SURENANO SCIENCE LTD.

Condensed interim financial statements

Six months ended September 30, 2022

(Expressed in Canadian Dollars)

(unaudited)

SURENANO SCIENCE LTD.
Condensed interim statements of financial position
(Expressed in Canadian dollars)
(unaudited)

	September 30, 2022 $	March 31, 2022 $
ASSETS		
Current assets		
Cash	328,476	667,092
Amounts receivable (Note 5)	54,643	16,851
Prepaid expenses	17,867	2,500
Total current assets	400,986	686,443
Non-current assets		
Equipment (Note 3)	18,750	–
Total assets	419,736	686,443
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	22,444	20,711
Due to related parties (Note 5)	–	15,784
Total liabilities	22,444	36,495
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	1,439,845	1,439,845
Share-based payment reserves (Note 7)	406,084	411,277
Deficit	(1,448,637)	(1,201,174)
Total shareholders' equity	397,292	649,948
Total liabilities and shareholders' equity	419,736	686,443

Nature of operations and continuance of business (Note 1)
Commitments (Note 8)

Approved and authorized for issuance on behalf of the Board of Directors on November 23, 2022:

/s/ "Charles MaLette"	*/s/ "James Bordian"*
Charles MaLette, Director	James Bordian, Director

SURENANO SCIENCE LTD.

Condensed interim statements of operations and comprehensive loss
(Expressed in Canadian dollars)
(unaudited)

	Three months ended September 30, 2022 $	Three months ended September 30, 2021 $	Six months ended September 30, 2022 $	Six months ended September 30, 2021 $
Revenue	–	9,000	–	18,000
Cost of goods sold	–	(1,172)	–	(1,487)
Gross profit	–	7,828	–	16,513
Expenses				
Consulting fees (Note 5)	47,219	8,826	86,116	24,176
License fees (Note 4 and 5)	–	50,000	10,000	125,000
Management fees (Note 5)	24,750	30,000	49,500	60,000
Office and miscellaneous (recovery)	(16,231)	13,953	26,432	26,829
Professional fees	41,543	39,991	45,689	79,698
Research and development (Note 8)	34,064	14,670	34,919	40,784
Royalties (Notes 4 and 5)	–	2,250	–	4,500
Share-based compensation (recovery) (Notes 5 and 7)	(389)	–	(5,193)	403,817
Total expenses	130,956	159,690	247,463	763,804
Net loss before taxes	(130,956)	(151,862)	(247,463)	(747,291)
Income tax expense	–	–	–	(915)
Net loss and comprehensive loss for the period	(130,956)	(151,862)	(247,463)	(748,206)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.04)
Weighted average shares outstanding	21,457,800	19,700,100	21,457,800	19,700,100

SURENANO SCIENCE LTD.
Condensed interim statements of changes in equity
(Expressed in Canadian dollars)
(unaudited)

	Share capital		Special warrants	Share-based payment reserves	Deficit	Total shareholders' equity
	Number of shares	Amount $	$	$	$	$
Balance, March 31, 2021	19,700,100	1,032,000	–	–	(82,512)	949,488
Special warrants for cash	–	–	439,425	–	–	439,425
Special warrants issuance costs	–	–	(31,580)	–	–	(31,580)
Share-based compensation	–	–	–	403,817	–	403,817
Net loss for the period	–	–	–	–	(748,206)	(748,206)
Balance, September 30, 2021	19,700,100	1,032,000	407,845	403,817	(830,718)	1,012,944
Balance, March 31, 2022	21,457,800	1,439,845	–	411,277	(1,201,174)	649,948
Share-based compensation recovery	–	–	–	(5,193)	–	(5,193)
Net loss for the period	–	–	–	–	(247,463)	(247,463)
Balance, September 30, 2022	21,457,800	1,439,845	–	406,084	(1,448,637)	397,292

SURENANO SCIENCE LTD.
Condensed interim statements of cash flows
(Expressed in Canadian dollars)
(unaudited)

