

*Unaudited Condensed Interim Consolidated Financial Statements of*

**SONA NANOTECH Inc.**

For the quarters ended January 31, 2025 and 2024

(Expressed in Canadian Dollars)

March 31, 2025

## **Management's Report**

The accompanying unaudited condensed interim consolidated financial statements of Sona Nanotech Inc. are the responsibility of management and have been approved by the Board of Directors. The unaudited condensed interim consolidated financial statements have been prepared by management in accordance with IFRS Accounting Standards ("IFRS"). The unaudited condensed interim consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for the preparation of the financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's unaudited condensed interim consolidated financial statements and recommended their approval by the Board of Directors.

These unaudited condensed interim consolidated financial statements have not been reviewed by the external auditors of the Company.

(signed) "*David Regan*"  
Chief Executive Officer  
Halifax, Canada

(signed) "*Robert Randall*"  
Chief Financial Officer  
Halifax, Canada

**Sona Nanotech Inc.**  
**Unaudited Condensed Consolidated Statements of Financial Position**  
**As at January 31, 2025 and October 31, 2023**  
*Expressed in Canadian dollars*

	January 31, 2025	October 31, 2024
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,443,922	1,854,518
Amounts receivable and other (note 5)	142,069	136,566
Marketable securities	4,000	4,000
	<u>1,589,991</u>	1,995,084
Equipment, net (note 7)	-	-
Intangible assets, net (note 4)	<u>1,571,000</u>	1,751,000
<b>Total Assets</b>	<u>3,160,991</u>	3,746,084
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (notes 9 and 16)	1,068,228	842,303
Long-term debt (note 10)	<u>408,220</u>	394,671
	<u>1,476,448</u>	1,236,974
<b>Shareholders' Equity</b>		
Common stock	21,990,553	21,990,553
Warrants	474,101	474,101
Contributed surplus	2,589,390	2,789,487
Deficit	<u>(23,369,501)</u>	(22,745,031)
	<u>1,684,543</u>	2,509,110
<b>Total Liabilities and Shareholders' Equity</b>	<u>3,160,991</u>	3,746,084

Basis of presentation and going concern (note 2)  
 Commitments and contingencies (note 18)

Approved on behalf of the Board of Directors on March 31, 2025.

"Mark Lievonen"  
 Director

"Jim Megann"  
 Director

*The accompanying notes are an integral part of these consolidated financial statements.*

# Sona Nanotech Inc.

## Unaudited Condensed Consolidated Statements of Loss and Comprehensive Loss For the three-months ended January 31, 2025 and 2024

*Expressed in Canadian dollars*

	Three-months ended January 31, 2025 \$	Three-months ended January 31, 2024 \$
<b>Expenses</b>		
Salaries and benefits (note 8 & 15)	243,635	246,915
Research and development costs	245,317	92,483
Professional and consulting fees (note 16)	67,996	55,264
Administrative	30,453	42,747
Securities and regulatory	16,626	13,720
Depreciation expense (note 7)	-	5,865
Travel	2,741	3,661
Rent and related costs (note 16)	8,119	8,119
Sales and marketing	8,957	20,746
Foreign exchange (gain) loss	14,105	(8,904)
Share-based compensation	93,696	81,235
Recovery of project expenses (note 8)	(6,931)	-
	<u>(724,714)</u>	<u>(558,851)</u>
<b>Other income (expenses)</b>		
Amortization of intangible assets (note 4)	(180,000)	(180,000)
Accreted interest, repayable government loans (note 10)	(13,549)	(19,131)
Unrealized loss on available-for-sale securities	-	(1,000)
	<u>(193,549)</u>	<u>(200,131)</u>
<b>Net loss and comprehensive loss for the year</b>	<u><b>(918,263)</b></u>	<u><b>(758,982)</b></u>
Loss per share – basic and diluted	<u>(0.01)</u>	<u>(0.01)</u>
Weighted-average number of common shares outstanding - basic and diluted	<u>111,720,361</u>	<u>98,100,252</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

