

Consolidated Financial Statements of

SONA NANOTECH Inc.

For the years ended October 31, 2024 and 2023

(Expressed in Canadian Dollars)

February 26, 2025

Management's Report

The accompanying audited consolidated financial statements of **Sona Nanotech Inc.** (the "Company") have been prepared by the Company's management. The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") and contain estimates based on management's judgment. Internal control systems are maintained by management to provide reasonable assurances that assets are safeguarded and financial information is reliable.

The Board of Directors of the Company is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management discussion and analysis. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and a majority of its members are independent directors. It meets with the Company's management and auditors and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the consolidated financial statements to the Board of Directors for approval.

Manning Elliott LLP, appointed as the Company's auditors by the shareholders, has examined these consolidated financial statements and their report follows.

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

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Sona Nanotech Inc.

Opinion

We have audited the consolidated financial statements of Sona Nanotech, Inc. and its subsidiaries (the "Company") which comprise:

- the consolidated statements of financial position as at October 31, 2024 and 2023;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2024 and 2023, and its consolidated financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended October 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the Company's Management Discussion and Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Artem Valeev.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
February 26, 2025

Sona Nanotech Inc.
Consolidated Statements of Financial Position
As at October 31, 2024 and October 31, 2023
Expressed in Canadian dollars

	October 31, 2024	October 31, 2023
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,854,518	109,382
Amounts receivable and other (note 5)	136,566	147,892
Marketable securities	4,000	6,000
	<u>1,995,084</u>	263,274
Equipment, net (note 7)	-	13,976
Intangible assets, net (note 4)	<u>1,751,000</u>	2,471,000
Total Assets	<u>3,746,084</u>	<u>2,748,250</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 9 and 16)	842,303	1,058,602
Long-term debt (note 10)	<u>394,671</u>	527,681
	<u>1,236,974</u>	1,586,283
Shareholders' Equity		
Common stock	21,990,553	18,668,333
Warrants	474,101	95,571
Contributed surplus	2,789,487	2,645,203
Deficit	<u>(22,745,031)</u>	(20,247,140)
	<u>2,509,110</u>	1,161,967
Total Liabilities and Shareholders' Equity	<u>3,746,084</u>	<u>2,748,250</u>

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

Approved on behalf of the Board of Directors on February 26, 2025.

"Mark Lievonen"
Director

"Jim Megann"
Director

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

Sona Nanotech Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

	2024	2023
	\$	\$
Expenses		
Salaries and benefits (note 8 & 15)	979,445	966,511
Research and development costs	277,947	455,298
Professional and consulting fees (note 16)	187,769	235,344
Administrative	176,713	178,933
Securities and regulatory	76,916	77,206
Management services (note 16)	-	44,000
Depreciation expense (note 7)	13,976	36,761
Travel	14,759	29,177
Rent and related costs (note 16)	32,767	50,091
Sales and marketing	95,520	50,747
Foreign exchange (gain) loss	(4,132)	13,130
Share-based compensation	350,350	293,100
Recovery of project expenses (note 8)	(4,096)	(188,975)
	<u>(2,197,934)</u>	<u>(2,241,323)</u>
Other income (expenses)		
Amortization of intangible assets (note 4)	(720,000)	(420,000)
Repayable government loans fair value adjustment (note 10)	182,604	149,133
Accreted interest, repayable government loans (note 10)	(49,594)	(68,347)
Unrealized loss on available-for-sale securities	(2,000)	(3,000)
Scientific research and experimental development credits	82,967	41,223
Gain on sale of legacy asset (note 6)	-	42,639
	<u>(506,023)</u>	<u>(258,352)</u>
Net loss and comprehensive loss for the year	<u>(2,703,957)</u>	<u>(2,499,675)</u>
Loss per share – basic and diluted	<u>(0.03)</u>	<u>(0.03)</u>
Weighted-average number of common shares outstanding - basic and diluted	<u>100,517,697</u>	<u>85,752,186</u>

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

Sona Nanotech Inc.
Consolidated Statements of Changes in Equity
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

