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| SVA-TSXV | |
|------------|--|
| Rating: | Speculative Buy |
| Target: | \$1.00 |
| Price: | \$0.38 |
| Return: | 167% |
| Valuation: | NPV, 20x EPS, 12.5x EBITDA (F2024; 40% disc. rate) |

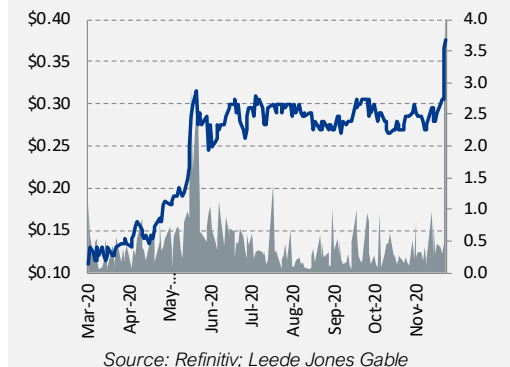
| Market Data | |
|-------------------------------------|-----------------|
| Market value (C\$M) | \$78.1 |
| Total debt (C\$M, most recent Q) | \$0.7 |
| Proforma Cash (C\$M, most recent Q) | \$5.1 |
| Ent Value (C\$M) | \$73.7 |
| Shares out. (M; basic) | 208.3 |
| Shares out. (M; fd) | 271.5 |
| Avg. Daily Volume (000) | 512.1 |
| 52 Week Range | \$0.095-\$0.465 |
| Fiscal year-end | Oct-31 |
| 52 Week High | \$0.47 |
| 52 Week Low | \$0.10 |

| Milestone Forecasts (calendar year) | |
|--|-------|
| Update on U.Chicago islet tplant trial | H1-21 |
| Update on hemophilia A/thyroid program | H1-21 |

| Financial Metrics | | | |
|------------------------|----------|----------|--------|
| In C\$000 | F2021E | F2022E | F2023E |
| Rev, T1/II Diabetes | 0 | 393 | 10,653 |
| Rev, Hemophilia A | 0 | 0 | 955 |
| Rev, Hyperthyroidism | 0 | 0 | 0 |
| Islet replace rev, T2D | 0 | 0 | 23,970 |
| Total product rev | 0 | 393 | 35,579 |
| EBITDA | -2,365 | -1,868 | 2,500 |
| Net income (fully-tax) | -2,880 | -2,378 | 1,297 |
| EPS (fd, fully-taxed) | (\$0.01) | (\$0.01) | \$0.01 |
| P/E | NA | NA | 46.0x |
| EV/EBITDA | NA | NA | 29.5x |

Company Description

Sernova is an ON-based medical technology & cell therapy developer, with lead implantable cell reservoir platform Cell Pouch in early development for targeting type I/II diabetes, hemophilia A, and hypothyroidism



Initiating Coverage on Emerging Regenerative Medicine Innovator With A Speculative BUY Rating

We are initiating coverage with a SPECULATIVE BUY rating and price target of \$1.00 on Sernova, an ON-based regenerative medicine technology developer. We are positive on the medical prospects for the firm's Cell Pouch platform, with clear visibility on utility of the device in facilitating regenerative medicine initiatives in Type I diabetes, hemophilia A, and hyperthyroidism, each of which contributes value to our SVA model. Type I diabetes currently represents the most lucrative initial target market for the firm.

Investment Summary

Cell Pouch currently advanced in Phase I/II trial; interim updates represent seminal milestones: Sernova is presently testing the Cell Pouch device in a 7-patient Phase I/II trial based at the University of Chicago. The relatively smaller size and pace of the trial is likely due to the challenges of securing transplanted donor islet cells for use within the Cell Pouch, which are dependent on the availability of cadaver donor pancreas. At last update, 5 of 7 patients have been enrolled into the trial, with enrolment on pace for completion by Q121.

While expected completion of the trial is expected in 2022, we anticipate interim trial updates as the near-term seminal milestone for the firm. The trial will be focused on safety, but on efficacy, one of the measures of functionality in the trial we will be tracking is C-peptide. C-peptide is a biomarker of insulin that is produced by islet cells, and its presence is indicative of the preservation of transplanted islet cell functionality since patients with hypoglycemic unawareness do not have the ability to produce insulin in their pancreas.

Large cash-contributing partnerships could be next inflection point for dramatically undervalued firm: At a market cap of ~\$78M, the firm remains dramatically undervalued in contrast to the valuation of its closest peers (most which are private) despite its more advanced clinical development progress. As an example, private peer Sigilon is currently contemplating a go-public transaction with terms suggesting a market value of ~US\$600M. Sigilon has a high-profile partnership with Eli Lilly (LLY-NY, NR) for its preclinical stage Type I diabetes program.

This in turn validates our view that the addition of large cash-contributing partners will be tangential for Sernova's valuation profile. Examples of potential partners might include diabetes therapeutics and device developers such as: Novo Nordisk (NOVO.B-CPH, NR), Medtronic (MDT-NY, NR), Sanofi (SAN-EU, NR), and Abbott Labs (ABT-NY, NR).

Recent IP acquisition and licensing initiatives for cell coating platform could be applied to several distinct cell therapies in distinct medical markets, not just islets/diabetes: In recent months, Sernova has been on strengthening its stable of immune protection/evasion IP through a number of acquisitions and licensing activities. We provide a detailed summary of these activities in a later section of our report, but with our key takeaway being the expansion of such activities will enhance the cell preservation/immunological evasion capabilities of Sernova's core platform offering with Cell Pouch.

Recent financing should supplement cash for clinical development needs in 2021: Sernova last reported FQ320 financial data for the July-end quarter. With Sernova's status as a drug developer, we are for now are focused on the firm's liquidity metrics. On that, the firm exited FQ320 with cash of \$1.5M, and subsequently supplemented its cash with a \$3.7M private placement in Sep/20 generating \$3.5M in net proceeds for the firm. This brings total proforma cash balance to \$5.1M. Using the firm's FQ320 operating expenses of \$1.2M as a basis for cash burn, the proforma cash balance provides at least an additional year of runway before the firm has to contemplate cash contributing sources. This should be sufficient for now to see the firm's Phase I/II trial to completion by 2022, and with human trial validation likely another point of interest for prospective partners.