# Sona Nanotech Inc.

## Unaudited Condensed Interim Consolidated Statements of Changes in Equity

For the three-months ended January 31, 2025 and 2024

Expressed in Canadian dollars

	Number of Common Shares	Common Shares	Warrants	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$	\$
<b>Balance, November 1, 2023</b>	<b>95,095,361</b>	<b>18,668,333</b>	<b>95,571</b>	<b>2,645,203</b>	<b>(20,247,140)</b>	<b>1,161,967</b>
Net loss and comprehensive loss for the year	-	-	-	-	(758,982)	(758,982)
Units issued pursuant to private placement financing (note 11)	4,050,000	603,040	206,960	-	-	810,000
Unit issuance costs (note 11)	-	(69,000)	-	-	-	(69,000)
Finder warrants (note 11)	-	(46,333)	46,333	-	-	-
Share-based compensation expense	-	-	-	81,235	-	81,235
Stock option expiry (note 12)	-	-	-	(186,055)	186,055	-
<b>Balance, January 31, 2024</b>	<b>99,145,361</b>	<b>19,156,040</b>	<b>348,864</b>	<b>2,540,383</b>	<b>(20,820,067)</b>	<b>1,225,220</b>
Net loss and comprehensive loss for the year	-	-	-	-	(1,944,975)	(1,944,975)
Shares issued pursuant to private placement financing (note 11)	12,575,000	3,143,750	-	-	-	3,143,750
Share issuance costs (note 11)	-	(184,000)	-	-	-	(184,000)
Finder warrants (note 11)	-	(125,237)	125,237	-	-	-
Share-based compensation expense	-	-	-	269,115	-	269,115
Stock option expiry (note 12)	-	-	-	(20,011)	20,011	-
<b>Balance, October 31, 2024</b>	<b>111,720,361</b>	<b>21,990,553</b>	<b>474,101</b>	<b>2,789,487</b>	<b>(22,745,031)</b>	<b>2,509,110</b>
Net loss and comprehensive loss for the period	-	-	-	-	(918,263)	(918,263)
Share-based compensation expense	-	-	-	93,696	-	93,696
Stock option expiry (note 12)	-	-	-	(293,793)	293,793	-
<b>Balance, January 31, 2025</b>	<b>111,720,361</b>	<b>21,990,553</b>	<b>474,101</b>	<b>2,589,390</b>	<b>(23,369,501)</b>	<b>1,684,543</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Sona Nanotech Inc.**  
**Consolidated Statements of Changes in Cash Flows**  
**For the three-months ended January 31, 2025 and 2024**  
*Expressed in Canadian dollars*

	<b>Three-months ended January 31, 2025 \$</b>	Three-months ended January 31, 2024 \$
<b>Operating activities</b>		
Net loss for the year	<b>(918,263)</b>	(758,982)
Changes to loss not involving cash:		
Amortization (note 4)	<b>180,000</b>	180,000
Depreciation (note 7)	-	5,865
Recovery of project costs (note 8)	<b>(6,931)</b>	-
Accreted interest on repayable government loans (note 10)	<b>13,549</b>	19,131
Share-based compensation (note 12)	<b>93,696</b>	81,235
Unrealized loss on available-for-sale securities	-	1,000
	<b>(637,949)</b>	(471,751)
(Increase) decrease in amounts receivable and other	<b>(5,503)</b>	35,089
Increase (decrease) in accounts payable and accrued liabilities	<b>225,925</b>	(267,825)
	<b>(417,527)</b>	(704,487)
<b>Financing activities</b>		
Government funding received (note 8)	<b>6,931</b>	-
Proceeds received upon private placement financing, net of costs (note 11)	-	741,000
	<b>6,931</b>	741,000
Change in cash during the year	<b>(410,596)</b>	36,513
Cash, beginning of the year	<b>1,854,518</b>	109,382
Cash, end of the year	<b>1,443,922</b>	145,895

*The accompanying notes are an integral part of these consolidated financial statements.*

**Sona Nanotech Inc.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**For the periods ended January 31, 2025 and 2024**  
*Expressed in Canadian dollars*

---

**1. NATURE OF OPERATIONS**

Sona Nanotech Inc. (“Sona” and “the Company”) is a company involved in the nanotechnology life sciences industry. The Company’s corporate office is located at Suite 2001, 1969 Upper Water Street, Halifax, Nova Scotia, Canada, B3J 3R7 and its registered office is located at Nova Centre – South Tower 1500 – 1625 Grafton Street, Halifax, N.S., Canada, B3J 0E8. The research and development office is located at 1 Research Drive, Bay 2, Dartmouth, NS, B2Y 4M9.

