

Unaudited Condensed Interim Consolidated Financial Statements of

SONA NANOTECH Inc.

For the quarters ended April 30, 2025 and 2024

(Expressed in Canadian Dollars)

June 26, 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 April 30, 2025 and October 31, 2024

Expressed in Canadian dollars

	April 30, 2025	October 31, 2024
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	727,000	1,854,518
Amounts receivable and other (note 5)	169,152	136,566
Marketable securities	4,000	4,000
	<u>900,152</u>	<u>1,995,084</u>
Equipment, net (note 6)	-	-
Intangible assets, net (note 4)	1,391,000	1,751,000
Total Assets	<u>2,291,152</u>	<u>3,746,084</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 8 and 15)	856,785	842,303
Long-term debt (note 9)	421,771	394,671
	<u>1,278,556</u>	<u>1,236,974</u>
Shareholders' Equity		
Common stock	22,168,124	21,990,553
Warrants	378,530	474,101
Contributed surplus	2,329,713	2,789,487
Deficit	(23,863,771)	(22,745,031)
	<u>1,012,596</u>	<u>2,509,110</u>
Total Liabilities and Shareholders' Equity	<u>2,291,152</u>	<u>3,746,084</u>

Basis of presentation and going concern (note 2)
Commitments (note 17)

Approved on behalf of the Board of Directors on June 26, 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 six-months ended April 30, 2025 and 2024

Expressed in Canadian dollars

	Three-months ended April 30, 2025 \$	Three-months ended April 30, 2024 \$	Six-months ended April 30, 2025 \$	Six-months ended April 30, 2024 \$
Expenses				
Salaries and benefits (note 7 & 14)	252,435	244,547	489,139	488,462
Research and development costs	240,542	149,517	485,859	242,000
Professional and consulting fees (note 15)	23,402	29,976	91,398	85,240
Administrative	21,799	39,696	52,252	82,443
Securities and regulatory	23,546	30,009	40,172	43,729
Depreciation (note 6)	-	3,818	-	9,683
Travel	165	311	2,906	3,972
Rent and related costs (note 15)	8,582	8,119	16,701	16,238
Sales and marketing	7,705	22,655	16,662	43,401
Foreign exchange (gain) loss	(10,849)	7,951	3,256	(953)
Share-based compensation	124,515	70,210	218,211	151,445
Recovery of project expenses (note 7)	(6,931)	(4,096)	(6,931)	(4,096)
	(684,911)	(602,713)	(1,409,625)	(1,161,564)
Other income (expenses)				
Amortization of intangible assets (note 4)	(180,000)	(180,000)	(360,000)	(360,000)
Accreted interest, repayable government loans (note 9)	(13,551)	(19,824)	(27,100)	(38,955)
Unrealized loss on available-for-sale securities	-	-	-	(1,000)
	(193,551)	(199,824)	(387,100)	(399,955)
Net loss and comprehensive loss for the year	(878,462)	(802,537)	(1,796,725)	(1,561,519)
 Loss per share – basic and diluted	 (0.01)	 (0.01)	 (0.02)	 (0.02)
 Weighted-average number of common shares outstanding - basic and diluted	 112,310,024	 99,145,361	 112,010,306	 98,617,064

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 six-months ended April 30, 2025 and 2024

Expressed in Canadian dollars

	Number of Common Shares	Common Shares	Warrants	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$	\$
Balance, November 1, 2023	95,095,361	18,668,333	95,571	2,645,203	(20,247,140)	1,161,967
Net loss and comprehensive loss for the period	-	-	-	-	(1,561,519)	(1,561,519)
Units issued pursuant to private placement financing (note 10)	4,050,000	603,040	206,960	-	-	810,000
Unit issuance costs (note 10)	-	(69,000)	-	-	-	(69,000)
Finder warrants (note 10)	-	(46,333)	46,333	-	-	-
Share-based compensation expense	-	-	-	151,445	-	151,445
Stock option expiry (note 11)	-	-	-	(206,066)	206,066	-
Balance, April 30, 2024	99,145,361	19,156,040	348,864	2,590,582	(21,602,593)	492,893
Net loss and comprehensive loss for the period	-	-	-	-	(1,142,438)	(1,142,438)
Shares issued pursuant to private placement financing (note 10)	12,575,000	3,143,750	-	-	-	3,143,750
Share issuance costs (note 10)	-	(184,000)	-	-	-	(184,000)
Finder warrants (note 10)	-	(125,237)	125,237	-	-	-
Share-based compensation expense	-	-	-	198,905	-	198,905
Stock option expiry (note 11)	-	-	-	-	-	-
Balance, October 31, 2024	111,720,361	21,990,553	474,101	2,789,487	(22,745,031)	2,509,110
Net loss and comprehensive loss for the period	-	-	-	-	(1,796,725)	(1,796,725)
Shares issued upon exercise of Finder warrants	820,000	177,571	(95,571)	-	-	82,000
Share-based compensation expense	-	-	-	218,211	-	218,211
Stock option expiry (note 11)	-	-	-	(677,985)	677,985	-
Balance, April 30, 2025	112,540,361	22,168,124	378,530	2,329,713	(23,863,771)	1,012,596