	Six months ended September 30, 2022 $	Six months ended September 30, 2021 $
Operating activities		
Net loss for the period	(247,463)	(748,206)
Items not involving cash:		
Share-based compensation (recovery)	(5,193)	403,817
Depreciation	1,250	–
Changes in non-cash operating working capital:		
Amounts receivable	(37,792)	24,537
Accounts payable and accrued liabilities	1,733	97,201
Prepaid expenses	(15,367)	–
Due to related parties	(15,784)	–
Net cash used in operating activities	(318,616)	(222,651)
Investing activities		
Purchase of equipment	(20,000)	–
Net cash used for investing activities	(20,000)	–
Financing activities		
Proceeds from subscriptions of special warrants	–	439,425
Special warrants issuance costs	–	(31,580)
Net cash provided by financing activities	–	407,845
Change in cash	(338,616)	185,194
Cash, beginning of period	667,092	929,011
Cash, end of period	328,476	1,114,205

(The accompanying notes are an integral part of these condensed interim financial statements)

1. Nature of Operations and Continuance of Business

SureNano Science Ltd. (the "Company") was incorporated under the Business Corporations Act in British Columbia on January 14, 2021. The principal business of the Company is the sale and distribution of the SureNano™ surfactant, which is a ready-to-mix food grade compound that provides the base for high performance nano-emulsions to create incredibly homogeneous and stable products while maximizing bioavailability, clarity, and taste. The Company has exclusive licenses to distribute the SureNano™ surfactant within Canada, the State of Oklahoma, USA, and the State of Colorado, USA (Note 4). The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "SURE" and are trading on the OTCQB Venture Market ("OTCQB") under the stock symbol "SURNF". The Company's head office is located at 350 – 1650 West 2nd Avenue, Vancouver, British Columbia.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Realization values may be substantially different from carrying values as shown and these condensed interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As at September 30, 2022, the Company has negative cash flow from operations, and has an accumulated deficit of $1,448,637. The Company expects to incur further losses in the development of its business. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. These factors indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern. These condensed interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. These adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, "*Interim Financial Reporting*".

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

The accounting policies used in these condensed interim financial statements are the same as those used in the Company's audited financial statements as at, and for the year ended March 31, 2022. These condensed interim financial statements should be read in conjunction with those statements.

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments

The preparation of these condensed interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include share-based compensation, the recovery of amounts receivable, useful lives and carrying values of equipment, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

Judgments made by management include the factors used to determine the assessment of whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Recent Accounting Pronouncements

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed interim financial statements.

3. Equipment

	Nano emulsion equipment $
Cost:	
Balance, March 31, 2022	–
Additions	20,000
Balance, September 30, 2022	20,000
Accumulated depreciation:	
Balance, March 31, 2022	–
Depreciation	1,250
Balance, September 30, 2022	1,250
Carrying amounts:	
Balance, March 31, 2022	–
Balance, September 30, 2022	18,750

4. Licensing Agreements

(a) On February 19, 2021, as amended on September 28, 2022, the Company entered into a licensing agreement (the "Licensing Agreement") with 1150641 B.C. Ltd. ("1150641"), a company controlled by an individual who was appointed as a Director of the Company subsequent to entering into the Licensing Agreement, whereby the Company was granted an exclusive license and right to produce, distribute, and enter into sub-licenses or agreements within Canada with respect to the SureNano™ surfactant and the SureNano™ powder nanoemulsion (the "Products"), which is owned by 1150641. The Company was also granted the first right of refusal over licenses and rights to the Product in Europe over the life of the Licensing Agreement. The Licensing Agreement is for an initial term of 10 years, with an option to renew for an additional 10 years upon the Company providing written notice to 1150641 prior to the expiration of the initial term.

In consideration for the exclusive license and rights, the Company agreed to pay the following:

(a) $50,000 within 3 business days of signing the Licensing Agreement (paid);
(b) $50,000 on March 31, 2021 (paid);
(c) $50,000 on June 30, 2021 (paid); and
(d) $50,000 on September 30, 2021 (paid).

The Company also agreed to pay an on-going royalty calculated as 25% of net sales, which are payable within 30 days of the end of each fiscal quarter. In the event any royalty is not paid when due, interest on such unpaid amount will be payable at a rate of 8% per annum.

