

**JOINT MANAGEMENT INFORMATION CIRCULAR**

**STOCKPORT EXPLORATION INC.**

and

**SONA NANOTECH LTD.**

Notice of Annual and Special General Meeting and Notice of Special Meeting and Joint Management Information Circulars for the Meetings of Shareholders of Stockport Exploration Inc. and Sona Nanotech Ltd., respectively.

To be held on the 26<sup>th</sup> day of April, 2018  
Information herein is at March 22, 2018 (except where otherwise noted)

Dated as of March 22, 2018

*This Management Information Circular and the accompanying materials require your immediate attention. If you are uncertain as to how to deal with these documents or the matters to which they refer, please consult a professional advisor.*

*Neither the TSX Venture Exchange Inc. (the "TSX-V") nor any securities regulatory authority has in any way passed upon the merits of the Change of Business described in this information circular.*

Dear Shareholders:

The Boards of Directors of Stockport Exploration Inc. (“**Stockport**”) and of Sona Nanotech Ltd. (“**Sona**”) cordially invite you to attend the annual and special general meeting of Stockport (the “**Stockport Meeting**”) and the special meeting of Sona (the “**Sona Meeting**” and, together with the Stockport Meeting, the “**Meetings**”), respectively. Shareholders of both Stockport and Sona will be asked to consider a proposed amalgamation (the “**Amalgamation**”) of Stockport and Sona under the *Canada Business Corporations Act* (the “**CBCA**”). To effect the Amalgamation, Sona must first continue under the CBCA.

The Meetings are to be held on Thursday, April 26, 2018. The Sona Meeting will commence at 1:00 pm (Halifax time) at the offices of Stockport and Sona at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7 (“**Stockport/Sona**”), and the Stockport Meeting will commence at 2:00 p.m. (Halifax time) at the offices of Stockport/Sona.

## **STOCKPORT AND SONA SHAREHOLDERS**

In addition to annual general meeting matters, the holders (“**Stockport Shareholders**”) of shares (“**Stockport Shares**”) of Stockport will be asked to consider and vote upon the Amalgamation under the CBCA.

The holders (“**Sona Shareholders**”) of shares (“**Sona Shares**”) of Sona will be asked to consider and vote upon the Sona Continuance (as defined herein below), and then subsequently the Amalgamation under the CBCA.

Under the terms of the Amalgamation, Stockport and Sona (the “**Amalgamating Companies**”) will amalgamate and continue as one company, Amalco. The name of Amalco is to be “Sona Nanotech Inc.” or such other name as may be acceptable to regulatory authorities.

The Stockport Shareholders shall receive one (1) common share of Amalco (“**Amalco Share**”) for every four (4) Stockport Shares held, and the Sona Shareholders shall receive one (1) Amalco Share for every 1.5802 Sona Shares held.

In order to become effective, the Amalgamation must be approved by at least 66-2/3% of the votes cast by the shareholders of each of the Amalgamating Companies at their respective Meetings.

## **BOARD RECOMMENDATION**

Based in part on the valuation report provided by Evans & Evans Inc., as the independent advisors to the Special Committee of the Board of Directors of Stockport (the “**Stockport Board**”), and the review of the Amalgamation by the Special Committee of the Board of Directors of Sona (the “**Sona Board**”), the Amalgamating Companies have each concluded that the Amalgamation is in the best interests of Stockport and Sona respectively and is fair to Stockport Shareholders and Sona Shareholders respectively. Each of the independent members of the Stockport Board and the Sona Board recommends that the Stockport Shareholders and the Sona Shareholders respectively vote IN FAVOUR of the Amalgamation. All of the members of the Stockport Board and the Sona Board have advised Stockport and Sona respectively that they intend to vote the Stockport Shares or Sona Shares respectively held by them in favour of the Amalgamation.