	Number of Common Shares	Common Shares	Warrants	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$	\$
Balance, November 1, 2022	68,987,904	14,315,332	572,174	4,111,468	(19,506,830)	(507,856)
Net loss and comprehensive loss for the year	-	-	-	-	(2,499,675)	(2,499,675)
Shares issued pursuant to private placement financing (note 11)	11,000,000	1,100,000	-	-	-	1,100,000
Share issuance costs (note 11)	-	(89,202)	-	-	-	(89,202)
Finder warrants (note 11)	-	(95,571)	95,571	-	-	-
Shares issued pursuant to Siva acquisition (note 11)	15,107,457	2,865,600	-	-	-	2,865,600
Share-based compensation expense	-	-	-	293,100	-	293,100
Stock option cancellation (note 12)	-	-	-	(1,759,365)	1,759,365	-
Warrant expiry (note 13)	-	572,174	(572,174)	-	-	-
Balance, October 31, 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 year	-	-	-	-	(2,703,957)	(2,703,957)
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	-	-	-
Shares issued pursuant to private placement financings (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	-	-	-	350,350	-	350,350
Stock option expiry (note 12)	-	-	-	(206,066)	206,066	-
Balance, October 31, 2024	111,720,361	21,990,553	474,101	2,789,487	(22,745,031)	2,509,110

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

Sona Nanotech Inc.
Consolidated Statements of Changes in Cash Flows
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

	2024	2023
	\$	\$
Operating activities		
Net loss for the year	(2,703,957)	(2,499,675)
Changes to loss not involving cash:		
Amortization (note 4)	720,000	420,000
Depreciation (note 7)	13,976	36,761
Recovery of project costs (note 8)	(4,096)	(188,975)
Accreted interest on repayable government loans (note 10)	49,594	68,347
Repayable government loans fair value adjustment (note 10)	(182,604)	(149,133)
Share-based compensation (note 12)	350,350	293,100
Unrealized loss on available-for-sale securities	2,000	3,000
	<u>(1,754,737)</u>	<u>(2,016,575)</u>
Decrease in amounts receivable and other	11,326	157,722
Increase (decrease) in accounts payable and accrued liabilities	<u>(216,299)</u>	<u>598,398</u>
	<u>(1,959,710)</u>	<u>(1,260,455)</u>
Investing activities		
Cash acquired on acquisition of Siva Therapeutics (note 4)	-	14,644
Financing activities		
Government funding received (note 8)	4,096	188,975
Proceeds received upon private placement financing, net of costs (note 11)	<u>3,700,750</u>	<u>1,010,797</u>
	<u>3,704,846</u>	<u>1,199,773</u>
Change in cash during the year	1,745,136	(46,038)
Cash, beginning of the year	<u>109,382</u>	<u>155,420</u>
Cash, end of the year	<u>1,854,518</u>	<u>109,382</u>

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

Sona Nanotech Inc.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2024 and 2023

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:

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 \$22,745,031 as at October 31, 2024 (2023 – \$20,247,140).

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 year ended October 31, 2024, the Company incurred a net loss of \$2,703,957 (2023 - \$2,499,675). The Company has negative cash flow from operations and as at October 31, 2024, the Company has a working capital of \$1,152,781 (2023 – deficiency of \$795,328).

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
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.

In February 2021, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" to require companies to disclose their "material" accounting policy information rather than their "significant" accounting policies. Effective January 1, 2023, the Company adopted these amendments which did not result in any changes in the disclosure of the Company's accounting policies.

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 February 26, 2025.

b) Accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about significant accounting judgments and estimates in applying accounting policies that have the most significant impact on the amounts recognized in the consolidated financial statements are outlined below.

Amortization and useful life of intangible assets

The Company's intangible asset consists of value allocated to the targeted hyperthermia therapy ("THT") recognized as a component of the Siva transaction (note 4). Amortization of the THT intangible involves estimates of the useful life of the THT intangible asset. Judgment is required by management in assessing the future useful life of the intangible. Management estimates the expected term over which the Company will receive benefits from the THT project to be four-years from the date of acquisition. A change in this estimate would have a significant impact on the carrying value of the intangible asset and the amortization and expenses recognized in the consolidated statements of loss and comprehensive loss.