(b) On June 10, 2021, the Company entered into a Licensing Agreement (the "Colorado Licensing Agreement") with 1150641, a company controlled by a Director of the Company, whereby the Company was granted an exclusive license and right to produce, distribute, and enter into sub-licenses or agreements within the state of Colorado, USA, with respect to the Products, which is owned by 1150641. The Colorado Licensing Agreement is for an initial term of 10 years, with an option to renew for an additional 10 years upon the Company providing written notice to 1150641 prior to the expiration of the initial term.

In consideration for the rights and licenses, the Company paid $25,000 and agreed to pay an on-going royalty calculated as 25% of net sales, which is payable within 30 days of the end of each fiscal quarter. In the event any royalty is not paid when due, interest on such unpaid amount will be payable at a rate of 8% per annum.

(c) On June 20, 2022, the Company entered into a Licensing Agreement (the "Oklahoma Licensing Agreement") with 1150641, a company controlled by a Director of the Company, whereby the Company was granted an exclusive license and right to produce, distribute, and enter into sub-licenses or agreements within the state of Oklahoma, USA, with respect to current and future products developed by 1150641. The Oklahoma Licensing Agreement is for an initial term of 10 years, with an option to renew for an additional 10 years upon the Company providing written notice to 1150641 prior to the expiration of the initial term.

In consideration for the rights and licenses, the Company paid $10,000 and agreed to pay an on-going royalty calculated as 20% of net sales, which is payable within 30 days of the end of each fiscal quarter. In the event any royalty is not paid when due, interest on such unpaid amount will be payable at a rate of 8% per annum.

During the six months ended September 30, 2022, the Company recognized royalty expense of $nil (2021 – $4,500) pursuant to the above licensing agreements.

(Expressed in Canadian Dollars)

5. Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that its key management personnel are the members of the Company's current and former Board of Directors and its executive officers.

(a) During the six months ended September 30, 2022, the Company incurred management fees of $45,000 (2021 – $30,000) to the Chief Executive Officer ("CEO") of the Company. As at September 30, 2022, the Company owed $nil (March 31, 2022 - $7,875) to the CEO. The amount is non-interest bearing, unsecured and due on demand.

(b) During the six months ended September 30, 2022, the Company incurred management fees of $4,500 (2021 – $30,000) to the Chief Financial Officer ("CFO") of the Company.

(c) During the six months ended September 30, 2022, the Company incurred royalties of $nil (2021 - $4,500) and license fees of $10,000 (2021 – $125,000) to a company controlled by a Director of the Company. As at September 30, 2022, the Company owed $nil (March 31, 2022 - $4,710) to a company controlled by a Director of the Company. The amount is non-interest bearing, unsecured and due on demand.

(d) During the six months ended September 30, 2022, the Company incurred consulting fees of $42,000 (2021 – $15,000) to a company controlled by the son of the CFO of the Company. As at September 30, 2022, the Company owed $nil (March 31, 2022 - $3,199) to the son of the CFO of the Company. The amount is non-interest bearing, unsecured and due on demand.

(e) During the six months ended September 30, 2022, the Company incurred share-based compensation of $nil (2021 - $302,863) to officers and directors of the Company.

(f) During the six months ended September 30, 2022, the Company purchase equipment for $20,000 (2021 – $nil) from a company with common directors. As at September 30, 2022, the Company was owed $51,975 (March 31, 2022 - $nil) from a company with common directors for expense recoveries. The amount is non-interest bearing, unsecured and due on demand.

6. Share Capital

Authorized: Unlimited number of common shares without par value.

There were no common share issuances during the six months ended September 30, 2022.