## **DETAILS OF THE AMALGAMATION**

The attached Notices of Meetings and Joint Information Circular contain a detailed description of the Amalgamation and include certain other information, to assist the Stockport Shareholders and the Sona Shareholders in considering the matters to be voted on. You are urged to read this material carefully and, if you require assistance, to consult your financial, legal or other professional advisor.

## **VOTING AND PROXIES**

The vote of the Stockport Shareholders and the Sona Shareholders is important. If a Stockport or Sona Shareholder is unable to be present at the Stockport or Sona Meetings, respectively, in person, then we encourage you to vote by completing and signing the enclosed forms of proxy for the Stockport Meeting and Sona Meeting, respectively.

If you are a registered holder of Stockport Shares, your proxy form should be completed and delivered to Computershare Investor Services Inc. (“**Computershare**”), 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1.

If you are a registered holder of Sona Shares, your proxy form should be completed and delivered to Sona, c/o Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7.

If your Stockport Shares or Sona Shares are held through a broker or other person, you will receive a separate voting instruction form from that third party and you should contact the third party for assistance in completing the voting instruction form. If you have a proxy to fill out, you should specify your choice by completing the proxy and delivering it as instructed in the form.

Thank you for your continued support.

Sincerely,

James Megann, Chief Executive Officer  
On behalf of the Board of Directors of  
Stockport Exploration Inc.

Sincerely,

Darren Rowles, Chief Executive Officer  
On behalf of the Board of Directors of  
Sona Nanotech Ltd.

## **FREQUENTLY ASKED QUESTIONS ABOUT THE AMALGAMATION AND THE MEETING**

*Following are some questions that you, as a Stockport Shareholder or Sona Shareholder, may have relating to the Meeting and answers to those questions. These questions and answers do not provide all of the information relating to the Meeting or the matters to be considered at the Meeting and are qualified in their entirety by the more detailed information contained elsewhere in this Joint Information Circular. You are urged to read this Joint Information Circular in its entirety before making a decision related to your Stockport Shares or Sona Shares.*

**Q: What am I voting on?**

A: If you are a Stockport Shareholder you are being asked to vote FOR the Stockport Amalgamation Resolution and the annual general meeting resolutions and if you are a Sona Shareholder you are being asked to vote FOR the Sona Amalgamation Resolution approving the Amalgamation, which provides for the amalgamation of Stockport and Sona. Through the Amalgamation, Stockport Shareholders will receive one (1) Amalco Share in exchange for every four (4) Stockport Shares held and Sona Shareholders will receive one (1) Amalco Share in exchange for every 1.5802 Sona Shares held.

**Q: When and where are the Meetings?**

A: The Meetings will take place on Thursday, April 26, 2018 at the offices of Stockport/Sona at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, at 1:00 p.m. (Halifax time) for the Sona Meeting and at 2:00 p.m. (Halifax time) for the Stockport Meeting.

**Q: Who is soliciting my proxy?**

A: Your proxy is being solicited by management of Stockport and Sona, respectively. This Joint Information Circular is furnished in connection with that solicitation. The solicitation of proxies for the Meeting will be made primarily by mail, and may be supplemented by telephone or other personal contact by the directors or officers of Stockport and Sona or other agents retained to assist in the solicitation of proxies.

**Q: Who can attend and vote at the Meeting and what is the quorum for the Meeting?**

A: Only Stockport Shareholders and Sona Shareholders of record as of the close of business on March 22, 2018, the Record Date for the Meetings, are entitled to receive notice of and to attend, and to vote at, the Stockport Meeting and Sona Meeting, respectively, or any adjournment(s) or postponement(s) of the Meetings.

The quorum for the transaction of business at the Meetings will be two Stockport Shareholders or two Sona Shareholders holding at least one-tenth of the total issued shares being present at the opening of the respective Meetings entitled to vote at the respective Meetings.

**Q: How many Shares are entitled to vote?**

A: As of March 22, 2018, there were 88,653,128 Stockport Shares and 34,821,662 Sona Shares issued and outstanding and entitled to vote at the respective Meeting. You are entitled to one vote for each Stockport Share or Sona Share that you own.