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

Recoverability of asset carrying values

At each statement of financial position reporting date, the Company assesses its equipment and intangible assets for impairment if there are events or changes in circumstances that indicate that carrying values may not be recoverable. Determination as to whether and how much an asset may be impaired involves Management's judgment. Management considers both internal and external information to determine whether there is an indicator of impairment at the financial reporting date and accordingly, whether impairment testing is required.

The information Management considers in assessing whether there is an indicator(s) of impairment includes, but is not limited to market and economic conditions, results of research and development activities and the Company's market capitalization. No indicators of impairment relating to equipment or intangible assets were noted by Management as of October 31, 2024.

Calculation of initial fair value and carrying amount of long-term debt

The initial fair value of the Atlantic Canada Opportunities Agency ("ACOA") loans is determined by using a discounted cash flow analysis for the loans, which requires a number of assumptions. Any differences between the face value and the fair value of the ACOA loans is recorded in the statement of loss and comprehensive loss as other income or expense. The carrying amount of the ACOA loans requires management to adjust the long-term debt to reflect actual and revised estimated cash flows whenever revised cash flow estimates are made or new information related to market conditions is made available. Management recalculates the carrying amount by computing the present value of the estimated future cash flows at the original effective interest rate. Any adjustments are recognized in the statement of loss as accreted interest and adjustments after initial recognition.

The significant assumptions used in determining the discounted cash flows include estimating the amount and timing of future revenue for the Company and the discount rate. As the ACOA loans are repayable based on a percentage of gross revenue, if any, the determination of the amount and timing of future revenue significantly impacts the initial fair value of the loans, as well as the carrying value of the ACOA loans at each reporting date.

The Company is researching and developing its gold nanorod technology products; accordingly, determination of the amount and timing of revenue, if any, requires significant judgment by management. If the Company expected no future revenues, no repayments would be required on the ACOA loans and the amounts recorded for the ACOA loans on the statement of financial position would be \$nil. The discount rate determined on initial recognition of the ACOA loans is used to determine the present value of estimated future cash flows expected to be required to settle the debt. In determining the appropriate discount rates, the Company considered the interest rates of similar long-term debt arrangements, with similar terms. The ACOA loan is repayable based on a percentage of gross revenue, if any; accordingly, finding financing arrangements with similar terms is difficult and management was required to use significant judgment in determining the appropriate discount rates. Management used a discount rate of 14.33% to discount the ACOA loan.

If the discount rate used in determining the carrying value at the reporting date of all ACOA loans had been determined to be higher or lower by 1.0% (resulting in discount rates ranging from 13.33% to 15.33%) the carrying value of the long-term debt at October 31, 2024 would be an estimated \$23,450 higher or \$21,850 lower, respectively. If timing of forecasted revenue was increased by 1 or 2 years, the carrying value of the long-term debt at October 31, 2024 would be decreased an estimated \$50,000 and \$93,000 respectively.

Share-based payments

The Company makes certain estimates and assumptions when calculating the estimated fair values of stock options granted and warrants issued. The significant assumptions used include estimates of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for grants of stock options and the issuance of warrants.

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

Deferred income taxes

The Company is periodically required to estimate the tax base of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period of changes.

Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, the market price for commodities, production costs, quantities of proven and probable reserves, interest rates, and foreign currency exchange rates.

c) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets and financial liabilities are initially measured at fair value. Financial assets are classified into one of the following specified categories: amortized cost, fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the statement of loss and comprehensive loss.

The Company’s financial instruments are classified and subsequently measured as follows:

Financial instrument	IFRS 9
Cash	FVTPL
Amounts receivable	Amortized cost
Marketable securities	FVTPL
Accounts payable	Amortized cost
Long-term debt	Amortized cost

Financial Assets

Subsequent to initial recognition, financial assets are classified and measured at amortized cost using the effective interest method.

Financial assets classified as FVOCI are recognized initially at fair values plus transaction costs and are subsequently carried at fair value, with changes in the fair value recorded in other comprehensive income. The fair value measurements are based on level 1 inputs, being quoted prices in active markets for identical instruments.

Impairment of financial assets at amortized cost

The Company recognizes an allowance using the Expected Credit Losses (“ECL”) model on financial assets classified as amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all accounts receivable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of loss and comprehensive loss.

