

Sona Nanotech to Acquire Cancer Therapy Developer Siva Therapeutics

written by Raj Shah | January 26, 2023

This news release constitutes a “designated news release” for the purposes of the Company’s prospectus supplement dated April 9, 2021 to its short form base prospectus dated March 31, 2021.

January 26, 2023 ([Source](#)) – Sona Nanotech Inc. (CSE: SONA) (OTCQB: SNANF) (the “Company” or “Sona”) is pleased to announce that it has entered into a binding agreement (the “Definitive Agreement”) on January 26, 2023 to acquire Siva Therapeutics, Inc. (“Siva”), the developer of Targeted Hyperthermia Therapy™ (“THT”) photo thermal therapy for cancer tumors using Sona’s uniquely biocompatible gold nanorods (the “Proposed Transaction”). Siva holds two patents supporting the in vivo delivery of a thermal therapy, which is being designed to have multiple beneficial effects on tumors, including being more selective than chemotherapy, less destructive than radiation, and without the risks of surgical treatment. Under the Definitive Agreement, Sona has agreed to acquire all of the issued and outstanding common shares of Siva with total consideration to the Siva shareholders of US \$2.0 million in Sona shares (the “Transaction Shares”) at the date of closing (the “Closing Date”), plus up to an additional US \$6.65 million in Sona shares over multiple installments conditional on Siva’s future achievement of specific performance milestones by January 31, 2025 (the “Performance Shares”).

Siva Therapeutics is an Austin, Texas based company established in 2010 that is in the pre-clinical phase of developing THT and the SivaLum™ infrared light device that forms part of THT. Siva

has benefited from over US \$2.8 million in investment and grant value, in addition to founder contributions.

Siva has completed five safety and efficacy studies, including for melanoma in mice and the Nanotechnology Characterization Laboratory (NCL, <https://ncl.cancer.gov/>) program. Siva's THT path to market will involve the completion of large animal studies and the filing for an Investigational Device Exemption (IDE) with the FDA in preparation for human clinical studies. Siva's management team has over 50 years of combined life sciences and medical device experience with a track record of prior successful market introductions.

"Having worked with multiple manufacturers of nanoparticles, we were delighted to discover Sona and its unique gold nanorod technology, which we value for its biocompatibility, stability and ability to be produced in-house at commercial scale, all of which are vital to the success of our therapy. This merger is the natural next step in order for us to secure access to the critical material upon which our Targeted Hyperthermia Therapy is dependent." – Len Pagliaro, Ph.D., President and Chief Executive Officer of Siva.

"We are thrilled to be combining with the Siva team given their traction in developing a practical and powerful therapy that leverages the key attributes of Sona's gold nanorods to potentially improve the lives of people living with cancer. This transaction provides for tremendous alignment of interests for the success of the further Targeted Hyperthermia Therapy trials planned for 2023 which will first address colorectal cancer, the second most mortal cancer worldwide, providing Sona with a more diversified portfolio as part of our push to build shareholder value." – David Regan, Chief Executive Officer of Sona.

For more information on the proposed transaction, please

see: <https://sonanano.com/investor-presentation/>

Pursuant to the Definitive Agreement, the Company has agreed to acquire all of the issued and outstanding common shares of Siva in exchange for the Transaction Shares, to be issued at a deemed value equal to the greater of: (i) the volume weighted average price (the "VWAP") for the Company's common shares for the ten (10) trading days immediately preceding the fifth business day preceding the Closing Date, and (ii) the maximum allowed discounted price allowed under the policies of the Canadian Securities Exchange (the "Exchange").

As additional consideration, Sona may issue additional Performance Shares to the shareholders of Siva in up to four instalments for up to an additional US \$6.65 million in Sona common shares, upon Siva achieving the following four milestones (each a "Milestone"):

(a) Upon Siva securing a contract for a large animal colorectal cancer tumor model, suitable for the evaluation of Siva's THT therapy by no later than June 30, 2023, a further US \$650,000;

(b) Upon Siva obtaining delivery and acceptance of infrared light devices meeting certain technical and costing requirements, by no later than nine months from the Closing Date, a further US \$750,000;

(c) Upon Siva achieving results from a large animal study of THT therapy for colorectal cancer tumors that support an US Food and Drug Administration Investigational Device Exemption for human study, by no later than January 31, 2024, a further US \$2,700,000; and

(d) Upon Siva obtaining positive results from the first cohort of a "first in human" clinical study for THT therapy, and a notice of allowance for a patent for the infrared light device

to protect THT for colorectal cancer, by no later than January 31, 2025, a final US \$2,550,000.

Each of these Milestone payments of Performance Shares will be converted into Canadian dollars on the fifth business day preceding the issue date and will be payable in Sona's common shares at a deemed value equal to the greater of: (i) the VWAP on the fifth business day preceding their issue date, and (ii) the maximum allowed discounted price under the policies of the Exchange based on the closing price of the Sona Shares on the last trading day preceding the announcement of the completion of the Milestone; and provided further that the deemed value must not be less than \$0.25, \$0.35, \$0.50 and \$0.75 per share for the first, second, third and fourth Milestones, respectively.