**Q: What will I receive in the Amalgamation?**

A: If the Amalgamation is completed, Stockport Shareholders will be entitled to receive consideration of one (1) Amalco Share for every four (4) outstanding Stockport Shares and Sona Shareholders will be entitled to receive consideration of one (1) Amalco Share for each 1.5802 outstanding Sona Shares held.

**Q: What vote is required at the Meetings to approve the Amalgamation Resolution?**

A: The Amalgamation Resolution must be passed by the affirmative vote of at least 66 2/3% of the votes cast at the Meetings by Stockport Shareholders and Sona Shareholders present in person or represented by proxy and entitled to vote at the Meetings.

**Q: What if I return my proxy but do not mark it to show how I wish to vote?**

A: If your proxy is signed and dated and returned without specifying your choices or is returned specifying both choices, your Stockport Shares or Sona Shares will be voted **FOR** the Amalgamation Resolution in accordance with the recommendation of the Stockport Board and the Sona Board.

**Q: When are the cut-off times for delivery of a proxy?**

A: The Stockport proxies must be delivered to Computershare Investor Services Inc., by mail to 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1 or by hand to Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the respective time of the Stockport Meeting or any adjournments thereof. The Sona proxies must be delivered to the office of Sona at 2001-1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the respective time of the Sona Meeting or any adjournments thereof. In this case, assuming no adjournments, the proxy-cut off time is 1:00 p.m. (Atlantic Standard Time) on Tuesday, April 24, 2018 for the Sona Meeting and 2:00 p.m. (Atlantic Standard Time) on Tuesday, April 24, 2018 for the Stockport Meeting.

**Q: Can I change my vote after I submitted a signed proxy?**

A: Yes.

In addition to revocation in any other manner permitted by law, a Registered Shareholder who has given a proxy may revoke it as to any matter on which a vote has not already been cast by either executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Registered Shareholder or the Registered Shareholder's authorized attorney in writing, or, if the Shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date or the notice of revocation to Stockport, or Sona, as applicable, at its office located at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, or to Computershare at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof. A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

**Q: What are the recommendations of the Directors?**

A: The Directors of Stockport and Sona unanimously recommend that Shareholders vote FOR the Amalgamation.

**Q: Why are the Directors making this recommendation?**

A: In reaching their conclusion that the Amalgamation is substantively and procedurally fair from a financial point of view to the Stockport Shareholders and the Sona Shareholders and that the Amalgamation is in the best interests of Stockport and Sona, the Directors of Stockport and Sona considered and relied upon a number of factors, including those described under the headings “The Amalgamation - Reasons for the Amalgamation”, and “Evans Valuation Report” in this Joint Information Circular.

**Q: In addition to the approval of Shareholders, are there any other approvals required for the Amalgamation?**

A: Yes, the Amalgamation is subject to the receipt of regulatory approvals. See “The Amalgamation - Conduct of Meeting and Other Approvals” in this Joint Information Circular.

**Q: Do any Directors and executive officers of Stockport or Sona have any interests in the Amalgamation that are different from, or in addition to, those of the Shareholders?**

A: The interests of the Stockport and Sona Directors are aligned with those of the Stockport Shareholders and Sona Shareholders, except that certain of the directors and officers of Stockport and Sona will form the proposed board of directors and management of Amalco.

**Q: Will the Stockport Shares continue to be listed on the TSX-V after the Amalgamation?**

A: No. When the Amalgamation is completed, former Stockport Shareholders and Sona Shareholders will hold shares of Amalco, which will be listed on the TSX-V.