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

Financial Liabilities

Financial liabilities are classified as and are measured at amortized cost subsequent to initial measurement at fair value.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

d) Cash and cash equivalents

Cash and cash equivalents is comprised of cash held in current operating bank and credit union accounts and fixed income securities.

e) Equipment

Equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises the purchase price and any directly attributable costs of bringing the asset to the working condition and location of its intended use.

All other costs, such as repairs and maintenance, are charged to the statements of loss and comprehensive loss during the period in which they are incurred.

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. The Company depreciates the cost of equipment over their estimated useful lives at the following rates:

Office equipment	30% per annum
Laboratory equipment	20% per annum
Furniture and fixtures	20% per annum

The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statements of loss and comprehensive loss.

f) Intangible assets

Expenditures on research activities undertaken with the prospect of gaining new technical knowledge and understanding is recognized in the consolidated statements of loss and comprehensive loss as an expense as incurred.

The intangible asset consists of value allocated to the targeted hyperthermia therapy (“THT”) recognized as a component of the Siva transaction (note 4). The intangible asset is amortized based on the cost of the asset with amortization charged to the consolidated statements of loss and comprehensive loss on a straight-line basis over the four-year estimated life of the THT project from the date of acquisition. The estimated project life and amortization rate are reviewed annually.

g) Government assistance

Repayable government loans are recorded initially at fair value, with the difference between book value and fair value recorded as other income or other expense. During year ended October 31, 2024, the Company recorded \$182,604 (2023 – \$149,133) as other income relating to the revaluation of the ACOA loan (note 10).

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

h) Research and development tax credits

Refundable investment tax credits relating to scientific research and experimental development expenditures are recorded in the accounts in the fiscal period in which the qualifying expenditures are incurred provided there is reasonable assurance that the tax credits will be realized. Refundable investment tax credits, in connection with research and development activities, are accounted for as other income. Amounts recorded for refundable investment tax credits are calculated based on the expected eligibility and tax treatment of qualifying scientific research and experimental development expenditures recorded in the Company's consolidated financial statements.

i) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on the fair value of goods or services rendered unless the goods or services rendered cannot be measured reliably, then the goods or services are valued indirectly based on the fair value of the common shares issued.

Depending on the terms and conditions of each financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are accounted for using the relative fair value method, whereby the value of the warrants is allocated in proportion to their relative fair values when considering the fair value of the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

j) Share-based payments

The Company has a share-based compensation plan. Awards of options under this plan are expensed based on the estimated fair value of the options at the grant date, with a corresponding credit to contributed surplus in shareholders' equity. Fair value is estimated using the Black-Scholes pricing model. If the options are subject to a vesting period, the estimated fair value is recognized over this period on a graded vesting basis, based on the Company's estimate of the share options that will eventually vest.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the estimated fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Cash consideration received on exercise of options is credited to share capital together with the amounts originally recorded as share-based compensation related to the exercised options.

k) Income taxes

Current income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on taxable income for the year. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Income tax is recognized in the statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity. Current income tax relating to items recognized directly in equity is recognized in the statements of changes in equity and not in the statements of loss and comprehensive loss.

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense.

Deferred income taxes

Deferred income taxes are calculated using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, can be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside of profit or loss is recognized outside of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive loss or directly in equity.

l) Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year. Diluted loss per share is equal to loss per share since the exercise of all options and warrants is anti-dilutive.

m) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. There were no material provisions recorded within the consolidated financial statements as at October 31, 2024.

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

n) Foreign currency translation

Foreign currency transactions are translated as follows: (i) monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate prevailing at the statement of financial position date; and (ii) non-monetary assets and liabilities denominated in foreign currencies and measured in terms of historic costs are translated using exchange rates at the transaction dates.

o) Related party transactions

Unless otherwise disclosed herein, all transactions with related parties are in the normal course of business and are measured at the exchange amount (note 16).

p) Lease obligations and right of use assets

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the lease commencement date, a lease obligation is recognized at the present value of future lease payments, typically using the applicable incremental borrowing rate. A corresponding right-of-use asset is recognized at the amount of the lease obligation. Lease payments are applied against the lease obligation and interest expense is recognized on the lease obligation using the effective interest rate method. Depreciation is recognized on the right-of-use asset on a straight-line basis over the lease term. Sona assesses the right-of-use asset for impairment when such indicators exist. Sona does not recognize leases for short-term leases with a lease term less than 12 months or less, or leases for low-value assets.

q) Business combination and asset acquisitions

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange.