Completion of the Proposed Transaction is subject to the satisfaction of a number of closing conditions, including satisfactory resolution of outstanding Siva stock options, completion of two interim equity financings by Sona, and certain other customary closing conditions, and is subject to review and acceptance by the Exchange. The Definitive Agreement will terminate if the Proposed Transaction is not completed by March 31, 2023, unless extended by mutual agreement of the parties. Sona does not expect the closing of the Proposed Transaction will have any immediate material impact on Sona's financial position.

All Transaction Shares and any Performance Shares issued in connection with the acquisition of Siva will be subject to a four-month and a day hold period from their date of issue under Canadian securities law, and may be subject to a longer hold period for trading in the U.S. Two of Siva's founder's Transaction Shares are subject to further voluntary pooling restrictions with the Company, in respect of 90% of the Transaction Shares of the President of Siva, and 70% of the

Transaction Shares of the Vice-President, Legal Affairs of Siva, pursuant to which 20% of the original number of their respective Transaction Shares will become available for sale every six (6) months until fully released.

In view of the number of common shares issuable to him, the President of Siva has also agreed that he will not be entitled to receive additional Performance Shares, or common shares of the Company through the exercise of any other convertible securities of the Company, if that would result in him holding 20% or more of the then total issued shares of the Company. As a result, there will be no change in the effective control of the Company.

As contemplated under the Definitive Agreement, Sona intends to first complete a private placement financing to raise up to \$500,000 (the "Working Capital Financing") by the issuance of up to 5,000,000 common shares at an offering price of \$0.10 per share to fund the continuing operations of Sona and necessary transaction expenses related to completion of the Proposed Transaction while the parties work towards satisfying the closing conditions. The Working Capital Financing is necessary and integral for Sona to be able to complete the Proposed Transaction, but is not contingent upon the closing of the Proposed Transaction. Sona has entered into an agreement with a registered dealer to act as placement agent for the Working Capital Financing, pursuant to which Sona has agreed to pay a cash fee equal to 8% of proceeds raised from investors introduced by the placement agent and to issue compensation warrants entitling the placement agent to purchase that number of common shares as is equal to eight percent (8.0%) of the common shares sold to investors introduced by the placement agent. Each compensation warrant will be exercisable into a common share of Sona Nanotech at \$0.10 per share at any time for a period of 24 months from closing.

The closing of the Proposed Transaction is conditional upon Sona completing an additional equity raise for gross proceeds of at least US \$1.0 million, or any other amount that is mutually agreed by the Parties, which is expected to close by February 28, 2023. The details of this offering will be announced in a later press release, and the net proceeds will be held in escrow pending the closing of the Proposed Transaction.

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About Sona Nanotech Inc.

Sona Nanotech is a nanotechnology life sciences firm that has developed multiple proprietary methods for the manufacture of various types of gold nanoparticles. The principal business carried out and intended to be continued by Sona is the development and application of its proprietary technologies for use in multiplex diagnostic testing platforms that will improve performance over existing tests in the market. Sona Nanotech's gold nanorod particles are CTAB (cetyltrimethylammonium) free, eliminating the toxicity risks associated with the use of other gold nanorod technologies in medical applications. It is expected that Sona's gold nanotechnologies may be adapted for use in applications, as a safe and effective delivery system for multiple medical treatments, subject to the approval of various regulatory boards, including Health Canada and the FDA.

About Siva Therapeutics, Inc.

Siva Therapeutics, Inc. is developing Targeted Hyperthermia Therapy™, a photothermal cancer therapy in preclinical development, which uses therapeutic heat to treat solid cancer

tumors. In the proposed therapy, the heat is delivered to tumors by infrared light that is absorbed by SivaRods™ gold nanorods in the tumor and re-emitted as heat. Therapeutic heat (44°C) stimulates the immune system, shrinks tumors, inactivates cancer stem cells, and increases tumor perfusion – thus enabling drugs to reach all tumor compartments more effectively. The size, shape, and surface chemistry of the nanorods target the leaky vasculature of solid tumors, and the selective thermal sensitivity of tumor tissue enables the therapy to deliver clean margins. Targeted Hyperthermia promises to be safe, effective, minimally invasive, competitive in cost, and a valuable adjunct to drug therapy and other cancer treatments. Siva's initial clinical targets include colorectal, esophageal, and pancreatic cancers.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION: This press release includes certain “forward-looking statements” under applicable Canadian securities legislation, including statements regarding the benefits to accrue to Sona from the Proposed Transaction, the future development of Siva's Targeted Hyperthermia Therapy and the anticipated timing and terms of Sona's planned equity raises. Forward-looking statements are necessarily based upon a number of assumptions or estimates that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements, including the risk that Sona and Siva may not be able to successfully complete the Proposed Transaction, secure animal and human clinical studies, or develop the envisioned therapy, and the risk that equity financing may not be available on the anticipated terms or at all. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in

such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Sona disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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