**Q: Should I send my Share certificates now?**

A: You are not required to send your certificates representing Stockport Shares or Sona Shares to validly cast your vote in respect of the Stockport Amalgamation Resolution or the Sona Amalgamation Resolution. Included with this Joint Information Circular is a letter of transmittal containing instructions with respect to the deposits of certificates for Stockport Shares and Sona Shares with the Depositary for use in exchanging their Stockport Share and Sona Share certificates for certificates representing Amalco Shares. Upon return of a properly completed letter of transmittal, together with the certificates representing Stockport Shares or Sona Shares, as applicable, certificates for the appropriate number of Amalco Shares will be distributed.

**Q: When can I expect to receive consideration for my Stockport or Sona Shares?**

A: Assuming completion of the Amalgamation, if you hold your Stockport Shares or Sona Shares through an intermediary, then you are not required to take any action and the Amalco Shares will be delivered to your intermediary through the procedures in place for such purposes between CDS or similar entities and such intermediaries. If you hold your Stockport Shares or Sona Shares through an intermediary, you should contact your intermediary if you have questions regarding this process.

In the case of Registered Shareholders, a letter of transmittal containing instructions with respect to the deposits of certificates for Stockport Shares and Sona Shares is included with this Joint Information Circular for use in exchanging their Stockport Share and Sona Share certificates for certificates representing Amalco Shares promptly after the Effective Date. Upon return of a properly completed letter of transmittal, together with certificates representing Stockport Shares or Sona Shares, as applicable, certificates for the appropriate number of Amalco Shares will be distributed.

Registered Shareholders who do not deliver their Stockport Share certificates or Sona Share certificates and all other required documents to the Depositary on or before the date which is six years after the Effective Date will lose their right to receive Amalco Shares for their Stockport Shares or Sona Shares. See “Procedure for Exchange of Stockport and Sona Shares”.

**Q: How will the votes be counted?**

A: Computershare Investor Services Inc., Stockport’s transfer agent, counts and tabulates the proxies for Stockport. Proxies are counted and tabulated by the Transfer Agent in such a manner as to preserve the confidentiality of the voting instructions of Registered Shareholders subject to a limited number of exceptions. Sona will count and tabulate the proxies for Sona.

**Q: How will I know when the Amalgamation will be implemented?**

A: The Effective Date will occur upon satisfaction or waiver of all of the conditions to the completion of the Amalgamation. If the requisite level of approval is obtained at the Meetings, the Effective Date is expected to occur on or before May 31, 2018. On or about the Effective Date, Amalco will publicly announce that the conditions are satisfied or waived and that the Amalgamation has been implemented.

**Q: Are there risks I should consider in deciding whether to vote for the Amalgamation?**

A: Yes. Some of these risks include: (i) the Amalgamation Agreement may be terminated in certain circumstances, in which case the market price for Stockport Shares or Sona Shares may be adversely affected; (ii) there can be no certainty that all conditions precedent to the Amalgamation will be satisfied or waived, or as to the timing of their satisfaction or waiver; (iii) Amalco may not meet anticipated operating results following completion of the Amalgamation; and (vi) the Amalgamation may give rise to adverse tax consequences to Stockport Securityholders and Sona Securityholders. See “The Amalgamation – Amalgamation Risk Factors”.

**Q: What are the Canadian income tax consequences of the Amalgamation?**

A: A Canadian resident who holds Stockport Shares or Sona Shares as capital property will generally not realize a capital gain or capital loss for Canadian income tax purposes on the exchange of those shares under the Amalgamation for Amalco Shares.

**Stockport Shareholders and Sona Shareholders should be aware of the Canadian income tax consequences of the Amalgamation summarized under “Canadian Federal Income Tax Considerations” in this Joint Information Circular.**

For a summary of certain material Canadian income tax consequences of the Amalgamation, see “Certain Canadian Federal Income Tax Considerations”. Such summary is not intended to be legal or tax advice to any particular Shareholder. Shareholders should consult their own tax and investment advisors with respect to their circumstances.