Exhibit 1. Financial data summary

| <i>Year-end October 31</i> <i>(C\$000, excl. per share data)</i> | 2019A | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |
|---|-----------------|-----------------|-----------------|-----------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Capital sales, Cell Pouch, T1D | 0 | 0 | 0 | 393 | 10,653 | 37,210 | 57,816 | 53,969 | 49,647 | 50,884 |
| Capital sales, Cell Pouch, hemophilia A | 0 | 0 | 0 | 0 | 955 | 4,825 | 7,456 | 10,241 | 13,188 | 16,304 |
| Capital sales, Cell Pouch, hyperthyroidemia | 0 | 0 | 0 | 0 | 0 | 1,495 | 3,111 | 5,664 | 10,522 | 13,137 |
| Cell therapy, T1D | 0 | 0 | 0 | 0 | 23,970 | 109,544 | 242,556 | 381,624 | 526,928 | 686,839 |
| Cell therapy, hemophilia A | 0 | 0 | 0 | 0 | 1,365 | 8,257 | 18,699 | 32,762 | 50,515 | 72,032 |
| Cell therapy, hyperthyroidism | 0 | 0 | 0 | 0 | 0 | 2,136 | 6,492 | 14,269 | 28,434 | 45,772 |
| Total revenue | 0 | 0 | 0 | 393 | 36,943 | 163,467 | 336,131 | 498,529 | 679,234 | 884,967 |
| Revenue growth (% , y/y) | NA | NA | NA | NA | 9,296% | 342% | 106% | 48% | 36% | 30% |
| Gross margin | 0 | 0 | 0 | 138 | 16,625 | 87,730 | 198,260 | 317,056 | 464,460 | 607,428 |
| Gross margin (%) | NA | NA | NA | NA | 45% | 54% | 59% | 64% | 68% | 69% |
| Milestone revenue | 0 | 0 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 |
| R&D expense | 2,010 | 7,500 | 7,500 | 7,500 | 5,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| Other operating costs | 1,061 | 1,310 | 2,365 | 2,006 | 16,625 | 29,424 | 43,697 | 59,823 | 74,716 | 92,922 |
| EBITDA | (3,071) | (1,310) | (2,365) | (1,868) | 2,500 | 61,806 | 158,062 | 260,733 | 393,245 | 518,007 |
| EBITDA margin (%) | NA | NA | NA | NA | 6.8% | 37.8% | 47.0% | 52.3% | 57.9% | 58.5% |
| EBITDA growth (% , y/y) | NA | NA | NA | NA | NA | NA | 155.7% | 65.0% | 50.8% | 31.7% |
| Non-oper expenses (income) | 900 | 520 | 515 | 510 | 505 | 500 | 415 | 410 | 405 | 400 |
| Interest expense | -31 | 80 | 80 | 80 | 80 | 80 | 0 | 0 | 0 | 0 |
| Tax expense | 0 | 0 | 0 | 0 | 698 | 21,457 | 55,177 | 91,113 | 137,494 | 181,162 |
| Less: tax loss carryforwards | 0 | 0 | 0 | 0 | -698 | -16,592 | 0 | 0 | 0 | 0 |
| Net Income (loss) | -3,971 | -1,830 | -2,880 | -2,378 | 1,995 | 56,441 | 102,471 | 169,210 | 255,346 | 336,444 |
| Net income (loss) (fully-taxed) | -3,971 | -1,830 | -2,880 | -2,378 | 1,297 | 39,849 | 102,471 | 169,210 | 255,346 | 336,444 |
| EPS (basic) | (\$0.02) | (\$0.01) | (\$0.01) | (\$0.01) | \$0.01 | \$0.27 | \$0.49 | \$0.81 | \$1.23 | \$1.62 |
| EPS (fully-diluted, fully-taxed) | (\$0.02) | (\$0.01) | (\$0.01) | (\$0.01) | \$0.01 | \$0.23 | \$0.42 | \$0.69 | \$1.04 | \$1.37 |
| Shares outstanding (basic) | 195,945 | 208,263 | 208,263 | 208,263 | 208,263 | 208,263 | 208,263 | 208,263 | 208,263 | 208,263 |
| Shares outstanding (fd) | 250,081 | 271,549 | 244,923 | 244,923 | 244,923 | 244,923 | 244,923 | 244,923 | 244,923 | 244,923 |
| P/E | NA | NA | NA | NA | 46.0x | 1.6x | 0.9x | 0.5x | 0.4x | 0.3x |
| EV/EBITDA | NA | NA | NA | NA | 29.5x | 1.2x | 0.5x | 0.3x | 0.2x | 0.1x |

Source: Company filings, Analyst forecasts and estimates

Separately, we observe that the firm has applied to the TSX to extend the expiration of 11M warrants from Nov/20 to mid-Feb/21. The warrants will be exercisable at \$0.35, for total estimated proceeds of \$3.9M if all warrants are converted to shares. Current share price is above exercise price as of this writing and we thus anticipate that Sernova should benefit from measurable warrant-derived capital during the next quarter. We have not included this in our proforma cash balance above but note that it will be an additional source of funds once exercised next year.

Sernova's recent IP enhancement activities through M&A and licensing activities have been multiple shots on goal, as it relates to the development of novel therapeutic solutions while expanding on the utility of the Cell Pouch across multiple disease types:

Exhibit 2. Valuation summary for Sernova

| | | | | | | | |
|--|-----------|------------|-------------|------------|---------------|------------|--------------|
| NPV, discount rate | | 20% | 30% | 35% | 40% | 50% | 60% |
| Implied value per share | | \$5.89 | \$2.78 | \$1.95 | \$1.22 | \$0.73 | \$0.40 |
| Price/earnings multiple, F2024 | | 20% | 30% | 35% | 40% | 50% | 60% |
| Implied share price ¹ | 10 | \$0.83 | \$0.60 | \$0.52 | \$0.45 | \$0.34 | \$0.26 |
| | 20 | \$1.66 | \$1.20 | \$1.04 | \$0.85 | \$0.68 | \$0.52 |
| | 30 | \$2.49 | \$1.80 | \$1.56 | \$1.35 | \$1.02 | \$0.78 |
| EV/EBITDA multiple, F2024 | | 5x | 7.5x | 10x | 12.5x | 15x | 20.0x |
| Implied share price ¹ | | \$0.29 | \$0.43 | \$0.58 | \$0.72 | \$0.86 | \$1.15 |
| One-year Sernova target price¹ | | | | | \$0.93 | | |

¹ F2024 EPS (fd) forecast \$0.23; EBITDA \$61.8M; NPV discounted at 40%; basic S/O 208.3M, fd S/O 271.5M; proforma cash of \$5.1M (FQ320 cash of \$1.5M and net proceeds from Sep/20 financing), debt of \$0.7M from new convertible debentures to fund Converge IP purchase

Source: Company filings, Analyst forecasts and estimates

- Exploring the potential of using allogeneic or “off-the-shelf” therapeutic cells through AgeX alliance:** In Jun/20, Sernova announced a cell therapy alliance with CA-based AgeX Therapeutics (AGE-NYSE AMERICAN, NR). The collaboration will focus on using AgeX's published UniverCyte gene expression technology, which uses a modified form of immunomodulatory molecule known as human leukocyte antigen (HLA)-G in order to evade human immune system detection. Sernova will be assessing the platform utility in both Type I diabetes (stem cell-derived pancreatic islet beta cells) and in hemophilia. The ultimate goal from this partnership will be to develop solutions that overcome conventional challenges related to using transplanted cells, including HLA tissue matching and the concurrent administration of antirejection medication.