The Company is listed on the Canadian Securities Exchange (“CSE”) and trades under the symbol “SONA”. Effective April 2020, the Company’s common shares were approved for trading on the OTCQB Marketplace under the trading symbol “SNANF”.

On March 23, 2023, the Company completed a share exchange agreement with Siva Therapeutics, Inc. (“Siva”) whereby Sona acquired 100% of the issued and outstanding common shares for Siva (note 4). Siva is a company involved in the development of targeted hyperthermia therapy for cancer treatment. The corporate and registered office of Siva is located at # 21 5401 E Dakota Avenue, Denver, Colorado, USA 80246.

**2. BASIS OF PRESENTATION AND GOING CONCERN**

*Basis of presentation*

These consolidated financial statements have been prepared under a historical cost basis except for certain financial instruments recorded at fair value. All amounts are expressed in Canadian dollars, unless otherwise noted.

*Basis of consolidation*

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements include assets, liabilities and results of operations of the Company, including the following subsidiary:

<b>Subsidiary</b>	<b>Principal Activity</b>	<b>Country of incorporation</b>
Siva Therapeutics, Inc.	Research and development	United States

The Company consolidates the wholly owned subsidiary on the basis that it controls the subsidiary through its ability to govern their financial and operating policies. All intercompany transactions and balances have been eliminated on consolidation of the accounts.

*Functional and Presentation Currency*

The presentation currency of these consolidated financial statements is the Canadian dollar (“CAD”). The functional currency of the Company is the Canadian dollar. The functional currency of Siva Therapeutics is the U.S dollar (“USD”).

*Going concern*

The Company’s operations have been financed through the sale of common shares, issuance of debt and government funding. The Company has incurred significant operating losses since inception and has an accumulated deficit of \$23,369,501 as at January 31, 2025 (October 31, 2024 – \$22,745,031).

These consolidated financial statements have been prepared on a going-concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. For the three-month period ended January 31, 2025, the Company incurred a net loss of \$918,263 (year ended October 31, 2024 - \$2,703,957). The Company has negative cash flow from operations and as at January 31, 2025, the Company has a working capital of \$521,763 (October 31, 2024 – \$1,152,781).

# **Sona Nanotech Inc.**

## **Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the periods ended January 31, 2025 and 2024**

*Expressed in Canadian dollars*

---

In addition to its working capital requirements, the Company must secure sufficient funding to further develop its gold nanorod products and to fund its general operating costs. Such circumstances create material uncertainties that may cast significant doubt as to the ability of the Company to continue as a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. However, there can be no assurance that these initiatives will be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and operating requirements and eventually to generate positive cash flows from operations. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and statement of financial position classifications that would be necessary were the going concern assumption determined to be inappropriate and these adjustments could be material.

### **3. SUMMARY OF ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### **a) Statement of compliance**

The consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by IASB. The Board of Directors approved these consolidated financial statements for issue on March 31, 2025.

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2024.

The policies applied in these unaudited condensed interim financial statements are based on the IFRS as of March 31, 2025, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's financial statements for the year ended October 31, 2025 could result in the restatement of these unaudited condensed interim financial statements.

These financial statements have been prepared using the same policies and methods of computation as the audited financial statements of the Company for the year ended October 31, 2024. Refer to note 3, Accounting Policies, of the Company's audited financial statements for the year ended October 31, 2024 for information on the accounting policies, significant accounting estimates and judgements, and new accounting standards not yet effective.

These unaudited condensed interim financial statements are presented in Canadian dollars, the Company's functional currency, and have been prepared on the historical costs basis.

# Sona Nanotech Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the periods ended January 31, 2025 and 2024

*Expressed in Canadian dollars*

---

### 4. INTANGIBLE ASSET

In early 2023, Sona acquired Siva Therapeutics, Inc. (“Siva”), the developer of Targeted Hyperthermia Therapy™ (“THT”) photo thermal therapy for cancer tumors using Sona’s uniquely biocompatible gold nanorods. Sona acquired the issued and outstanding common shares of Siva for total consideration to Siva’s shareholders by issuing 15,107,457 common shares (\$2,865,600) (“Sona Shares”). The Sona Shares issued to two of Siva’s founders were subject to voluntary pooling restrictions with the Company. As at March 31, 2025, 4,199,920 remain subject to the escrow agreement.

