive loss for the period	–	–	–	–	(10,378,622)	(10,378,622)
Transactions with owners of the Company, recognized directly in equity:						
Exercise of warrants	1,259,000	1,492,754	(135,904)	–	–	1,356,850
Exercise of stock options	237,500	92,250	–	(40,500)	–	51,750
Share-based compensation	–	–	–	4,711,271	–	4,711,271
Balance, April 30, 2022	**262,629,758**	**$ 75,595,698**	**$ 3,557,344**	**$ 9,784,274**	**$ (65,127,573)**	**$ 23,809,743**
Balance, October 31, 2020	208,263,447	$ 44,640,757	$ 1,549,759	$ 5,737,733	$ (47,783,412)	$ 4,144,837
Loss and comprehensive loss for the period	–	–	–	–	(3,159,198)	(3,159,198)
Transactions with owners of the Company, recognized directly in equity:						
Units financing, net of issuance costs	19,205,000	18,759,912	2,350,924	–	–	21,110,836
Units issued for corporate finance fee in conjunction with units financing	384,100	(460,920)	–	460,920	–	–
Exercise of warrants	24,099,116	7,746,540	(205,834)	–	–	7,540,706
Exercise of stock options	1,975,000	761,360	–	(324,835)	–	436,525
Shares issued upon conversion of convertible debentures	4,000,000	1,137,317	–	(137,317)	–	1,000,000
Shares issued for payment of convertible debentures interest	138,980	40,110	–	–	–	40,110
Share-based compensation	–	–	–	79,210	–	79,210
Balance, April 30, 2021	258,065,643	$ 72,625,076	$ 3,694,849	$ 5,815,711	$ (50,942,610)	$ 31,193,026

See accompanying notes to the interim condensed consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Sernova Corp. (the "Company") is a clinical-stage regenerative medicine therapeutics company focused on developing and commercializing regenerative medicine therapeutics including its proprietary Cell Pouch™ and associated technologies including therapeutic cells and local cellular immune protection. The Cell Pouch is a scalable, implantable, medical device, designed to create a vascularized tissue environment for the transplantation and engraftment of therapeutic cells, which then release proteins and or hormones for the long-term treatment of multiple serious, chronic diseases such as diabetes, hemophilia and thyroid disease.

Sernova Corp. was incorporated under the Company Act (British Columbia) on August 19, 1998. Effective May 29, 2001, the Company was continued under the Canada Business Corporations Act.

The Company's head office is located at 700 Collip Circle, Suite 114, London, Ontario, N6G 4X8. The Company's registered address is Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 2N7. On June 2, 2022, trading of the Company's common shares commenced on the Toronto Stock Exchange under the symbol SVA, and were concurrently voluntarily delisted from the TSX Venture Exchange. The Company's shares are also listed on the OTCQB Venture Market under the symbol SEOVF and on the Frankfurt and Xetra Exchanges under the symbol PSH.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS34"), 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.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and in effect as of June 27, 2022, the date the Board of Directors approved these statements.

(b) Basis of measurement

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

(c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its wholly owned and controlled subsidiaries.

(d) Use of significant estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and judgements that affect the application of accounting policies, the reported amounts of assets and liabilities, expenses and related disclosures of contingent assets and liabilities, as well as the Company's ability to continue as a going concern. These estimates and judgements consider historical and forward-looking factors that the Company believes are reasonable, including but not limited to the potential impacts arising from COVID-19 and public and private sector policies and initiatives aimed at reducing its transmission. Actual results could differ materially from these estimates and judgements. The Company reviews its estimates and underlying judgements on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and may impact future periods. Significant estimates and assumptions applied by management were outlined in the Company's annual audited consolidated financial statements for the year ended October 31, 2021, and have been applied consistently to all periods presented in these interim condensed consolidated financial statements.

2. BASIS OF PRESENTATION (cont'd…)

(e) COVID-19

Given the ongoing and dynamic nature of the circumstances surrounding the COVID-19 pandemic, it is difficult to predict how significant the impact of COVID-19 and variants, including any responses to it, will be on the global economy and the business of the Company or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information that may emerge about COVID-19 or variants and additional actions that may be necessary or taken to contain it. Such developments could have a material adverse effect on the Company's business, including, current or future clinical trials, research collaborations and corporate partnering activities; financial condition; results of operations and cash flow and the ability to finance operations. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts to its business.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are outlined in the Company's audited consolidated financial statements for the years ended October 31, 2021 and 2020, and have been applied consistently in these interim condensed consolidated financial statements.