There is an option to apply a concentration test that permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. The optional concentration test is met if substantially all the fair value of the assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. An entity may make such an election separately for each transaction. If the concentration test is met, the set of activities and assets is determined not to be a business, the transaction will be accounted for as an asset acquisition.

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

4. ACQUISITION OF SIVA THERAPEUTICS

On January 26, 2023, Sona entered a binding agreement (the “Definitive Agreement”) to acquire Siva Therapeutics, Inc. (“Siva”), (the “Transaction”). Under the Definitive Agreement, Sona agreed to acquire all the issued and outstanding common shares of Siva with total consideration to the Siva shareholders of US\$2.0 million in Sona shares at the date of closing (the “Closing Date”), plus up to an additional US\$6.65 million in Sona shares over multiple instalments conditional on Siva’s future achievement of specific performance milestones by January 31, 2025 (the “Performance Shares”). Results were not achieved for these additional milestones. Therefore the performance shares will not be issued.

Effective March 22, 2023, the Company closed the Transaction issuing 15,107,457 common shares in the Company to the shareholders of Siva, which were issued at the ten-day volume weighted average price for \$0.1824 per share, or \$2,755,600 (US\$2.0 million) in total. On the date of closing the Company’s share price was \$0.19 per common share, resulting in total consideration paid of \$2,865,600.

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.

Allocation of the purchase price is summarized in the table below;

Net Assets Acquired	\$
Cash	14,644
less: Accounts payable and accruals	(40,044)
Net liabilities assumed	(25,400)
THT project - Intangible assets acquired	2,891,000
	<u>2,865,600</u>

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.

	October 31, 2024	October 31, 2023
	\$	\$
Cost	2,891,000	2,891,000
Accumulated amortization	(1,140,000)	(420,000)
Carrying Value	<u>1,751,000</u>	<u>2,471,000</u>

5. AMOUNTS RECEIVABLE AND OTHER

	October 31, 2024	October 31, 2023
	\$	\$
Amounts receivable from the government	97,214	54,492
Prepaid expenses and other	39,352	93,400
	<u>136,566</u>	<u>147,892</u>

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
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
Cost	\$	\$	\$	\$
As at November 1, 2022	11,633	300,547	13,144	325,324
Additions	-	-	-	-
As at October 31, 2023	11,633	300,547	13,144	325,324
Additions	-	-	-	-
As at October 31, 2024	11,633	300,547	13,144	325,324
Accumulated depreciation				
As at November 1, 2022	11,633	252,187	10,767	274,587
Depreciation charge	-	34,384	2,377	36,761
As at October 31, 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
Carrying amount				
Balance, October 31, 2023	-	13,976	-	13,976
Balance, October 31, 2024	-	-	-	-

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

8. GOVERNMENT ASSISTANCE

During the year ended October 31, 2024 the Company incurred eligible expense recoveries of \$4,096 under the Industrial Research Assistance Program (“IRAP”) of Canada (2023 - \$188,975).

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 (2023 - \$42,967) was recorded.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2024	October 31, 2023
	\$	\$
Trade accounts payable and accrued liabilities	647,303	900,809
Amounts payable to related parties (note 16)	195,000	157,793
	842,303	1,058,602

10. LONG-TERM DEBT

	October 31, 2024	October 31, 2023
	\$	\$
Atlantic Canada Opportunities Agency (“ACOA”)		
Long-term portion	394,671	527,681
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 year ended October 31, 2024 the Company recorded \$49,594 of accretion expense (2023 - \$68,347), relating to the ACOA loans.