Sona assessed the Transaction with Siva using the optional concentration test to determine if it had acquired a business. In applying the concentration test it was determined that the assets of Siva did not constitute a business and therefore the acquisition of Siva was accounted for as an asset acquisition. This resulted in the recognition of the Siva intangible asset in the amount of \$2,891,000.

The following table summarizes information relating to the carrying value of intangible assets which are being amortized over the estimated useful life of the THT project which is currently estimated to be four years from the date of acquisition.

	<b>January 31, 2025</b>	<b>October 31, 2024</b>
	\$	\$
Cost	2,891,000	2,891,000
Accumulated amortization	(1,320,000)	(1,140,000)
Carrying Value	<b>1,571,000</b>	<b>1,751,000</b>

### 5. AMOUNTS RECEIVABLE AND OTHER

	<b>January 31, 2025</b>	<b>October 31, 2024</b>
	\$	\$
Amounts receivable from the government	98,820	97,214
Prepaid expenses and other	43,249	39,352
	<b>142,069</b>	<b>136,566</b>

# Sona Nanotech Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the periods ended January 31, 2025 and 2024

*Expressed in Canadian dollars*

---

### 6. MIDEX TRANSACTION

In May 2023, Antler Gold Inc. (“Antler”) entered into an agreement (“Midex Agreement” or “Transaction”) for the sale of its 100% interest in the Crescent Lake lithium property located in Ontario, Canada (“Property”) to an arm’s length party Midex Resources Ltd. (“Midex”). The Property was acquired by Antler from Sona in May 2019 pursuant to a property acquisition agreement (“2019 Agreement”). Under the 2019 Agreement, Sona is entitled to receive 50% of the consideration received by Antler for the Property, net of Antler’s aggregate expenses related to the marketing, selling, upkeep and maintenance of the Property (“Antler’s Expenses”) incurred by Antler since May 2019.

Under the Midex Agreement, Antler has agreed to sell the Property to Midex in consideration of \$125,000 in cash (the “Cash Consideration”) and the issuance of common shares of Midex (“Midex Shares”) representing 12% of the issued and outstanding capital of Midex, subject to certain adjustments (the “Share Consideration”). During the year ended October 31, 2023, the Company received \$42,639 for its share of the cash consideration less Antler’s Expenses which has been recorded as a gain on the sale of a legacy asset.

Midex will register 50% of the Share Consideration in the name of Sona. Each of Antler and Sona entered into an investor rights agreement with Midex in relation to the Midex Shares. Midex has not completed its go-public transaction and Sona has not yet received its final Share Consideration. An additional gain on sale of this legacy asset may be recorded upon receipt of the Midex shares which will be subject to certain resale restrictions and escrow conditions.

### 7. EQUIPMENT

	Office Equipment	Laboratory Equipment	Furniture and Fixtures	Total
<b>Cost</b>	\$	\$	\$	\$
As at November 1, 2023	11,633	300,547	13,144	325,324
Additions	-	-	-	-
As at October 31, 2024	11,633	300,547	13,144	325,324
Additions	-	-	-	-
As at January 31, 2025	11,633	300,547	13,144	325,324
<b>Accumulated depreciation</b>				
As at November 1, 2023	11,633	286,571	13,144	311,348
Depreciation charge	-	13,976	-	13,976
As at October 31, 2024	11,633	300,547	13,144	325,324
Depreciation charge	-	-	-	-
As at January 31, 2025	11,633	300,547	13,144	325,324
<b>Carrying amount</b>				
Balance, October 31, 2024	-	-	-	-
Balance, January 31, 2025	-	-	-	-

# Sona Nanotech Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the periods ended January 31, 2025 and 2024

*Expressed in Canadian dollars*

### 8. GOVERNMENT ASSISTANCE

During the period ended January 31, 2025 the Company incurred eligible expense recoveries of \$6,931 under the Industrial Research Assistance Program (“IRAP”) of Canada (2024 - \$nil).