Exhibit 3. Clinical Pipeline For Cell Pouch & Partnered Technologies



| Cell Pouch Product | Collaborators | Indication | Patient Population(s) | Conceptual | Preclinical | Phase I | Phase II | |
|--|--|-----------------|----------------------------------|--------------------------------------|-------------|---------|----------|--|
| Human Donor Islets, Systemic immune protection | University of Chicago; Dr. Piotr Witkowski; Medtronic (CGM*) | Diabetes | Hypoglycemia unaware | Phase I/II Data Expected by: 2022 | | | | |
| Micro-encapsulated islets | - | Diabetes | Insulin dependent diabetic | Preclinical | | | | |
| Micro-encapsulated stem cell derived cells | - | Diabetes | Insulin dependent diabetic | Preclinical | | | | |
| Corrected patient cells | HemAcure | Hemophilia A | Severe Hemophilia A | Preclinical | | | | |
| Allograft immune protected cells | - | Hemophilia A | Hemophilia A | Conceptual | | | | |
| Autograft thyroid cells | University of British Columbia; Dr. Sam Wiseman | Thyroid disease | Thyroidectomy Hyperthyroidism | Preclinical | | | | |

*CGM = Continuous Glucose Monitors; provided to patients by Medtronic to measure efficacy and track the function of the transplanted cells into the Cell Pouch.

Source: Company Filings, Leede Jones Gable

- Securing additional IP in conformal coating technologies to omit the need for immunosuppression drugs:** On this front, Sernova announced the \$1M acquisition of FL-based private polymer development firm Converge Biotech in Jun/20 and then a licensing agreement with University of Miami for commercial rights to using conformal coating technologies in Aug/20.
- Converge Biotech has patents describing conformal coating technologies surrounding a cell encapsulation platform. Three of Converge's patents were jointly developed by immune-engineering researchers Alice Tomei and Jeffrey Hubbell, who were identified as part of the University of Miami licensing agreement. The work of Tomei/Hubbell were focused on conferring immune protection to cell therapies that are encapsulated and then deployed in vivo for conferring some therapeutic benefit.

Exhibit 4. Recent M&A and Licensing Activities Executed by Sernova To Enhance Cell Pouch Performance





| |  |  | CONVERGE BIOTECH |
|-------------------------|---|--|---|
| Company | AgeX Therapeutics | University of Miami | Converge Biotech |
| Location | CA | US | US |
| Date Announced | Jun/20 | Aug/20 | Jun/20 |
| Transaction Type | Licensing agreement | Licensing agreement | Acquisition |
| Deal Terms | - | - | \$1.0M |
| Key Technology Platform | UniverCyte gene expression technology | Conformal coating technologies | Conformal coating technologies |
| Core Capabilities | - Generate universal therapeutic cells - Immune protection | - Cell encapsulation - Immune protection | - Cell encapsulation - Immune protection |

Source: Company Filings, Leede Jones Gable

In summary, we are highly positive about all technology alliances that Sernova has consummated in recent quarters, and without exception, we believe that Sernova can successfully adapt islet coating and/or gene expression technologies now partnered to improve islet cell function and durability and immune evasion within Cell Pouch, without compromising the ability of the device to be well-vascularized and thus release insulin in a glucose-responsive fashion, just as all published studies show that it can in preclinical studies.

We are formally initiating coverage on SVA with a \$1.00 price target. Our price target methodology is the average of three methodologies: NPV and multiples of our F2024 EBITDA and EPS. In that year, we forecast EBITDA of \$61.8M, and EPS of \$0.23. The average of our three methodologies yields a price target of \$0.93, which we round to \$1.00. Our EV incorporates proforma cash of \$5.1M, consisting of FQ320 cash of \$1.5M, and net proceeds of \$3.5M from a Sep/20 financing, as well as \$0.7M in convertible debt. As we show in Exhibit 1, our model assumes that Sernova could cumulatively receive up to \$60M in upfront and milestone payments from future co-development partners; we believe that this value represents a floor and not a ceiling on future deal economics for the firm, especially when considering the broad applicability of Cell Pouch to many regenerative medicine markets and not just diabetes/endocrinology.

Exhibit 5. Comparison of Sernova's Cell Pouch Platform To Alternative Also In Clinical Testing

| |  |  |  |  |
|---------------------------------------|---|---|--|---|
| Company | Sernova | Sigilon | ViaCyte | Semma |
| Status | Public | Pending IPO (Prospective ticker SGTX-Q) | Private | Acquired by Vertex (2019) |
| Valuation | ~C\$60M/US\$46M | ~US\$600M ^(a) | US\$240M ^(b) | US\$950M ^(c) |
| Clinical Stage | Phase I/II | Preclinical | Phase I/II | Preclinical |
| Lead Indication | Type I Diabetes, Hypoglycemic Unaware | Type I Diabetes, Hypoglycemic Unaware | Type I Diabetes, Hypoglycemic Unaware | Type I Diabetes, Hypoglycemic Unaware |
| Other Indications Under Investigation | Hemophilia A Postoperative Hypothyroidism | Hemophilia A, Hemophilia B Lysosomal storage diseases | NA | NA |
| Notable Partnerships | Medtronic (for supply of CGM monitors) | Eli Lilly (US\$63M upfront payment and US\$410M in milestone payments) | Crispr Therapeutics (US\$15M upfront payment and US\$10M in promissory notes) | NA |





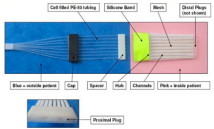

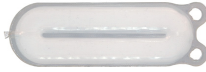

^(a) Estimated based on IPO terms set out in S-1 filing

^(b) Represents total funding raised to date

^(c) Represents value at which Semma was acquired

Source: Company filings, Crunchbase, Leede Jones Gable

Exhibit 6. Further Comparisons of Sernova's Cell Pouch Platform To Alternative Also In Clinical Testing

| |  |  |  |  |
|--|--|--|--|---|
| Company | Sernova | Sigilon | ViaCyte | Semma |
| |  |  |  |  |
| Platform | Cell Pouch | SLTx/Afibromer/SIG-002 | PEC-Direct /PEC-Encap | Partnered with DefyMed (2016): MAILPAN bio-artificial pancreas |
| Cell Encapsulation Current Cell Type | Hydrogel Transplanted Islet Cells | Alginate Spheres Induced pluripotent stem cells | Polyethylene glycol Stem cell-derived pancreatic progenitor cells | Polyethylene glycol Stem cell-derived islet and beta cells |
| Device Housing for Cells | ✓ | ✗ | ✓ | ✓ |
| Other Cell Types Under Development | <ul style="list-style-type: none"> ✓ Microencapsulated islet cells ✓ Stem cell-derived islet cells ✓ Gene-corrected cells (for Hemophilia A) ✓ Autograft thyroid cells | <ul style="list-style-type: none"> ✓ Human FVIII-expressing cells ✓ Human α-L-iduronidase-expressing cells | ✗ | ✗ |
| Islet engraftment Demonstrated in Human Data | ✓ | ✗ | ✓ (for PEC-Direct but low engraftment levels for PEC-Encap) | ✗ |
| Device Vascularization | ✓ Demonstrated tissue chambers are highly vascularized | ✓ Animal data only | ✓ Direct vascularization (PEC Direct) | ✓ Animal data only |
| Immunosuppression regimen requirements | Yes for current trial (but exploring new local immune protection technologies) | No (human validation data required) | Yes (long-term immunosuppression required) | No (human validation data required) |