New accounting standards and interpretations issued but not yet effective

IAS 1 *Presentation of Financial Statements*
In January 2020, the IASB issued amendments to International Accounting Standard 1 *Presentation of Financial Statements* ("IAS 1") to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impacts of adoption.

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* in which it provides guidance and example to help entities apply materiality judgements to accounting policy disclosures. The amendments apply to annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is currently evaluating the potential impacts of adoption.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
In February 2021, the IASB issued amendments to International Accounting Standard 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8") in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments apply to annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is currently evaluating the potential impacts of adoption.

(Expressed in Canadian Dollars)

4. AMOUNTS RECEIVABLE

	April 30, 2022	October 31, 2021
Grant contributions receivable (Note 11)	$ 189,872	$ 224,349
HST / GST and other tax credits receivable	443,438	224,598
	$ 633,310	$ 448,947

5. RIGHT-OF-USE ASSET AND LEASE LIABILITIES

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

	Right-of-use asset	Lease liabilities
Balance, October 31, 2020	$ –	$ –
Initial recognition	411,185	411,185
Depreciation	(22,844)	–
Interest expense	–	10,169
Payments	–	(28,000)
Balance, October 31, 2021	388,341	393,354
Depreciation	(68,530)	–
Interest expense	–	27,770
Payments	–	(84,000)
Balance, April 30, 2022	$ 319,811	$ 337,124

	April 30, 2022	October 31, 2021
Lease liabilities – short term portion	$ 128,191	$ 117,375
Lease liabilities – long term portion	208,933	275,979
	$ 337,124	$ 393,354

6. CONVERTIBLE DEBENTURES

On June 8, 2020, the Company issued unsecured convertible debentures through a non-brokered private placement for an aggregate principal amount and gross proceeds of $1,000,000. The convertible debentures were repayable in thirty months, on December 8, 2022, unless earlier converted or redeemed and bore interest at a rate of 8% per annum.

During the six months ended April 30, 2021, the convertible debentures were fully converted prior to maturity by the holder into 4,000,000 common shares of the Company on January 18, 2021. See Note 7 – Share Capital.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL

(a) **Authorized**

Unlimited number of common shares, without par value.

(b) **Share capital changes**

During the six months ended April 30, 2022, the Company received proceeds of $1,408,600 from the exercise of common share purchase warrants and stock options and the corresponding issuance of 1,496,500 common shares.

During the six months comparative period ended April 30, 2021, the Company:

i) received proceeds of $7,977,231 from the exercise of common share purchase warrants, stock options;

ii) issued 4,000,000 common shares for the conversion of convertible debentures with outstanding principal of $1,000,000, at the fixed conversion price of $0.25 per common share. No additional consideration was received for the conversion into common shares. In accordance with terms of the convertible debentures, the Company elected and also issued 138,980 common shares as settlement for $40,110 of interest accrued on the convertible debentures; and

iii) closed on March 1st, 2021 a brokered bought deal offering ("Offering") of 19,205,000 units, including the full exercise of the underwriters' 15% over-allotment option, at the issue price of $1.20 per unit ("2021 Units") for cash proceeds of $23,046,000. Each 2021 Unit consists of a common share and one common share purchase warrant, with each common share purchase warrant being exercisable into one common share at a price of $1.70 per share until March 1, 2023, subject to abridgment of the exercise period if the ten-day volume-weighted price of the Company's common shares exceeds $3.05 per share. As consideration for services provided in connection with the Offering, the Company paid to the underwriters: a cash commission of $1,452,981, a corporate finance fee of 384,100 2021 Units ("Corporate Finance Fee Units") and 1,210,818 broker warrants (also referred to as compensation options), where each broker warrant upon exercise entitles the holder to purchase one 2021 Unit at $1.20 until March 1, 2023 ("Broker Warrant"). The Corporate Finance Fee Units and Broker Warrants issued were valued at $460,920 and $2,350,924, respectively. Share issuance costs totalling $258,837 were also incurred and paid. The value of the Broker Warrants was determined using the Geske Model with the following assumptions: volatility of 129%, a risk-free interest rate of 0.3%, an expected life of two years, a dividend yield of 0% and no forfeiture.

See Note 15 – Events After the Reporting Period.