<i>Debt continuity</i>	2024	2023
	\$	\$
Balance – beginning of year	527,681	608,467
Repayable government loans fair value adjustment	(182,604)	(149,133)
Accreted interest on repayable government loans	49,594	68,347
Balance – end of year	394,671	527,681

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
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 February 24, 2023, the Company completed a private placement financing for aggregate gross proceeds of \$1,100,000. The Company issued 11,000,000 shares at \$0.10 per share. Sona entered into an agreement with a registered dealer Numus Capital Corp. (the “Finder”) (note 16) to act as Finder for the financing. As compensation for its services, the Finder received a cash fee of \$82,000 and 820,000 Finder Warrants, being equal to 8.0% of the units sold, other than to insiders. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.10 per share for a period of 24 months from the closing date of the private placement. The Company has recorded a value of \$95,571 for the Finder Warrants issued which has been calculated using the Black Scholes option pricing model. Directors and officers of the Company subscribed for 750,000 shares pursuant to the financing.

Total costs associated with the private placement, consisting primarily of commissions, professional and regulatory fees, were \$89,202 and were recorded as share issuance costs.

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.

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

Siva Acquisition

As described in note 4, on March 22, 2023, the Company issued 15,107,457 common shares in the Company to the shareholders of Siva, which were issued at the ten-day volume weighted average price of \$0.1824 per share, or \$2,755,600 (US \$2.0 million) in total. On the date of issuance, the Company's share price was \$0.19 per common share, resulting in total consideration paid of \$2,865,600.

Escrowed Shares

As at October 31, 2024, 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 2,099,961 every six months thereafter.

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 October 31, 2024, 4,432,536 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:

	<u>Year Ended</u> <u>October 31, 2024</u>	<u>Year Ended</u> <u>October 31, 2023</u>
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 years ended October 31, 2024 and 2023:

	<u>Number of</u> <u>options</u>	<u>Weighted-average</u> <u>exercise price</u>
	#	\$
Balance, November 1, 2022	3,957,750	1.20
Issued	2,125,000	0.20
Cancelled / Expired	(588,250)	3.33
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

During the year ended October 31, 2024, 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 \$206,066 (2023 - \$1,759,365) for these options, which was previously recorded as contributed surplus, to deficit.

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

The following table summarizes information relating to outstanding and exercisable stock options as at October 31, 2024:

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	0.4	955,000	955,000	0.60	520,430
July 7, 2025	0.7	52,000	52,000	7.47	352,380
September 24, 2025	0.9	25,000	25,000	6.57	148,529
November 2, 2025	1.0	250,000	250,000	3.36	762,118
September 28, 2026	1.9	335,000	335,000	0.30	88,127
November 11, 2026	2.0	800,000	800,000	0.44	320,182
January 4, 2027	2.2	250,000	250,000	0.45	90,400
March 28, 2028	3.4	1,225,000	918,750	0.17	190,192
July 11, 2028	3.7	900,000	300,000	0.25	145,957
March 1, 2029	4.3	1,195,000	298,750	0.31	260,383
May 21, 2029	4.8	750,000	-	0.32	162,695
October 9, 2029	4.9	25,000	-	0.30	4,719
		6,762,000	4,184,500		

13. WARRANTS

The following table reconciles the warrant activity during the years ended October 31, 2024 and 2023

	Number of warrants	Weighted-average exercise price
	#	\$
Balance, October 31, 2022	1,119,600	1.25
Expired	(1,119,600)	1.25
Issued	820,000	0.10
Balance, October 31, 2023	820,000	0.10
Issued	3,037,875	0.29
Balance, October 31, 2024	3,857,875	0.25

During the year ended October 31, 2023, the remaining outstanding warrants issued pursuant to the private placement completed on December 15, 2020, expired unexercised. The Company has reclassified amounts of \$572,174 which had been previously allocated to warrants to share capital.

During the year ended October 31, 2023, the Company issued 820,000 finder warrants pursuant to the private placement completed on February 24, 2023. The warrants are exercisable at \$0.10 and expire on February 24, 2025.

Subsequent to October 31, 2024, 820,000 finder warrants were exercised with an exercise price of \$0.10 per share for proceeds of \$82,000.

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.