Source: Company filings, Leede Jones Gable

Exhibit 7. Competitive Landscape – Type I Diabetes Focused Therapy Developers

| Company | Curr | Sym | Shares out (M) | Share price 13-Dec | Market cap (\$M) (curr) | Market cap (\$M) (C\$) | Enterprise value (\$M) (curr) | Enterprise value (\$M) (C\$) | Status of lead program |
|---|------------------------|------------|----------------|--------------------|-------------------------|------------------------|-------------------------------|------------------------------|--|
| <i>Type 1 Diabetes focused therapy developers</i> | | | | | | | | | |
| DexCom Inc | US Dollar | DXCM | 91.1 | \$347.71 | \$31,676.4 | \$40,457.1 | \$32,485.5 | \$41,490.4 | Dexcom G4 Platinum-G5 Mobile; continuous glucose monitoring system; Clarity, diabetes management software; T12M rev US\$669M |
| Insulet Corp | US Dollar | PODD | 60.6 | \$238.96 | \$14,479.5 | \$18,493.2 | \$15,782.7 | \$20,157.7 | Omnipod insulin management/delivery system; T12M rev US\$437M |
| Living Cell Technologies Ltd | Australian Dollar | LCT | 571.4 | \$0.01 | \$8.0 | \$7.7 | \$5.3 | \$5.1 | Porcine-derived alginate-encapsulated islet cells [Diabecell] completed Phase I/II diabetes testing; partnered with Otsuka since Q4-11 (A\$50M deal; 50% JV in Diatranz); missed endpoint in Phase I/II Parkinson's disease trial with NTCELL; new focus on retinal degeneration, hearing loss |
| PharmaCyte Biotech Inc | US Dollar | PMCB | 1355.7 | \$0.01 | \$7.3 | \$9.3 | \$10.4 | \$13.3 | PharmaCyte's University of Technology Sydney-licensed Melligen cells (insulin-producing cells) encapsulated in cellulose-based 'cell-in-a-box' technology; pre-IND meeting in Q1-17 |
| Senseonics Holdings Inc | US Dollar | SENS | 188.8 | \$0.42 | \$79.1 | \$101.0 | \$139.6 | \$178.3 | Eversense implantable CGM system/ fluorescence-based sensor; 71-pt PRECISE study [in <i>Diabetes Care</i>] showed 81% of hypoglycemic events detected within 30 minutes |
| Average | | | | | | \$11,813.6 | | \$12,369.0 | |
| Sernova Corp | Canadian Dollar | SVA | 175.9 | \$0.38 | \$66.0 | \$66.0 | \$78.3 | \$78.3 | Hybrid medtech/regenerative medicine firm, lead Cell Pouch platform currently advanced in a Phase I/II trial, partnered with stem cell innovators in diabetes & hemophilia management |

Source: Refinitiv, Leede Jones Gable, Company Filings

Exhibit 8. Competitive Landscape – Mature Regenerative Medicine Firms

| Company | Curr | Sym | Shares out (M) | Share price 13-Dec | Market cap (\$M) (curr) | Market cap (\$M) (C\$) | Enterprise value (\$M) (curr) | Enterprise value (\$M) (C\$) | Status of lead program |
|--|------------------------|------------|----------------|--------------------|-------------------------|------------------------|-------------------------------|------------------------------|---|
| <i>Emerging cell therapy/regenerative medicine firms</i> | | | | | | | | | |
| Athersys Inc | US Dollar | ATHX | 151.7 | \$1.84 | \$279.1 | \$356.5 | \$302.1 | \$385.8 | MultiStem/MAPC, adult-derived stem cell platform, Phase II ischemic stroke data (89/140 pts completed 90d follow-up) showed promise in patients diagnosed < 36 hrs, but no later; US\$205M deal with Chugai [Q1-15] US\$111M deal with Pfizer [Q4-09] |
| BioRestorative Therapies Inc | US Dollar | BRTX | 7.6 | \$0.01 | \$0.1 | \$0.1 | \$37.0 | \$47.3 | Bone marrow-derived autologous mesenchymal stem cells (brbDISC) for treating lumbar disorders; ThermoStem used brown fat-derived stem cells for treating type II diabetes/obesity |
| Brainstorm Cell Therapeutics Inc | US Dollar | BCLI | 21.9 | \$4.67 | \$102.3 | \$130.7 | \$118.6 | \$151.5 | Nerve growth factor-secreting NurOwn differentiates mesenchymal stem cells into neuron supporting MSC-NTF cells; based on discoveries by E Melamed/D Offen; targets CNS disorders |
| CellSeed Inc | Japanese Yen | 7776 | 11.7 | ¥259 | ¥3,043 | \$37.3 | ¥2,822 | \$34.6 | Cartilage cell sheet currently undergoing preclinical testing |
| Thermogenesis Holdings Inc | US Dollar | THMO | 2.8 | \$2.29 | \$6.5 | \$8.3 | \$19.8 | \$25.2 | Encountering challenges with garnering FDA endorsement of study design for proposed 224-patient critical limb ischemia trial, using SurgWerks (proprietary stem cell point-of-care kit) |
| Optical Cable Corp | US Dollar | OCC | 7.4 | \$3.06 | \$22.6 | \$28.9 | \$36.9 | \$47.1 | Firm has its Ortho-ATI product already in market, lead autologous product targets tendonitis. |
| Regis Corp | US Dollar | RGS | 35.9 | \$9.44 | \$339.2 | \$433.3 | \$456.9 | \$583.5 | HiQ Cell approved in 2014 for a case-by-case treatment option for injured players |
| Replifelife Sciences Inc | Canadian Dollar | REPCF | 27.7 | \$0.18 | \$5.1 | \$5.1 | \$8.1 | \$8.1 | Hair follicle-derived fibroblast regenerative medicine platform; Phase I/II studies in Achilles tendonitis, skin rejuvenation, alopecia are mostly completed. |
| Uniqure NV | US Dollar | QURE | 40.0 | \$47.80 | \$1,912.0 | \$2,442.0 | \$1,882.9 | \$2,404.9 | Baculovirus/insect cell and adenovirus manufacturing facilities; gene therapy platform focused on hemophilia B (AMT-061), Huntington's disease (AMT-130) |
| VistaGen Therapeutics Inc | US Dollar | VTGN | 43.9 | \$0.74 | \$32.2 | \$41.2 | \$39.4 | \$50.4 | Previously sublicensed cardiac stem cell platform to BlueRock Therapeutics in Dec/16 |
| Average | | | | | | \$318.6 | | \$338.8 | |
| Sernova Corp | Canadian Dollar | SVA | 175.9 | \$0.38 | \$66.0 | \$66.0 | \$78.3 | \$78.3 | Hybrid medtech/regenerative medicine firm, lead Cell Pouch platform currently advanced in a Phase I/II trial, partnered with stem cell innovators in diabetes & hemophilia management |