During the year ended October 31, 2024, the Company incurred expenses which are eligible for reimbursement as an investment tax credit under the Scientific Research and Experimental Development (“SR&ED”) tax incentive program. For the year ended October 31, 2024 a SR&ED tax credit of \$80,000 was recorded.

### 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2025	October 31, 2024
	\$	\$
Trade accounts payable and accrued liabilities	937,264	647,303
Amounts payable to related parties (note 16)	130,964	195,000
	<b>1,068,228</b>	<b>842,303</b>

### 10. LONG-TERM DEBT

	Period ended October 31, 2024	Year ended October 31, 2024
	\$	\$
<b>Atlantic Canada Opportunities Agency (“ACOA”)</b>		
Long-term portion	<b>408,220</b>	<b>394,671</b>
<b>Face Value ACOA Loans</b>	<b>978,332</b>	<b>978,332</b>

The Company has two interest free loans with ACOA under the Business Development Program. There is no fixed term to the loans and repayments are to be made based on 3% and 5% of annual gross product revenue. The carrying amount of the loans is determined by computing the present value of the estimated future cash flows. During the period ended January 31, 2025 the Company recorded \$13,549 of accretion expense (2024 - \$19,131), relating to the ACOA loans.

<i>Debt continuity</i>	Period ended January 31, 2025	Year ended October 31, 2024
	\$	\$
Balance – beginning of year	394,671	527,681
Repayable government loans fair value adjustment	-	(182,604)
Accreted interest on repayable government loans	13,549	49,594
Balance – end of year	<b>408,220</b>	<b>394,671</b>

# **Sona Nanotech Inc.**

## **Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the periods ended January 31, 2025 and 2024**

*Expressed in Canadian dollars*

---

### **11. SHARE CAPITAL**

#### **a) Common shares**

Authorized share capital of the Company consists of an unlimited number of fully paid common shares without par value.

#### Private Placement Financing

On December 4, 2023, the Company completed a private placement financing for aggregate gross proceeds of \$810,000. The Company issued 4,050,000 units at \$0.20 per unit, with each unit comprised of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.30 per common share for a period of 24 months from the closing date. The value allocated to the common shares issued was \$603,040, and the value allocated to the 2,025,000 common share purchase warrants was \$206,960. Directors and officers of the Company subscribed for 175,000 units pursuant to the financing.

Sona entered into an agreement with a Numus Capital Corp. (the “Finder”) (note 16) to act as exclusive finder for the financing. As compensation for its services, the Finder received a cash fee of \$58,125 and 290,625 Finder Warrants, being equal to 7.5% of the units sold, other than to insiders. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.30 per share for a period of 24 months from the closing date of the private placement. The Company has recorded a value of \$46,333 for the Finder Warrants issued which has been calculated using the Black Scholes option pricing model.

Total costs associated with the private placements, consisting primarily of professional and regulatory fees, were \$9,515. The Company allocated \$7,073 to the costs of issuing the common shares, for net proceeds to the Company of \$1,672,379. The remaining \$2,442 were allocated to costs of issuing the warrants, for net proceeds to the Company of \$577,306.

In September 2024, the Company completed private placement financings for aggregate gross proceeds of \$3,143,750. The Company issued 12,575,000 shares at \$0.25 per share. Sona entered into an agreement with a Numus Capital Corp. (the “Finder”) (note 16) to act as exclusive finder for the financing. As compensation for its services, the Finder received aggregate cash fees of \$180,563 and 722,250 Finder Warrants. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.25 per share for a period of 24 months from the closing date of the private placements. The Company has recorded a value of \$125,237 for the Finder Warrants issued which has been calculated using the Black Scholes option pricing model. An Officer of the Company subscribed for 400,000 shares pursuant to the financing.

Subsequent to January 31, 2025, 820,000 finder warrants were exercised with an exercise price of \$0.10 per share for proceeds of \$82,000.

#### Escrowed Shares

As at January 31, 2025, 4,199,920 common shares of the Company are subject to an escrow agreement pursuant to the terms of the Siva transaction. As at September 22, 2024, 60% of the escrowed shares have been released with the remaining escrowed shares being released at rate of 2,099,960 every six months thereafter.