**Q: Am I entitled to Dissent Rights?**

A: Yes. The Sona Shareholders have dissent rights in connection with the Sona Continuation under the Third Schedule of the *Companies Act* (Nova Scotia), as amended, that will be available in the event that the Sona Continuation Resolution is approved by the Sona Shareholders. The Amalgamation provides all Registered Shareholders with dissent and rights in connection with the Amalgamation that will be available in the event that the Stockport Amalgamation Resolution or Sona Amalgamation Resolution is approved by the Shareholders. **Sona Shareholders considering exercising dissent rights should seek the advice of their own legal counsel and tax and investment advisors and should carefully review the description of such rights set forth in the Joint Information Circular, and comply with the provisions of the Third Schedule of the NSCA, the full text of which is set out in Schedule “H” to this Joint Information Circular. Registered Shareholders considering exercising dissent rights should seek the advice of their own legal counsel and tax and investment advisors and should carefully review the description of such rights set forth in the Joint Information Circular, and comply with the provisions of Section 190 of the CBCA the full text of which is set out in Schedule “G” to this Joint Information Circular. See “Dissenting Registered Shareholders’ Rights” in the Joint Information Circular.**

**Q: Are there tax consequences to exercising my dissent rights?**

A: Holders of Stockport Shares and Sona Shares who duly exercise their dissent rights and whose Stockport Shares or Sona Shares are acquired by Stockport or Sona will be paid the fair value of such shares by Stockport, Sona or Amalco, as the case may be will be considered to have disposed of those shares for proceeds of disposition equal to the amount paid, other than interest awarded by the court. Such a disposition could result in a deemed dividend if the amount is paid by Stockport or Sona, as the case may be, and a gain or loss for Canadian income tax purposes, but will only result in a gain or loss if the amount is paid by Amalco. There could be a requirement for the dissenting Shareholder to pay tax even if the fair value is less than the value of the consideration offered under the Amalgamation and even if the dissenting Shareholder does not ultimately receive fair value for the shares until following the completion of the Amalgamation. See “Canadian Federal Income Tax Considerations”.

**Q: What will happen to the Stockport Shares or Sona Shares that I currently own after completion of the Amalgamation?**

A: Upon completion of the Amalgamation, certificates representing Stockport Shares will represent only the right of the Registered Shareholder to receive consideration of one (1) Amalco Share for every four (4) Stockport Shares and certificates representing Sona Shares will represent only the right of the Registered Shareholder to receive consideration of one (1) Amalco Share for every 1.5802 Sona Shares. No fractional shares will be issued, and no cash will be paid in lieu of fractional shares. Any fractional shares will be reduced to the nearest lower whole share. Trading in Stockport Shares on the TSX-V will cease and Amalco will be listed on the TSX-V.

**Q: Who can I contact if I have questions?**

A: Shareholders who have additional questions about the Amalgamation, including the procedures for voting, should contact James Megann, at (902) 482-1240. Shareholders who have questions about deciding how to vote should contact their financial, legal or professional advisors.



**STOCKPORT EXPLORATION INC.**  
Suite 2001 – 1969 Upper Water Street  
Halifax, Nova Scotia, B3J 3R7  
Tel. (902) 482-1240 Fax (902) 491-4281

**NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an annual and special general meeting (the “**Stockport Meeting**”) of shareholders also referred to as “Stockport Shareholders” of Stockport Exploration Inc. (“**Stockport**”) will be held on Thursday, April 26, 2018 at 2:00 p.m. (Halifax time) at the offices of Stockport/Sona at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, for the following purposes:

1. to receive and consider the consolidated financial statements of Stockport for the fiscal year ended October 31, 2017, together with the report of the auditors thereon;
2. to appoint as auditors for the forthcoming year, Manning Elliott LLP, at a remuneration to be fixed by the directors;
3. to elect directors to hold office until the next annual meeting of the Stockport shareholders, which shall consist of nominees that are the existing directors of Stockport;
4. to confirm Stockport’s Stock Option Plan, as required annually under the policies of the TSX Venture Exchange;
5. to consider and, if thought advisable, to pass a special resolution (the “**Stockport Amalgamation Resolution**”) approving the amalgamation of Stockport with Sona Nanotech Ltd. (“**Sona**”) to form Sona Nanotech Inc. (“**Amalco**”) and thereafter the issuance to the former Stockport Shareholders of one (1) common share of Amalco (an “**Amalco Share**”) for every four (4) common shares of Stockport (each whole share being a “**Stockport Share**”);
6. if the Stockport Amalgamation Resolution is approved, to consider and, if thought advisable, to pass an ordinary resolution approving the stock option plan to be adopted by Amalco pursuant to which the directors of Amalco may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of Amalco and its subsidiaries to a maximum of 10% of the issued and outstanding Amalco Shares at the time of grant, subject to regulatory approvals, as more fully set out in the Joint Management Information Circular of Sona and Stockport dated as of March 22, 2018 (the “**Joint Information Circular**”); and
7. to transact such other business as may properly be brought before the Stockport Meeting or any adjournment thereof.

The board of directors has fixed the close of business on March 22, 2018 as the Record Date for determining holders of Stockport Shares who are entitled to vote at the Stockport Meeting.

Registered Shareholders of Stockport Shares who are unable to be present at the Stockport Meeting are requested to date, execute and return the accompanying form of proxy to Stockport’s registrar and transfer agent, Computershare Investor Services Inc., by mail or delivery to 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, or by facsimile to 1-866-732-8683 or at [www.investorvote.com](http://www.investorvote.com) via the Internet. All proxies must be received no later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the commencement of the Stockport Meeting.

If you are a non-registered holder of Stockport Shares and received these materials through your broker or another intermediary, please complete and return the form of proxy in accordance with instructions provided to you by your broker or such other intermediary.

The enclosed form of proxy appoints nominees of management as proxy holder and you may amend the proxy, if you wish, by inserting in the space provided the name of the person you wish to represent you as proxy holder at the Stockport Meeting.

Registered holders of Stockport Shares have the right to dissent in respect of the Stockport Amalgamation Resolution and, if the Amalgamation becomes effective, to be paid the fair value of their Stockport Shares in accordance with the provisions of section 190 of the CBCA. To exercise this right, Stockport must receive from a registered holder of Stockport Shares who dissents (an “**Amalgamation Dissenting Shareholder**”) a written objection to the Stockport Amalgamation Resolution delivered by registered mail addressed to Stockport at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, at or before the Stockport Meeting, and the Amalgamation Dissenting Shareholder must have otherwise complied with the provisions of section 190 of the CBCA (which is described in the Joint Information Circular under the heading “Dissenting Registered Shareholders’ Rights” and in Schedule “G”). Failure to comply strictly with such dissent procedures may result in the loss or unavailability of any dissent rights. Please be advised that the exercise of a proxy does not constitute a written objection.

This Notice of Meeting and Information Circular is accompanied by a form of proxy.

DATED at Halifax, Nova Scotia this 22<sup>nd</sup> day of March, 2018.

**BY ORDER OF THE BOARD OF STOCKPORT EXPLORATION INC.**

(signed)

Per: James Megann  
President and Chief Executive Officer

STOCKPORT SHAREHOLDERS UNABLE TO ATTEND THE STOCKPORT MEETING ARE REQUESTED TO DATE, SIGN AND RETURN THE FORM OF PROXY IN THE ENCLOSED ENVELOPE.