Source: Refinitiv, Leede Jones Gable, Company Filings

Exhibit 9. Competitive Landscape – Emerging Regenerative Medicine Firms

| Company | Curr | Sym | Shares out (M) | Share price 13-Dec | Market cap (\$M) (curr) | Market cap (\$M) (C\$) | Enterprise value (\$M) (curr) | Enterprise value (\$M) (C\$) | Status of lead program |
|--|------------------------|------------|----------------|--------------------|-------------------------|------------------------|-------------------------------|------------------------------|--|
| <i>Mature cell therapy/regenerative medicine firms</i> | | | | | | | | | |
| Anika Therapeutics Inc | US Dollar | ANIK | 14.1 | \$37.26 | \$526.1 | \$672.0 | \$430.0 | \$549.2 | Hyaluronic acid-based orthobiotics, surgical adhesion barriers, wound management scaffolds, viscosupplementation & dermal fillers; some exposure to tissue regeneration with Hyalofast (scaffold for mesenchymal stem cell entrapment) |
| Lineage Cell Therapeutics Inc | US Dollar | LCTX | 145.5 | \$1.75 | \$254.7 | \$325.3 | \$223.9 | \$286.0 | Pluripotent stem cells, OPC1 oligodendrocyte progenitors targeting spinal cord injury; VAC2 dendritic cells/lung cancer & OpRegen RPE cells/macular degeneration in Phase I/II studies |
| Medipost Co Ltd | South Korean Won | 078160 | 15.5 | ₩35,200 | ₩545,559 | \$638.0 | ₩531,656 | \$621.7 | Firm already has a Korea FDA-approved product for knee osteoarthritis, and is currently pursuing FDA approval - currently in Phase I/II trials |
| Mesabi Trust | US Dollar | MSB | 13.1 | \$27.27 | \$357.8 | \$457.0 | \$347.2 | \$443.4 | Adult stem cells Prochymal cells (acquired from Osiris) completed 63-patient Phase II diabetes trial; now focused on using prochymal platform in GvH disease & Crohn's disease |
| Pluristem Therapeutics Inc | US Dollar | PSTI | 18.2 | \$5.93 | \$107.9 | \$137.8 | \$111.6 | \$142.5 | Mesenchymal-like adherent stromal cells from full-term human placenta; 172-pt allogeneic PLX-PAD intermittent claudication PAD trial completed in 2018 |
| SanBio Co Ltd | Japanese Yen | 4592 | 51.1 | ¥1,880 | ¥96,095 | \$1,179.4 | ¥90,449 | \$1,110.1 | Lead chronic stroke therapy SB623 recently reported data from US Phase IIb clinical trial with the asset failing to meet the primary endpoint in the trial; was partnered in US with Sumitomo Dainippon Pharma until 2019, and in Japan with Teijin (until 2018) |
| Sangamo Therapeutics Inc | US Dollar | SGMO | 112.1 | \$12.28 | \$1,376.8 | \$1,758.4 | \$1,087.5 | \$1,389.0 | SB-525 is Factor VIII-encoding adenovirus-based gene therapy program for hemophilia A; Phase I/II data last reported in Jun/20 |
| Average | | | | | | \$738 | | \$649 | |
| Sernova Corp | Canadian Dollar | SVA | 175.9 | \$0.38 | \$66.0 | \$66.0 | \$78.3 | \$78.3 | Hybrid medtech/regenerative medicine firm, lead Cell Pouch platform currently advanced in a Phase I/II trial, partnered with stem cell innovators in diabetes & hemophilia management |