## Sona Nanotech Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the periods ended January 31, 2025 and 2024

*Expressed in Canadian dollars*

---

#### 12. STOCK OPTIONS

The Company has adopted a stock option plan, providing the Board of Directors with the discretion to issue an equivalent number of options of up to 10% of the issued and outstanding share capital of the Company. Stock options are granted with an exercise price of not less than the closing share price the date preceding the date of grant. As at January 31, 2025, 5,285,036 remain available for grant under the terms of the stock option plan.

The estimated fair value of options recognized has been estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company's stock options.

The following are the weighted-average assumptions used in calculating the value of the stock options granted:

	<b>Year Ended</b> <b>October 31, 2024</b>	<b>Year Ended</b> <b>October 31, 2023</b>
Risk-free interest rate	3.57%	3.40%
Expected life	3 years	5 years
Expected volatility	116%	150%
Expected dividend per share	0.0%	0.0%
Exercise price	0.31	\$0.20
Forfeiture Rate	0.0%	0.0%

The following table reconciles the stock option activity during the period ended January 31, 2025 and the year ended October 31, 2024:

	<b>Number of</b> <b>options</b>	<b>Weighted-average</b> <b>exercise price</b>
	#	\$
Balance, October 31, 2023	<b>5,494,500</b>	<b>0.58</b>
Issued	1,970,000	0.31
Expired	(702,500)	0.35
Balance, October 31, 2024	<b>6,762,000</b>	<b>0.53</b>
Expired	(875,000)	0.37
Balance, January 31, 2025	<b>5,887,000</b>	<b>0.55</b>

During the period ended January 31, 2025, certain outstanding stock options were cancelled or expired unexercised. As a result of these cancellations and expiries, the Company reclassified stock-based compensation expense of \$293,793 (year ended October 31, 2024 - \$206,066) for these options, which was previously recorded as contributed surplus, to deficit.

# Sona Nanotech Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the periods ended January 31, 2025 and 2024

*Expressed in Canadian dollars*

The following table summarizes information relating to outstanding and exercisable stock options as at January 31, 2025:

Expiry date	Remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Exercise price	Black-Scholes option value of options outstanding
		#	#	\$	\$
March 17, 2025	0.1	705,000	705,000	0.60	384,192
July 7, 2025	0.4	52,000	52,000	7.47	352,380
September 24, 2025	0.6	25,000	25,000	6.57	148,529
November 2, 2025	0.8	250,000	250,000	3.36	762,118
September 28, 2026	1.7	35,000	35,000	0.30	9,207
November 11, 2026	1.8	700,000	700,000	0.44	280,159
January 4, 2027	1.9	250,000	250,000	0.45	90,400
March 28, 2028	3.2	1,050,000	787,500	0.17	163,022
July 11, 2028	3.4	850,000	412,500	0.25	134,515
March 1, 2029	4.1	1,195,000	298,750	0.31	260,383
May 21, 2029	4.3	750,000	187,500	0.32	162,695
October 9, 2029	4.7	25,000	-	0.30	4,719
		<b>5,887,000</b>	<b>3,703,250</b>		

### 13. WARRANTS

The following table reconciles the warrant activity during the period ended January 31, 2025 and the year ended October 31, 2024:

	Number of warrants	Weighted-average exercise price
	#	\$
Balance, October 31, 2023	820,000	0.10
Issued	3,037,875	0.29
Balance, October 31, 2024 and January 31, 2025	<b>3,857,875</b>	<b>0.25</b>

During the year ended October 31, 2024, the Company issued 1,012,875 finder warrants and 2,025,000 share warrants pursuant to the private placements completed. 2,315,625 of the finder and share warrants are exercisable at \$0.30 and expire on December 4, 2025. 722,250 of the finder warrants are exercisable at \$0.25 and expire on September 23, 2026.

Subsequent to January 31, 2025, 820,000 finder warrants were exercised with an exercise price of \$0.10 per share for proceeds of \$82,000.