7. Stock Options

On June 16, 2021, the Board of Directors of the Company adopted the Company's Stock Option Plan (the "Plan"). The Plan is administered by the Board of Directors. Stock options granted under the Plan have a maximum term of 10 years, and vest at the discretion of the Board of Directors. The aggregate number of shares of the Company's common stock available for issuance under the Plan is 10% of the Company's issued and outstanding shares on the date on which a stock option is granted.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price $
Balance, March 31, 2022, and September 30, 2022	2,200,000	0.25
Exercisable, September 30, 2022	2,100,000	0.25

(Expressed in Canadian Dollars)

7. Stock Options (continued)

Additional information regarding stock options outstanding and exercisable as at September 30, 2022, is as follows:

Number of stock options outstanding	Number of stock options exercisable	Exercise price $	Weighted average remaining contractual life (years)	Expiry date
2,000,000	2,000,000	0.25	1.71	June 16, 2024
200,000	100,000	0.30	0.38	February 15, 2023
2,200,000	2,100,000			

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the six months ended September 30, 2022, the Company recognized share-based compensation recovery of $5,193 (2021 – expense of $403,817) in share-based payment reserves, of which $nil (2021 - $302,863) pertains to directors and officers of the Company. The weighted average fair value of options granted or vested during the six months ended September 30, 2022, was $0.01 (2021 - $0.20) per share. Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	September 30, 2022	September 30, 2021
Risk-free interest rate	3.19%	0.54%
Expected life (in years)	0.58	3
Expected volatility	94%	150%

8. Commitments

(a) On June 10, 2021, the Company entered into a Collaborative Research Agreement with 1150641, a company controlled by a Director of the Company, whereby the Company and 1150641 will participate in a collaborative research project regarding the use of surfactants in cannabis oil and the products resulting therefrom and does not include the development of new surfactant formulae. Pursuant to the agreement, the Company agreed to pay and contribute half of the amounts required to pay for invoices of consultants in carrying out the research project to a maximum of $100,000 during every six months of the term of the agreement. In addition, the Company was also responsible for covering half of the $34,464 already paid by 1150641 (paid). The initial term of the agreement was 1 year and was extended by mutual agreement. The agreement may be terminated with 90 days prior written notice by either party.

(b) On January 4, 2022, the Company entered into an agreement with a marketing firm to provide media and marketing services for a term of 1 year, whereby the marketing firm will receive monthly compensation of $6,500. In addition, the Company granted the marketing firm 200,000 stock options, which are subject to vesting terms and may be exercised at a price of $0.30 per common share, expiring on February 15, 2023 (Note 7).

(c) On September 28, 2022, the Company entered into a joint arrangement with 1150641, a company controlled by a Director of the Company. The Company and 1150641 agree to make contributions to a common fund for the purpose of developing and marketing worldwide a new product under development by 1150641, the SureNano™ powder nanoemulsion (the "Business Interest") and sharing equally in the profits thereof. During the six months ended September 30, 2022, the Company recognized research and development expense of $30,000 pursuant to the joint operation.

9. Capital Management

The Company's objectives when managing capital are to raise the necessary equity financing to fund its projects and to manage the equity funds raised which best optimizes its programs and the interests of its equity shareholders at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may raise additional equity funds. The Company is not subject to externally imposed capital requirements. There have been no changes to the Company's capital management during the period.

10. Fair Value Measurements and Risk Management

(a) Fair Values

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The Company has recorded its cash at fair value using level 1 inputs. The fair values of the Company's other financial instruments, which include amounts receivable, accounts payable, and due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(b) Credit Risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including amounts receivable. Amounts receivable consists of GST input tax credits receivable and amounts due from a company with common directors for expense recoveries. The carrying amount of these financial assets represents the maximum credit exposure.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term and other specific obligations.

10. Fair Value Measurements and Risk Management (continued)

(d) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure to interest rates for the Company is considered minimal. The Company has no interest-bearing borrowings.

(ii) Foreign Exchange Rate Risk and Interest Rate Risk

The Company is not currently exposed to foreign exchange rate risk or interest rate risk.

(iii) Price Risk

The Company is not exposed to significant price risk.

(e) Economic Dependence Risk

Economic dependence risk is the risk of reliance upon a select number of customers which significantly impact the financial performance of the Company. During the six months ended September 30, 2022, the Company recorded sales from nil (2021 – 1) customer of the Company representing nil% (2021 – 100%) of total revenue.