Source: Refinitiv, Leede Jones Gable, Company Filings

Exhibit 10. Revenue Forecast for Sernova – Type I Diabetes

| Fiscal year-end Oct-31 (US\$000, unless otherwise stated) | 2019A | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |
|--|------------|------------|------------|--------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| Type I diabetes | | | | | | | | | | |
| Type I diabetes, human donor islets | | | | | | | | | | |
| Total pancreas transplant procedures, US | 184 | 175 | 166 | 158 | 150 | 143 | 136 | 129 | 122 | 116 |
| Total kidney/pancreas transplant procedures, US | 1,062 | 1,168 | 1,285 | 1,414 | 1,555 | 1,711 | 1,882 | 2,070 | 2,277 | 2,504 |
| Average annual volumes, islet cell transplantation, US | 99 | 109 | 120 | 131 | 145 | 159 | 175 | 192 | 212 | 233 |
| Total annual procedures, US ¹ | 1,345 | 1,452 | 1,571 | 1,703 | 1,850 | 2,012 | 2,192 | 2,391 | 2,611 | 2,854 |
| Transfer price per Cell Pouch to partners (US\$) | \$3,500 | \$3,500 | \$3,500 | \$3,570 | \$3,641 | \$3,714 | \$3,789 | \$3,864 | \$3,942 | \$4,020 |
| Proportion of target market (%) | 0.0% | 0.0% | 0.0% | 5.0% | 10.0% | 20.0% | 25.0% | 20.0% | 15.0% | 10.0% |
| Cell-Pouch, human donor islets (US\$000) | \$0 | \$0 | \$0 | \$304 | \$674 | \$1,495 | \$2,076 | \$1,848 | \$1,544 | \$1,147 |
| Cell-Pouch, human donor islets (C\$000) | \$0 | \$0 | \$0 | \$393 | \$871 | \$1,933 | \$2,685 | \$2,390 | \$1,996 | \$1,484 |
| Type I diabetes, microencapsulated porcine islets | | | | | | | | | | |
| Disease prevalence, diagnosed disease only, US (000) ² | 25,004 | 25,504 | 26,014 | 26,535 | 27,065 | 27,607 | 28,159 | 28,722 | 29,296 | 29,882 |
| Total patient prevalence, T1D only, US (000) ² | 1,353 | 1,380 | 1,408 | 1,436 | 1,465 | 1,494 | 1,524 | 1,554 | 1,585 | 1,617 |
| Total ER visits with blood glucose dysregulation as primary diagnosis (000) ² | 489 | 499 | 509 | 519 | 530 | 540 | 551 | 562 | 573 | 585 |
| Proportion of target market (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% | 0.7% | 1.1% | 0.8% | 0.5% | 0.4% |
| Cell Pouch systems implanted per annum | 0 | 0 | 0 | 0 | 1,059 | 3,781 | 6,061 | 4,496 | 2,866 | 2,339 |
| Transfer price per Cell Pouch to partners (US\$) | \$3,500 | \$3,500 | \$3,500 | \$3,570 | \$3,641 | \$3,714 | \$3,789 | \$3,864 | \$3,942 | \$4,020 |
| Cell-Pouch, porcine islets (US\$000) | \$0 | \$0 | \$0 | \$0 | \$3,857 | \$14,045 | \$22,962 | \$17,374 | \$11,297 | \$9,403 |
| Cell-Pouch, porcine islets (C\$000) | \$0 | \$0 | \$0 | \$0 | \$4,988 | \$18,162 | \$29,694 | \$22,468 | \$14,610 | \$12,160 |
| Type I diabetes (microencapsulated porcine islets), islet cell production/replacement | | | | | | | | | | |
| Cumulative Cell Pouch implanted up to prior period | 0 | 0 | 0 | 0 | 1,059 | 4,840 | 10,901 | 15,397 | 18,264 | 20,602 |
| Porcine islets, price per replacement procedure | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,100 | \$5,202 | \$5,306 | \$5,412 |
| Cell-Pouch, porcine islets/replacement (US\$000) | \$0 | \$0 | \$0 | \$0 | \$5,296 | \$24,202 | \$55,597 | \$80,097 | \$96,907 | \$111,504 |
| Cell-Pouch, porcine islet/replacement (C\$000) | \$0 | \$0 | \$0 | \$0 | \$6,849 | \$31,298 | \$71,898 | \$103,581 | \$125,320 | \$144,196 |
| Type I diabetes (microencapsulated stem cell-derived islets), Cell Pouch capital sales | | | | | | | | | | |
| Disease prevalence, diagnosed disease only, US (000) ² | 25,004 | 25,504 | 26,014 | 26,535 | 27,065 | 27,607 | 28,159 | 28,722 | 29,296 | 29,882 |
| Total patient prevalence, T1D only, US (000) ² | 1,353 | 1,380 | 1,408 | 1,436 | 1,465 | 1,494 | 1,524 | 1,554 | 1,585 | 1,617 |
| Total ER visits, blood glucose dysregulation as primary diagnosis (000) ² | 489 | 499 | 509 | 519 | 530 | 540 | 551 | 562 | 573 | 585 |
| Proportion of target market (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% | 0.7% | 1.0% | 1.1% | 1.2% | 1.3% |
| Cell Pouch systems implanted per annum | 0 | 0 | 0 | 0 | 1,059 | 3,781 | 5,510 | 6,182 | 6,879 | 7,601 |
| Transfer price per Cell Pouch to partners (US\$) | \$3,500 | \$3,500 | \$3,500 | \$3,500 | \$3,500 | \$3,500 | \$3,570 | \$3,641 | \$3,714 | \$3,789 |
| Cell-Pouch, stem-cell derived islets, capital sales (US\$000) | \$0 | \$0 | \$0 | \$0 | \$3,707 | \$13,234 | \$19,670 | \$22,511 | \$25,550 | \$28,797 |
| Cell-Pouch, stem cell-derived islets, capital sales (C\$000) | \$0 | \$0 | \$0 | \$0 | \$4,794 | \$17,115 | \$25,437 | \$29,112 | \$33,041 | \$37,241 |
| Type I diabetes (microencapsulated stem cell-derived islets), islet cell production/replacement | | | | | | | | | | |
| Cumulative Cell Pouch implanted up to prior period | 0 | 0 | 0 | 0 | 1,059 | 4,840 | 10,350 | 16,532 | 23,411 | 31,013 |
| Stem cell-derived islets, price per replacement procedure | \$12,500 | \$12,500 | \$12,500 | \$12,500 | \$12,500 | \$12,500 | \$12,750 | \$13,005 | \$13,265 | \$13,530 |
| Cell-Pouch, stem-cell derived islets/replacement (US\$000) | \$0 | \$0 | \$0 | \$0 | \$13,240 | \$60,506 | \$131,966 | \$215,003 | \$310,553 | \$419,612 |
| Cell-Pouch, stem cell-derived islet/replacement (C\$000) | \$0 | \$0 | \$0 | \$0 | \$17,122 | \$78,246 | \$170,659 | \$278,042 | \$401,608 | \$542,642 |
| Cell-Pouch, type I diabetes, total capital sales (C\$000) | \$0 | \$0 | \$0 | \$393 | \$10,653 | \$37,210 | \$57,816 | \$53,969 | \$49,647 | \$50,884 |
| Cell-Pouch, type I diabetes, total islet cell sales (C\$000) | \$0 | \$0 | \$0 | \$0 | \$23,970 | \$109,544 | \$242,556 | \$381,624 | \$526,928 | \$686,839 |
| Cell-Pouch, type I diabetes, total revenue (C\$000) | \$0 | \$0 | \$0 | \$0 | \$23,970 | \$109,544 | \$242,556 | \$381,624 | \$526,928 | \$686,839 |
| Average USD:CDN currency exchange rate | 1.2932x | 1.2932x | 1.2932x | 1.2932x | 1.2932x | 1.2932x | 1.2932x | 1.2932x | 1.2932x | 1.2932x |

¹ Source: United Network for Organ Sharing, Collaborative Islet Transplant Registry Annual Report (2016)

² Source: American Diabetes Association, US Center for Disease Control National Diabetes Statistics Report (2017)

³ Source: US Center for Disease Control, extrapolated from data in Soucie, JM et al (American Journal of Hematology [1998]. Vol. 59, pp. 288-294)

⁴ Source: Extrapolated from 2011 data cited in Sosa JA et al (Surgery [2013]. Vol. 154, pp. 1420-1427) & Adam MA et al (Annals of Surgery [2017]. Vol. 265, pp. 402-407)