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

Sona Nanotech Inc.
Consolidated Statements of Changes in Cash Flows
For the six-months ended April 30, 2025 and 2024
Expressed in Canadian dollars

	Six-months ended April 30, 2025 \$	Six-months ended April 30, 2024 \$
Operating activities		
Net loss for the period	(1,796,725)	(1,561,519)
Changes to loss not involving cash:		
Amortization (note 4)	360,000	360,000
Depreciation (note 6)	-	9,683
Recovery of project costs (note 7)	(6,931)	(4,096)
Accreted interest on repayable government loans (note 9)	27,100	38,955
Share-based compensation (note 11)	218,211	151,445
Unrealized loss on available-for-sale securities	-	1,000
	(1,198,345)	(1,004,532)
 (Increase) decrease in amounts receivable and other	(32,586)	60,407
Increase (decrease) in accounts payable and accrued liabilities	14,482	116,759
	(1,216,449)	(827,366)
 Financing activities		
Government funding received (note 7)	6,931	4,096
Proceeds received upon exercise of Finder warrants (note 10 & 12)	82,000	-
Proceeds received upon private placement financing, net of costs (note 10)	-	741,000
	88,931	745,096
 Change in cash during the period	(1,127,518)	(82,270)
Cash, beginning of the period	1,854,518	109,382
Cash, end of the period	727,000	27,112

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 April 30, 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”.

In March 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:

Subsidiary	Principal Activity	Country of incorporation
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 \$23,863,771 as at April 30, 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 six-month period ended April 30, 2025, the Company incurred a net loss of \$1,796,725 (year ended October 31, 2024 - \$2,703,957). The Company has negative cash flow from operations and as at April 30, 2025, the Company has a working capital of \$43,367 (October 31, 2024 – \$1,152,781).

Sona Nanotech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements **For the periods ended April 30, 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 June 26, 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 June 26, 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 April 30, 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 April 30, 2025, 2,099,959 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.

	April 30, 2025	October 31, 2024
	\$	\$
Cost	2,891,000	2,891,000
Accumulated amortization	(1,500,000)	(1,140,000)
Carrying Value	1,391,000	1,751,000

5. AMOUNTS RECEIVABLE AND OTHER

	April 30, 2025	October 31, 2024
	\$	\$
Amounts receivable from the government	109,934	97,214
Prepaid expenses and other	59,218	39,352
	169,152	136,566

6. EQUIPMENT

	Office Equipment	Laboratory Equipment	Furniture and Fixtures	Total
Cost	\$	\$	\$	\$
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 April 30, 2025	11,633	300,547	13,144	325,324
Accumulated depreciation				
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 April 30, 2025	11,633	300,547	13,144	325,324
Carrying amount				
Balance, October 31, 2024	-	-	-	-
Balance, April 30, 2025	-	-	-	-

Sona Nanotech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the periods ended April 30, 2025 and 2024 *Expressed in Canadian dollars*

7. GOVERNMENT ASSISTANCE

During the period ended April 30, 2025 the Company incurred eligible expense recoveries of \$6,931 under the Industrial Research Assistance Program (“IRAP”) of Canada (2024 - \$4,096).

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.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2025	October 31, 2024
	\$	\$
Trade accounts payable and accrued liabilities	707,912	647,303
Amounts payable to related parties (note 16)	148,873	195,000
	856,785	842,303

9. LONG-TERM DEBT

	April 30, 2024	October 31, 2024
	\$	\$
Atlantic Canada Opportunities Agency (“ACOA”)		
Long-term portion	421,771	394,671
Face Value ACOA Loans	978,332	978,332

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 April 30, 2025 the Company recorded \$27,100 of accretion expense (2024 - \$49,594), relating to the ACOA loans.

<i>Debt continuity</i>	Period ended April 30, 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	27,100	49,594
Balance – end of year	421,771	394,671

Sona Nanotech Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements **For the periods ended April 30, 2025 and 2024** *Expressed in Canadian dollars*

10. 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 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 an agreement with 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.