(c) **Warrants**

Common share purchase warrants outstanding changed during the six months ended April 30 as follows:

	2022		2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance outstanding, beginning of period	46,144,142	$ 0.93	50,246,590	$ 0.32
Issued in conjunction with a prospectus offering of units	–	–	19,589,100	1.70
Issuance of broker unit warrants	–	–	1,210,818	1.20
Issued in conjunction with the exercise of broker unit warrants	100,000	1.70	–	–
Exercised	(1,259,000)	(1.08)	(24,099,116)	(0.31)
Balance outstanding, end of period	44,985,142	$ 0.93	46,947,392	$ 0.92

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (cont'd…)

(c) Warrants (cont'd…)

The following table summarizes the warrants outstanding as at April 30, 2022:

Number of Warrants	Exercise Price	Expiry Date
6,624,375	$ 0.30	August 16, 2022
7,005,622	0.30	August 31, 2022
200,000	0.30	September 9, 2022
11,018,227	0.35	September 22, 2022 *
19,026,100	1.70	March 1, 2023 **
1,110,818	1.20	March 1, 2023 ***
44,985,142		

* subject to acceleration of the exercise period expiry on thirty days notice to warrant holders in the event that the ten-day volume weighted average price of the shares exceeds $0.50 per share.

** subject to acceleration of the exercise period expiry on thirty days notice to warrant holders in the event that the ten-day volume weighted average price of the shares exceeds $3.05 per share.

*** exercisable into one 2021 Unit at $1.20 until March 1, 2023. Each 2021 Unit consists of one common share and one common share purchase warrant, with each common share purchase warrant being exercisable into one common share at a price of $1.70 per share until March 1, 2023, subject to abridgment of the exercise period if the ten-day volume-weighted price of the Company's common shares exceeds $3.05 per share.

See Note 15 – Events After the Reporting Period.

(d) Incentive Plan

The Company initiated its incentive plan in 2015, with the latest amendments thereto approved by shareholders of the Company on June 30, 2021 (the "Incentive Plan"). 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 ("DSUs") to directors and officers of the Company up to an aggregate fixed maximum of 38,746,536 of the Company's issued and outstanding common shares, representing approximately 14.8% of the common shares outstanding as at April 30, 2022. The maximum fixed number of common shares to be reserved for options exercise and DSUs conversion under the Incentive Plan is 30,997,229 and 7,749,307, respectively.

Options granted under the Incentive Plan have lives 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. The exercise price of any stock options granted is fixed pursuant to the policies of the stock exchange.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (cont'd…)

(d) **Incentive Plan (cont'd…)**

Changes in the number of stock options outstanding during the six months ended April 30 were as follows:

	2022		2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance outstanding, beginning of period	8,892,500	$ 0.24	14,474,600	$ 0.22
Granted	13,655,484	1.32	–	–
Cancelled / forfeited	–	–	(984,375)	(0.21)
Exercised	(237,500)	(0.22)	(1,975,000)	(0.22)
Balance outstanding, end of period	22,310,484	$ 0.90	11,515,225	$ 0.23
Options exercisable, end of period	12,291,626	$ 0.61	9,201,375	$ 0.23

Stock options outstanding by range of exercise prices as at April 30, 2022:

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 $ 0.26	8,555,000	6.0	$ 0.23	8,027,400	$ 0.23
$ 1.32	13,575,484	4.6	1.32	4,164,226	1.32
$ 1.40	100,000	1.1	1.40	100,000	1.40
$ 1.56 to $ 1.60	80,000	4.7	1.58	–	–
$ 0.21 to $ 1.60	22,310,484	5.1	$ 0.90	12,291,626	$ 0.61

Option grants vest either immediately or annually over periods ranging from one to three years.

The Black-Scholes option pricing valuation model is used to estimate fair value for the purpose of recording share-based compensation expense. Historical data is used to estimate the expected dividend yield, volatility and forfeiture of the Company's common shares in determining the fair value of the stock options. The risk-free interest rate is 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.

(Expressed in Canadian Dollars)

7. COMMON SHARES AND WARRANTS (cont'd…)

(d) **Incentive Plan (cont'd…)**

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

	2022	2021
Dividend yield	0%	n/a
Expected volatility	72%	n/a
Risk free interest rate	1.07%	n/a
Expected life of options	3 years	n/a

The Company's Incentive Plan allows for the issuance of deferred stock units (DSU) to directors and officers of the Company and settlement in the form of a cash payment or issuance of shares at the time the DSU holder leaves the Company. Since the method of settlement of the DSUs is at the discretion of the Company under the Incentive Plan, it has been accounted for as an equity-settled plan. During the six months ended April 30, 2022, a total of 1,360,000 DSUs were granted and no DSUs were cancelled or equity settled. No DSUs were granted, cancelled or equity settled during the comparative period ended April 30, 2021. DSUs generally vest over a three-year period after the date of grant.