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

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

14. INCOME TAXES

The provision for income taxes reported differs from the amounts computed by applying the applicable income tax rates to the net loss before tax provision due to the following:

	2024	2023
	\$	\$
Loss before income taxes	2,703,957	2,449,675
Statutory rate	29.0%	29.0%
Tax recovery at statutory rate	(784,148)	(724,906)
Decrease (increase) of losses and deductible temporary differences not recognized in current and prior years	(694,282)	(512,242)
Permanent differences and other	(89,866)	(212,664)
Income tax recovery	-	-
	2024	2023
	\$	\$
Deferred income tax assets		
Losses carried forward	3,757,682	3,190,579
Capital assets	32,077	28,024
Share issuance costs	203,631	80,505
	3,993,390	3,299,108
Deferred income tax liabilities	-	-
	3,993,390	3,299,108
Unrecognized deferred income tax assets	(3,993,390)	(3,299,108)
Net deferred income tax assets	-	-

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

Non-capital losses

As at October 31, 2024, the Company had approximately \$13.0 million in losses available to reduce future taxable income for Canadian income tax purposes and \$0.3 million in losses to reduce taxable income for US income tax purposes. The benefit of these losses has not been recorded in the accounts as realization is not considered probable. The US losses can be carried forward indefinitely and the Canadian losses may be claimed no later than:

		\$
During the year ended	2033	450
	2034	25,485
	2035	533,456
	2036	388,884
	2037	463,779
	2038	854,053
	2039	1,276,295
	2040	2,914,173
	2041	2,074,691
	2042	781,133
	2043	1,689,597
	2044	1,955,528
		<u>12,957,523</u>

15. KEY MANAGEMENT COMPENSATION

Key management includes the Company’s directors, Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”), Chief Scientific Officer (“CSO”) and the Chief Medical Officer (“CMO”). Compensation awarded to key management for the years ended October 31, 2024 and 2023 is summarized as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Salaries and consulting fees earned	558,366	517,361
Share-based compensation expense	290,978	282,131
	<u>849,334</u>	<u>799,492</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 year ended October 31, 2024, the Company incurred costs for service fees from a related party, Numus, a company controlled by significant shareholders, including one director of Sona, in the amount of \$nil (2023 – \$44,000), controller services of \$30,000 (2023 - \$30,000), digital media services of \$48,000 (2023 - \$32,000) and incurred rent and administrative costs from Numus in the amount of \$10,200 (2023 – \$28,900). Effective January 1, 2022, the monthly service fee was reduced from \$19,000 to \$4,000 per month which ended effective September 30, 2023.

As at October 31, 2024, the amount owing to Numus, related to accounts payable and was \$60,475 (2023 - \$87,217). 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.

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

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 an Finder on all financings conducted by Sona.

Numus Capital Corp. is a non-arm's length party and acted as Finder for the February 24, 2023 financing. As compensation for its services, the Finder received a cash fee of \$82,000 and 820,000 finder warrants, being equal to 8.0% of the units sold, other than to insiders. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.10 per share for a period of 24 months from the closing date of the private placement.

Numus Capital Corp. acted as an 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.

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.

During the year ended October 31, 2023 the Company granted 2,000,000 incentive stock options in accordance with the Company's stock option plan to directors and officers of the Company. 1,175,000 of the options issued have an exercise price of \$0.17 per share and 825,000 have an exercise price of \$0.25 per share. 300,000 of the \$0.25 per share options will vest subject to performance conditions and the remaining options will vest at the rate of 25% every six months. The options will expire five years from the date of issuance.

As at October 31, 2024, the amount owing to Randall Consulting Inc. ("RCI"), a company controlled by an officer of Sona, was \$29,835 (2023 - \$31,826), the amount owing to a director of the Company was \$38,750 (2023 - \$38,750) and the amount owing to an officer of the Company was \$65,940 (2023 - \$nil) 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 October 31, 2024 was approximately \$2.5 million (2023 - \$1.2 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.

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

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+.

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 October 31, 2024:

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable	842,303	-	-	-	842,303
Long-term debt (note 10)	-	63,000	194,000	721,332	978,332
	842,303	63,000	194,000	721,332	1,820,635

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

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 year ended October 31, 2024, 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 \$100,140 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.

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 October 31, 2024 and 2023, 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 October 31, 2024, 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.

Sona Nanotech Inc.
Notes to the Consolidated Financial Statements
For the years ended October 31, 2024 and 2023
Expressed in Canadian dollars

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.