Source: Refinitiv, Company Filings, Leede Jones Gable

Exhibit 11. Revenue Forecast for Sernova – Hemophilia A, Hyperthyroidism

| Fiscal year-end Oct-31 (US\$000, unless otherwise stated) | 2019A | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |
|--|------------|------------|------------|--------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| Hemophilia A | | | | | | | | | | |
| <i>Hemophilia A (autologous Factor VIII cell therapy)</i> | | | | | | | | | | |
| US population (000) | 329,622 | 332,919 | 336,248 | 339,610 | 343,006 | 346,436 | 349,901 | 353,400 | 356,934 | 360,503 |
| Hemophilia A prevalence (%) | 0.006% | 0.006% | 0.006% | 0.006% | 0.006% | 0.006% | 0.006% | 0.006% | 0.006% | 0.006% |
| Total disease prevalence ³ | 20,284 | 20,487 | 20,692 | 20,899 | 21,108 | 21,319 | 21,532 | 21,748 | 21,965 | 22,185 |
| Proportion of target market (%) | 0.0% | 0.0% | 0.0% | 0.0% | 1.0% | 5.0% | 7.5% | 10.0% | 12.5% | 15.0% |
| Cell Pouch systems implanted per annum | 0 | 0 | 0 | 0 | 211 | 1,066 | 1,615 | 2,175 | 2,746 | 3,328 |
| Transfer price per Cell Pouch to partners (US\$) | \$3,500 | \$3,500 | \$3,500 | \$3,500 | \$3,500 | \$3,500 | \$3,570 | \$3,641 | \$3,714 | \$3,789 |
| Cell-Pouch revenue, hemophilia A (US\$000) | \$0 | \$0 | \$0 | \$0 | \$739 | \$3,731 | \$5,765 | \$7,919 | \$10,198 | \$12,607 |
| Cell-Pouch revenue, hemophilia A (C\$000) | \$0 | \$0 | \$0 | \$0 | \$955 | \$4,825 | \$7,456 | \$10,241 | \$13,188 | \$16,304 |
| <i>Hemophilia A (autologous Factor VIII cell therapy), cell production/replacement</i> | | | | | | | | | | |
| Cumulative Cell Pouch implanted up to prior period | 0 | 0 | 0 | 0 | 211 | 1,277 | 2,892 | 5,067 | 7,812 | 11,140 |
| Stem cell-derived islets, price per replacement procedure | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 |
| Cell-Pouch, vascular endothelial cell replacement (US\$000) | \$0 | \$0 | \$0 | \$0 | \$1,055 | \$6,385 | \$14,460 | \$25,334 | \$39,062 | \$55,700 |
| Cell-Pouch, vascular endothelial cell replacement (C\$000) | \$0 | \$0 | \$0 | \$0 | \$1,365 | \$8,257 | \$18,699 | \$32,762 | \$50,515 | \$72,032 |
| Hyperthyroidism | | | | | | | | | | |
| <i>Hyperthyroidism/Graves' disease (autologous thyroid cells)</i> | | | | | | | | | | |
| Number of thyroidectomies per annum, US ⁴ | 149,577 | 152,569 | 155,620 | 158,733 | 161,907 | 165,145 | 168,448 | 171,817 | 175,254 | 178,759 |
| Proportion of target market (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% | 0.4% | 0.7% | 1.3% | 1.5% |
| Cell Pouch systems implanted per annum | 0 | 0 | 0 | 0 | 0 | 330 | 674 | 1,203 | 2,191 | 2,681 |
| Transfer price per Cell Pouch to partners (US\$) | \$3,500 | \$3,500 | \$3,500 | \$3,500 | \$3,500 | \$3,500 | \$3,570 | \$3,641 | \$3,714 | \$3,789 |
| Cell-Pouch revenue, hyperthyroidism (US\$000) | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,156 | \$2,405 | \$4,380 | \$8,137 | \$10,158 |
| Cell-Pouch revenue, hyperthyroidism (C\$000) | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,495 | \$3,111 | \$5,664 | \$10,522 | \$13,137 |
| <i>Hyperthyroidism/Graves' disease (autologous thyroid cells), cell production/replacement</i> | | | | | | | | | | |
| Cumulative Cell Pouch implanted up to prior period | 0 | 0 | 0 | 0 | 0 | 330 | 1,004 | 2,207 | 4,397 | 7,079 |
| Stem cell-derived islets, price per replacement procedure | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 |
| Cell-Pouch, thyroid cell replacement (US\$000) | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,651 | \$5,020 | \$11,034 | \$21,987 | \$35,394 |
| Cell-Pouch, thyroid cell replacement (C\$000) | \$0 | \$0 | \$0 | \$0 | \$0 | \$2,136 | \$6,492 | \$14,269 | \$28,434 | \$45,772 |
| Total revenue, Cell-Pouch, capital sales (US\$000) | \$0 | \$0 | \$0 | \$304 | \$8,976 | \$33,661 | \$52,879 | \$54,032 | \$56,726 | \$62,113 |
| Total revenue, Cell-Pouch, capital sales (C\$000) | \$0 | \$0 | \$0 | \$393 | \$11,608 | \$43,530 | \$68,383 | \$69,874 | \$73,358 | \$80,325 |
| Total revenue, Cell-Pouch, cell therapy (US\$000) | \$0 | \$0 | \$0 | \$0 | \$19,591 | \$92,745 | \$207,043 | \$331,468 | \$468,510 | \$622,210 |
| Total revenue, Cell-Pouch, cell therapy (C\$000) | \$0 | \$0 | \$0 | \$0 | \$25,335 | \$119,937 | \$267,748 | \$428,654 | \$605,877 | \$804,643 |
| Total revenue, Cell-Pouch (US\$000) | \$0 | \$0 | \$0 | \$304 | \$28,567 | \$126,405 | \$259,922 | \$385,500 | \$525,235 | \$684,324 |
| Total revenue, Cell-Pouch (C\$000) | \$0 | \$0 | \$0 | \$393 | \$36,943 | \$163,467 | \$336,131 | \$498,529 | \$679,234 | \$884,967 |
| Average USD:CDN currency exchange rate | 1.2932x | 1.2932x | 1.2932x | 1.2932x | 1.2932x | 1.2932x | 1.2932x | 1.2932x | 1.2932x | 1.2932x |

¹ Source: United Network for Organ Sharing, Collaborative Islet Transplant Registry Annual Report (2016)

² Source: American Diabetes Association, US Center for Disease Control National Diabetes Statistics Report (2017)

³ Source: US Center for Disease Control, extrapolated from data in Soucie, JM et al (American Journal of Hematology [1998]. Vol. 59, pp. 288-294)

⁴ Source: Extrapolated from 2011 data cited in Sosa JA et al (Surgery [2013]. Vol. 154, pp. 1420-1427) & Adam MA et al (Annals of Surgery [2017]. Vol. 265, pp. 402-407)