As at April 30, 2022, a total of 5,510,001 DSUs were outstanding (October 31, 2021 – 4,150,001) of which 4,116,279 had vested (October 31, 2021 – 3,505,557).

8. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are the Directors, the President and Chief Executive Officer and the Chief Financial Officer. Amounts due to related parties, including amounts due to key management personnel, at the end of the reporting period are unsecured, interest free and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Included in accounts payable and accrued liabilities at April 30, 2022, was $116,548 due to key management personnel (October 31, 2021 – $217,880).

Compensation to key management personnel for the reporting period:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Personnel costs	$ 235,470	$ 412,402	$ 470,940	$ 590,258
Director fees and costs	65,750	60,075	131,500	97,478
Share-based compensation - DSUs	324,363	24,181	948,797	55,291
Share-based compensation - options	953,899	15,548	3,559,275	35,554
	$ 1,579,482	$ 512,206	$ 5,110,512	$ 778,581

(Expressed in Canadian Dollars)

9. STATEMENTS OF LOSS AND COMPREHENSIVE LOSS SUPPLEMENTARY INFORMATION

Research and Development Expenses

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Personnel costs	$ 418,809	$ 363,462	$ 834,753	$ 565,587
Research and clinical development	1,921,363	771,425	2,663,674	1,299,684
Lab operations	26,349	34,135	53,381	70,042
Manufacturing costs	237,525	–	447,639	–
Patent fees and costs	141,695	125,574	212,521	246,254
License fees	–	–	–	10,000
Other costs	1,513	9,993	19,563	16,835
Amortization and depreciation	104,408	60,081	190,597	120,162
Share-based compensation - options	668,110	36,647	2,364,539	91,487
	3,519,772	1,401,317	6,786,667	2,420,051
Less: contributions and tax credits	(341,737)	(290,212)	(439,127)	(630,666)
	$ 3,178,035	$ 1,111,105	$ 6,347,540	$ 1,789,385

General and Administrative Expenses

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Personnel costs	$ 233,692	$ 262,034	$ 454,223	$ 388,591
Consulting and professional fees	230,817	92,760	318,530	115,148
Director fees and expenses	75,953	60,075	148,041	97,478
Investor relations	170,849	143,575	353,041	305,747
Public company expenses	177,128	55,530	181,914	68,380
Other costs	143,316	26,810	225,800	88,361
Amortization and depreciation	7,605	584	15,164	1,086
Share-based compensation - DSUs	324,364	24,182	948,798	55,292
Share-based compensation - options	392,237	(100,317)	1,397,934	(67,569)
	$ 1,755,961	$ 565,233	$ 4,043,445	$ 1,052,514

10. STATEMENTS OF CASH FLOWS SUPPLEMENTARY INFORMATION

	Six Months Ended April 30,	
	2022	2021
Grant contributions accrued through amounts receivable (Note 11)	$ 189,872	$ 245,700
Share issuance costs accrued through accounts payable and accrued liabilities	–	223,345
Convertible debentures interest settled in common shares	–	40,110
Income taxes paid	–	–
Interest received	39,389	30,165

11. COMMITMENTS AND CONTINGENCIES

The Company was previously awarded a US$2.45 million (approximately $3.14 million) grant under an agreement with JDRF Therapeutics Fund LLC ("JDRF"). The grant supports a 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. Contributions relating to milestone achievements totaling US$148,430 ($189,872) were earned during the three and six months ended April 30, 2022 (2021 - US$200,000 ($254,469) and US$400,000 ($500,014), respectively). Remaining funding available to be earned under the JDRF grant award totals approximately US$0.39 million ($0.49 million) as at April 30, 2022. The Company is required to pay royalties to JDRF as a percentage of any future net sales received from such diabetes product or in certain future license or disposition transactions up to an aggregate maximum of four times the aggregate amount of JDRF grant funding received. A bonus amount equal to the total amount of grant funding received is also payable to JDRF 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.