Warrant Exercise

In February 2025, 820,000 finder warrants were exercised with an exercise price of \$0.10 per share for proceeds of \$82,000. On the date of exercise, the share price was \$0.30 per common share.

Escrowed Shares

As at April 30, 2025, 2,099,959 common shares of the Company are subject to an escrow agreement pursuant to the terms of the Siva transaction. As at October 31, 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 April 30, 2025 and 2024 *Expressed in Canadian dollars*

11. 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 April 30, 2025, 3,937,036 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:

	Period Ended April 30, 2025	Year Ended October 31, 2024
Risk-free interest rate	2.48%	3.57%
Expected life	3 years	3 years
Expected volatility	118%	116%
Expected dividend per share	0.0%	0.0%
Exercise price	0.30	0.31
Forfeiture Rate	0.0%	0.0%

The following table reconciles the stock option activity during the period ended April 30, 2025 and the year ended October 31, 2024:

	Number of options	Weighted-average exercise price
	#	\$
Balance, October 31, 2023	5,494,500	0.58
Issued	1,970,000	0.31
Expired	(702,500)	0.35
Balance, October 31, 2024	6,762,000	0.53
Expired	(1,580,000)	0.47
Issued	2,135,000	0.30
Balance, April 30, 2025	7,317,000	0.47

During the period ended April 30, 2025, 1,580,000 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 April 30, 2025 and 2024 *Expressed in Canadian dollars*

The following table summarizes information relating to outstanding and exercisable stock options as at April 30, 2025:

Expiry date	Remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Exercise price	Black-Scholes value of options outstanding
		#	#	\$	\$
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	194,515
March 1, 2029	4.1	1,195,000	597,500	0.31	260,383
May 21, 2029	4.3	750,000	187,500	0.32	162,695
October 9, 2029	4.7	25,000	6,250	0.30	4,719
April 30, 2030	5.0	2,135,000	-	0.30	442,105
		7,317,000	3,303,250		

12. WARRANTS

The following table reconciles the warrant activity during the period ended April 30, 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	3,857,875	0.25
Exercised	(820,000)	0.10
Balance, April 30, 2025	3,037,875	0.29

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.

On February 28, 2025, 820,000 finder warrants were exercised with an exercise price of \$0.10 per share for proceeds of \$82,000. On the date of exercise, the share price was \$0.30 per common share.

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 April 30, 2025 and 2024 *Expressed in Canadian dollars*

13. 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.

14. 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 six-months ended April 30, 2025 and 2024 is summarized as follows:

	2025	2024
	\$	\$
Salaries and consulting fees earned	274,358	265,949
Share-based compensation expense	191,995	137,987
	466,353	403,936

15. 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 April 30, 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 \$15,000 (April 30, 2024 - \$15,000), digital media services of \$11,850 (April 30, 2024 - \$20,000) and incurred rent and administrative costs from Numus in the amount of \$5,100 (April 30, 2024 - \$5,100).

As at April 30, 2025, the amount owing to Numus, related to accounts payable and was \$ 84,502 (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.

On February 28, 2025, Numus Capital Corp exercised 820,000 finder warrants issued pursuant to the February 24, 2023 Financing. The warrants had an exercise price of \$0.10 per share resulting in proceeds of \$82,000.

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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.

During the period ended April 30, 2025 the Company granted 1,855,000 incentive stock options in accordance with the Company’s stock option plan to directors and officers of the Company. The options issued have an exercise price of \$0.30 per share. The options will vest at the rate of 25% every six months and will expire five years from the date of issuance.

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 April 30, 2025, the amount owing to Randall Consulting Inc. (“RCI”), a company controlled by an officer of Sona, was \$18,371 (October 31, 2024 - \$29,835), the amount owing to a director of the Company was \$nil (October 31, 2024 - \$38,750) and the amount owing to an officer of the Company was \$46,000 (October 31, 2024 - \$65,940). These amounts are non-interest bearing, unsecured and are payable on demand.

16. 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 April 30, 2025 was approximately \$1.0 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+.

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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 April 30, 2025:

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable	856,785	-	-	-	856,785
Long-term debt (note 10)	-	63,000	194,000	721,332	978,332
	856,785	63,000	194,000	721,332	1,278,556

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 April 30, 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.

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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 April 30, 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.

17. COMMITMENTS

The Company has employment agreements with the CEO 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.

As at April 30, 2025, the Company has a Services Agreement with Numus. See note 16 for further details.