The fair value of the warrants issued has been estimated at the grant date using the Black-Scholes option pricing model. The weighted-average assumptions used in the pricing are as follows:

	Year ended October 31, 2024	Year ended October 31, 2023
Risk-free interest rate	4.06%	4.20%
Expected life	2 years	2 years
Expected volatility	142%	150%
Expected dividend per share	0.0%	0.0%
Weighted-average exercise price	\$0.29	\$0.10

# Sona Nanotech Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the periods ended January 31, 2025 and 2024

*Expressed in Canadian dollars*

---

### 14. INCOME TAXES

Please refer to Note 14 in the Company's annual financial statements for the year ended October 31, 2024, for income tax disclosures.

### 15. KEY MANAGEMENT COMPENSATION

Key management includes the Company's directors, Chief Executive Officer ("CEO"), Chief Financial Officer, Chief Scientific Officer ("CSO") and the Chief Medical Officer. Compensation awarded to key management for the three-months ended January 31, 2025 and 2024 is summarized as follows:

	<u>2025</u>	<u>2024</u>
	\$	\$
Salaries and consulting fees earned	137,416	130,307
Share-based compensation expense	79,693	75,952
	<u>217,109</u>	<u>206,259</u>

### 16. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

During the period ended January 31, 2025, the Company incurred costs for controller services from a related party, Numus, a company controlled by significant shareholders, including one director of Sona, in the amount of \$30,000 (January 31, 2024 - \$7,500), digital media services of \$6,650 (January 31, 2024 - \$12,000) and incurred rent and administrative costs from Numus in the amount of \$2,550 (January 31, 2024 - \$2,550).

As at January 31, 2025, the amount owing to Numus, related to accounts payable and was \$ 79,889 (October 31, 2024 - \$60,475). These amounts are non-interest bearing, unsecured and are payable on demand.

As outlined in the Services Agreement between Numus and the Company, if the financial controller services are cancelled by the Company, a break fee of 45 days of remuneration, being \$3,750, will be payable to Numus, in addition to the financial controller services fee applicable for the 90-day notice period. If the Office services are cancelled by the Company without notice to Numus, a break fee of three months of remuneration, being \$2,550, will be payable to Numus.

In addition, Numus shall have a first right of refusal to act as an advisor on a Sona transaction for a fee of 1.25% of the value of the transaction and Numus, or its subsidiary, shall have a first right of refusal to act as the Finder on all financings conducted by Sona.

Numus Capital Corp. is a non-arm's length party and acted as the Finder for the December 4, 2023 financing. As compensation for its services, the Finder received a cash fee of \$58,125 and 290,625 finder warrants, being equal to 7.5% of the units sold, other than to insiders. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.30 per share for a period of 24 months from the closing date of the private placement.

In connection with the September 2024 private placements, Numus Capital Corp. acted as Finder (the "Finder"). As compensation for its services, the Finder received cash commissions of \$180,563 and issued 722,250 Finder Warrants. Each Finder Warrant entitles the holder to acquire one Share at an exercise price of \$0.25 for a period of 24 months from the closing date of the private placements.

# **Sona Nanotech Inc.**

## **Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the periods ended January 31, 2025 and 2024**

*Expressed in Canadian dollars*

---

During the year ended October 31, 2024 the Company granted 1,510,000 incentive stock options in accordance with the Company's stock option plan to directors and officers of the Company. 760,000 of the options issued have an exercise price of \$0.31 per share and 750,000 have an exercise price of \$0.32 per share. The options will vest at the rate of 25% every six months and will expire five years from the date of issuance.

As at January 31, 2025, the amount owing to Randall Consulting Inc. ("RCI"), a company controlled by an officer of Sona, was \$12,327 (October 31, 2024 - \$29,835), the amount owing to a director of the Company was \$38,750 (October 31, 2024 - \$38,750) and the amount owing to an officer of the Company was \$34,500 (October 31, 2024 - \$65,940) These amounts are non-interest bearing, unsecured and are payable on demand.

### **17. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

#### **a) Capital Management**

The Company's capital structure consists of share capital, warrants, contributed surplus and deficit, which at January 31, 2025 was approximately \$1.7 million (October 31, 2024 - \$2.5 million). The Company's objective when managing capital is to maintain adequate levels of funding to support the research and development of its nanorod technology products, Targeted Hyperthermia Therapy™ and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and government funding. Future financings are dependent on market conditions, and there can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

#### **b) Fair Values of Financial Instruments**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The carrying amounts reported in the statement of financial position for cash, amounts receivable, marketable securities and accounts payable.