Source: Leede Jones Gable

Exhibit 12. Income Statement & Financial Forecasts for Sernova

| Fiscal year-end Oct-31 (C\$000, unless otherwise stated) | 2019A | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |
|--|------------------|------------------|------------------|------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| Revenue, Cell Pouch (capital) | | | | | | | | | | |
| Type I/II diabetes, microencapsulated donor islets | 0 | 0 | 0 | 393 | 871 | 1,933 | 2,685 | 2,390 | 1,996 | 1,484 |
| Type I/II diabetes, microencapsulated porcine | 0 | 0 | 0 | 0 | 4,988 | 18,162 | 29,694 | 22,468 | 14,610 | 12,160 |
| Type I/II diabetes, microencapsulated stem cell-derived islets | 0 | 0 | 0 | 0 | 4,794 | 17,115 | 25,437 | 29,112 | 33,041 | 37,241 |
| Hemophilia A (autologous Factor VIII cell therapy) | 0 | 0 | 0 | 0 | 955 | 4,825 | 7,456 | 10,241 | 13,188 | 16,304 |
| Hyperthyroidism (autologous thyroid cells) | 0 | 0 | 0 | 0 | 0 | 1,495 | 3,111 | 5,664 | 10,522 | 13,137 |
| Revenue, Cell Pouch (cell therapy/services) | | | | | | | | | | |
| Type I/II diabetes, microencapsulated porcine | 0 | 0 | 0 | 0 | 6,849 | 31,298 | 71,898 | 103,581 | 125,320 | 144,196 |
| Type I/II diabetes, microencapsulated stem cell-derived islets | 0 | 0 | 0 | 0 | 17,122 | 78,246 | 170,659 | 278,042 | 401,608 | 542,642 |
| Hemophilia A (autologous Factor VIII cell therapy) | 0 | 0 | 0 | 0 | 1,365 | 8,257 | 18,699 | 32,762 | 50,515 | 72,032 |
| Hyperthyroidism (autologous thyroid cells) | 0 | 0 | 0 | 0 | 0 | 2,136 | 6,492 | 14,269 | 28,434 | 45,772 |
| Total revenue, Cell-Pouch (C\$000) | \$0 | \$0 | \$0 | \$393 | \$36,943 | \$163,467 | \$336,131 | \$498,529 | \$679,234 | \$884,967 |
| Direct cost of goods sold (Cell Pouch) | 0 | 0 | 0 | 256 | 6,385 | 21,765 | 30,772 | 31,443 | 33,011 | 36,146 |
| Direct cost of goods sold (cell therapy/services) | 0 | 0 | 0 | 0 | 13,934 | 53,972 | 107,099 | 150,029 | 181,763 | 241,393 |
| Gross margin (C\$000) | \$0 | \$0 | \$0 | \$138 | \$16,625 | \$87,730 | \$198,260 | \$317,056 | \$464,460 | \$607,428 |
| Gross margin (%) | NA | NA | NA | 35.0% | 45.0% | 53.7% | 59.0% | 63.6% | 68.4% | 68.6% |
| Operating expenses | | | | | | | | | | |
| Milestone payments from future channel partners | 0 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 |
| Research & development costs | 2,010 | 7,500 | 7,500 | 7,500 | 5,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| General & administrative costs, adjusted for amortization & stock option expense | 1,061 | 1,310 | 1,815 | 256 | 7,389 | 14,712 | 23,529 | 32,404 | 40,754 | 53,098 |
| Sales & marketing costs | 0 | 0 | 550 | 1,750 | 9,236 | 14,712 | 20,168 | 27,419 | 33,962 | 39,824 |
| Total operating expenses (C\$000) | \$3,071 | \$1,310 | \$2,365 | \$2,006 | \$14,125 | \$25,924 | \$40,197 | \$56,323 | \$71,216 | \$89,422 |
| EBITDA (C\$000) | (\$3,071) | (\$1,310) | (\$2,365) | (\$1,868) | \$2,500 | \$61,806 | \$158,062 | \$260,733 | \$393,245 | \$518,007 |
| EBITDA margin (%) | NA | NA | NA | NA | 6.8% | 37.8% | 47.0% | 52.3% | 57.9% | 58.5% |
| Non-operating expenses | | | | | | | | | | |
| Amortization expense | 61 | 40 | 35 | 30 | 25 | 20 | 15 | 10 | 5 | 0 |
| Stock option expense | 876 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 |
| Interest expense | -31 | 80 | 80 | 80 | 80 | 80 | 0 | 0 | 0 | 0 |
| Effective interest rate, if applicable (%) | NA | 11.8% | 11.8% | 11.8% | 11.8% | 11.8% | NA | NA | NA | NA |
| Currency exchange loss (gain) | -6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EBT (C\$000) | (\$3,971) | (\$1,830) | (\$2,880) | (\$2,378) | \$1,995 | \$61,306 | \$157,647 | \$260,323 | \$392,840 | \$517,607 |
| EBT margin (%) | NA | NA | NA | NA | 5.4% | 37.5% | 46.9% | 52.2% | 57.8% | 58.5% |
| Tax expense | 0 | 0 | 0 | 0 | 698 | 21,457 | 55,177 | 91,113 | 137,494 | 181,162 |
| Adjustment for income tax recovery | 0 | 0 | 0 | 0 | -698 | -16,592 | 0 | 0 | 0 | 0 |
| Effective tax rate (%) | NA | NA | NA | NA | 35.0% | 35.0% | 35.0% | 35.0% | 35.0% | 35.0% |
| Net income (C\$000) | (\$3,971) | (\$1,830) | (\$2,880) | (\$2,378) | \$1,995 | \$56,441 | \$102,471 | \$169,210 | \$255,346 | \$336,444 |
| Net margin (%) | NA | NA | NA | NA | 5.4% | 34.5% | 30.5% | 33.9% | 37.6% | 38.0% |
| Net income (C\$000), fully-taxed | (\$3,971) | (\$1,830) | (\$2,880) | (\$2,378) | \$1,297 | \$39,849 | \$102,471 | \$169,210 | \$255,346 | \$336,444 |
| Net margin (%), fully-taxed | NA | NA | NA | NA | 3.5% | 24.4% | 30.5% | 33.9% | 37.6% | 38.0% |
| EPS (basic) | (\$0.02) | (\$0.01) | (\$0.01) | (\$0.01) | \$0.01 | \$0.27 | \$0.49 | \$0.81 | \$1.23 | \$1.62 |
| EPS (fully-diluted) | (\$0.02) | (\$0.01) | (\$0.01) | (\$0.01) | \$0.01 | \$0.23 | \$0.42 | \$0.69 | \$1.04 | \$1.37 |
| EPS (basic), fully-taxed | (\$0.02) | (\$0.01) | (\$0.01) | (\$0.01) | \$0.01 | \$0.19 | \$0.49 | \$0.81 | \$1.23 | \$1.62 |
| EPS (fully-diluted), fully-taxed | (\$0.02) | (\$0.01) | (\$0.01) | (\$0.01) | \$0.01 | \$0.16 | \$0.42 | \$0.69 | \$1.04 | \$1.37 |
| Shares outstanding (basic, 000) | 195,945 | 208,263 | 208,263 | 208,263 | 208,263 | 208,263 | 208,263 | 208,263 | 208,263 | 208,263 |
| Shares outstanding (fully-diluted, 000) | 250,081 | 271,549 | 244,923 | 244,923 | 244,923 | 244,923 | 244,923 | 244,923 | 244,923 | 244,923 |

Source: Company filings, Leede Jones Gable

Disclosures 2,5**Important Information and Legal Disclaimers**

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9. The analyst has conducted a site visit and has viewed a major facility or operation of the issuer.
10. The company has paid for all, or a material portion, of the travel costs associated with the site visit by the analyst.

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| Speculative Buy | The security is considered a BUY but carries an above-average level of risk. |
| Hold | The security represents fair value and no material appreciation is expected over the next 12 month time horizon. |
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