During the 2021 fiscal year, the Company entered into research collaborations with international pharmaceutical companies to evaluate the collaborators' stem cell assets in the Company's Cell Pouch for proof-of-concept studies. Successful studies may lead to future development and commercial partnership opportunities. Under the terms of the collaboration agreements, the Company committed to perform certain preclinical activities and the collaboration parties will provide funding enabling the Company to fully recover costs incurred. Aggregate advance funding totaling US$205,490 ($261,439) was received and recorded as research collaboration advances in current liabilities upon receipt. During the six months ended April 30, 2022, the remaining balance of U$67,062 ($85,413) in current liabilities as at October 31, 2021 was recorded as a research and development cost recovery contribution in the statement of loss and comprehensive loss. Pursuant to the extension of one of the collaboration agreements, a second project totaling US$242,700 ($310,462) has been initiated.

The Company enters into contracts in the normal course of business, including for research and development activities, consulting and other services. As at April 30, 2022, the Company has commitments totaling approximately $3,748,000, of which approximately $2,520,000 is expected to be paid over the next twelve months. The majority of these contracts are cancellable by the Company with notice. In addition, the Company has minimum annual royalty payment obligations of approximately $30,000 for third party licensing agreements.

Effective September 1, 2021, the Company entered into a two-year lease for both its existing office premises and lab facilities and additional office space at a rate of $14,000 per month, with a 2% increase on the anniversary of the lease agreement. Under the terms of the lease, the Company has an option to extend the lease term for an additional twelve months, up to August 31, 2024. As of April 30, 2022, remaining undiscounted lease payment obligations total $402,147 assuming the Company exercises its option, of which $170,240 is payable over the next twelve months.

12. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is similarly computed, except that the weighted average shares outstanding amount is increased to include additional shares for the exercise of all stock options and common share purchase warrants and for the settlement of all outstanding DSUs, unless it would be anti-dilutive. The effect of any potential exercise of stock options and common share purchase warrants and settlement of DSUs has been excluded from the calculation of diluted loss per share as it would be anti-dilutive.

13. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to advance the programs in a timely manner while safeguarding the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the development and commercialization of its technologies. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development and commercialization of the business. The Company defines capital that it manages as shareholders' equity. The intellectual property in which the Company currently has an interest are in the development stage, as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess sources of working capital and financing available and to assess the potential for collaboration with interested partners with a view to managing its current financial resources, in the interest of sustaining the long-term viability of the Company's research and development programs.

As the Company's policy is to retain cash to keep funds available to finance activities required to advance product development, dividends are currently not paid. The Company is not subject to any capital requirements imposed by any regulator or by any other external source. Excess cash is invested in accordance with the Company's investment policy, as established by the Company's Audit Committee. The primary objectives of the investment policy, in order of priority, are preservation of capital, liquidity and return on investment.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the stage of the Company, is reasonable. The Company's overall strategy with respect to capital risk management remains unchanged since the year ended October 31, 2021.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

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

Level 1: Quoted prices in active markets for identical instruments that are observable.

Level 2: Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

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 and short-term investments and there is additional risk as those financial instruments are primarily held by a single counterparty and or an affiliate. Management believes the risk of the counterparty, a Canadian Schedule A bank, failing to meet its obligations related to the cash and any short-term investments held by the Company is remote. Amounts receivable at April 30, 2022 are composed of amounts due from Canadian federal government agencies.

(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 in cash and short-term investments to provide regular cash flow for its operations and monitoring actual and projected cash flows. As at April 30, 2022, the Company had working capital of $22,240,071 (October 31, 2021 - $26,851,474).

(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 instruments. Interest income is not significant to the Company's projected operational budget and related rate fluctuations are not significant to the Company's risk assessment.

(d) **Foreign currency risk**

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 expenses denominated in United States dollars.

15. EVENTS AFTER THE REPORTING PERIOD

On May 16th, 2022, the Company entered into an exclusive global strategic partnership with Evotec SE (NASDAQ:EVO | FSE:EVT) for the development and commercialization of an iPSC-based (induced pluripotent stem cells) beta cell replacement therapy to provide an unlimited insulin-producing cell source to treat patients with insulin-dependent diabetes ("Evotec Collaboration"). Concurrent with the Evotec Collaboration, Evotec is making a strategic equity investment of approximately $27 million into the Company. Specifically, Evotec purchased on a non-brokered private placement basis 12,944,904 common shares at a price of $1.57 per share for gross proceeds of $20,323,500 to the Company. In addition, pursuant to an unconditional purchase warrant Evotec will acquire, on or before August 31, 2022, a further 2,709,800 common shares at a price of $2.50 per share for additional guaranteed gross proceeds of $6,774,500 to the Company. The Company has committed to pay future milestone and royalty payments to Evotec SE pursuant to the occurrence of certain events as set forth in the Evotec Collaboration agreement.