#### **c) Financial Risk Management Objectives**

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored.

#### **d) Credit Risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

Cash is held with a reputable bank in Canada. The long-term credit rating of the bank, as determined by Standard and Poor's, was A+.

# Sona Nanotech Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the periods ended January 31, 2025 and 2024

*Expressed in Canadian dollars*

---

### e) Liquidity Risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. The Company has a planning and budgeting process to monitor operating cash requirements, including amounts projected for capital expenditures, which are adjusted as input variables change. These variables include, but are not limited to, the ability of the Company to generate revenue from current and prospective customers, general and administrative requirements of the Company and the availability of capital markets. As these variables change, liquidity risks may necessitate the need for the Company to issue equity or obtain debt financing. Refer to note 2 for further details related to the ability of the Company to continue as a going concern.

The Company is currently pursuing financing alternatives and there can be no assurance that additional future financings will be available on acceptable terms or at all. If the Company is unable to obtain additional financing when required, the Company may have to substantially reduce or eliminate planned expenditures.

Accounts payables are paid in the normal course of business generally according to their terms.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial liabilities as at January 31, 2025:

	<b>Within 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Accounts payable	1,068,228	-	-	-	1,068,228
Long-term debt (note 10)	-	63,000	194,000	721,332	978,332
	<b>1,068,228</b>	<b>63,000</b>	<b>194,000</b>	<b>721,332</b>	<b>2,046,560</b>

### f) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Company entering into transactions which are denominated in currencies other than its functional currency.

For the period ended January 31, 2025, the sensitivity of the Company's net loss and comprehensive loss due to changes in the exchange rate between the Canadian dollar and foreign currencies (primarily the United States dollar) would have an impact on net loss and comprehensive loss by \$65,314 for a 5% increase or decrease in the Canadian dollar.

### g) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

An immaterial amount of interest rate exposure exists in respect of cash balances, and the long-term debt on the statement of financial position. The long-term debt interest rates are at a nil rate and the interest on the cash balances is insignificant. As a result, the Company is not exposed to material cash flow interest rate risk on its cash balances.

# **Sona Nanotech Inc.**

## **Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the periods ended January 31, 2025 and 2024**

*Expressed in Canadian dollars*

---

### **h) Fair Value Measurements Recognized in the Statement of Financial Position**

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

At January 31, 2025 and October 31, 2024, the Company's cash and marketable securities were measured and recognized on the statement of financial position at fair value. The fair value was based on level 1 inputs. There were no transfers between levels during the year.

### **18. COMMITMENTS AND CONTINGENCIES**

The Company has employment agreements with the CEO, CSO and the Head of Diagnostics which provides that, should a change in control event occur, as defined in the employment agreements, the CEO will receive a lump sum payment of up to 24 months of his then current base salary based on the value of the Company as of the date of the change of control, and the Head of Diagnostics will receive a lump sum payment of 24 months of his then current base salary as of the date of the change of control. The CSO will receive a lump sum payment of 12 months of his then current base salary as of the date of the change of control.

As at January 31, 2025, the Company has a Services Agreement with Numus. See note 16 for further details.

On December 18, 2020, a Notice of Action and Statement of Claim was filed in the Supreme Court of Nova Scotia. The Statement of Claim purports to assert claims on behalf of a class of persons or entities who purchased stock of the Company based on allegations of material misrepresentations and omissions relating to its rapid detection Covid-19 antigen test. The Company believes the action is without merit and has contested the claim and mounted a vigorous defence.

In July of 2022, the Supreme Court of Nova Scotia held a hearing to determine if there was a probable likelihood of success for the plaintiffs if the court were to certify their class action suit. On August 28, 2024, the Supreme Court of Nova Scotia issued its decision in the lawsuit in favour of Sona dismissing the motion for leave and certification of the class claims. While the plaintiff initially appealed this decision, this appeal has been discontinued and the plaintiff has provided a full and final release. The Nova Scotia Supreme Court subsequently issued a Consent Dismissal Order in relation to the remaining personal claim of the Plaintiff.