**SONA NANOTECH LTD.**  
c/o Suite 2001 – 1969 Upper Water Street  
Halifax, Nova Scotia, B3J 3R7  
Tel. (902) 482-1240 Fax (902) 491-4281

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

To Holders of Common Shares:

The Special Meeting (the “**Sona Meeting**”) of the shareholders of Sona Nanotech Ltd. (“**Sona**”) will be held on Thursday, April 26, 2018 at 1:00 p.m. (Halifax time) at the offices of Stockport/Sona at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, for the following purposes:

1. to consider and, if thought advisable, to pass a special resolution (the “**Sona Continuance Resolution**”) approving the continuance of Sona from the laws of Nova Scotia under the federal laws of Canada pursuant to the *Canada Business Corporations Act*, as amended;
2. if the Sona Continuance Resolution is passed, and the Sona Continuance is effective, to consider and, if thought advisable, to pass a special resolution (the “**Sona Amalgamation Resolution**”) approving the amalgamation of Sona with Stockport Exploration Inc. (“**Stockport**”) to form Sona Nanotech Inc. (“**Amalco**”) and thereafter the issuance to the former Sona Shareholders of one (1) common share of Amalco (an “**Amalco Share**”) for every 1.5802 common shares of Sona (each whole share being a “**Sona Share**”);
3. if the Sona Amalgamation Resolution is approved, to consider and, if thought advisable, to pass an ordinary resolution approving the stock option plan to be adopted by Amalco pursuant to which the directors of Amalco may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of Amalco and its subsidiaries to a maximum of 10% of the issued and outstanding Amalco Shares at the time of grant, subject to regulatory approvals, as more fully set out in the Joint Management Information Circular of Sona and Stockport dated as of March 22, 2018 (the “**Joint Information Circular**”);
4. to transact such other business as may properly be brought before the Sona Meeting or any adjournment thereof.

The board of directors has fixed the close of business on March 22, 2018 as the Record Date for determining holders of Sona Shares who are entitled to vote at the Sona Meeting.

Registered holders of Sona Shares who are unable to be present at the Sona Meeting are requested to date, execute and return the accompanying form of proxy to Sona by mail or delivery to Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, or by facsimile to 1-902-491-4281 or to the attention of Darren Rowles, CEO via email at darren@sonanano.com. All proxies must be received no later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the commencement of the Sona Meeting.

If you are a non-registered holder of Sona Shares and received these materials through your broker or another intermediary, please complete and return the form of proxy in accordance with instructions provided to you by your broker or such other intermediary.

The enclosed form of proxy appoints nominees of management as proxy holder and you may amend the

proxy, if you wish, by inserting in the space provided the name of the person you wish to represent you as proxy holder at the Sona Meeting.

Registered holders of Sona Shares have the right to dissent in respect of the Sona Continuance Resolution and, if the Sona Continuance becomes effective, to be paid the fair value of their Sona Shares in accordance with the provisions of the Third Schedule to the *Companies Act*, c. 81, 1989, as amended, of Nova Scotia (the “NSCA”). To exercise this right, Sona must receive from a registered holder of Sona Shares who dissents (a “**Continuation Dissenting Shareholder**”) a written objection to the Sona Continuation Resolution delivered by registered mail addressed to Sona at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, at or before the Sona Meeting, and the Continuation Dissenting Shareholder must have otherwise complied with the provisions of the Third Schedule of the NSCA (which is described in the Joint Information Circular under the heading “Dissenting Registered Shareholders’ Rights” and in Schedule “H”). Failure to comply strictly with such dissent procedures may result in the loss or unavailability of any dissent rights. Please be advised that the exercise of a proxy does not constitute a written objection.

Registered holders of Sona Shares also will have the right to dissent in respect of the Sona Amalgamation Resolution and, if the Amalgamation becomes effective, to be paid the fair value of their Sona Shares in accordance with the provisions of section 190 of the CBCA. To exercise this right, Sona must receive from a registered holder of Sona Shares who dissents (an “**Amalgamation Dissenting Shareholder**”) a written objection to the Sona Amalgamation Resolution delivered by registered mail addressed to Sona at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, at or before the Sona Meeting, and the Amalgamation Dissenting Shareholder must have otherwise complied with the provisions of section 190 of the CBCA (which is described in the Joint Information Circular under the heading “Dissenting Registered Shareholders’ Rights” and in Schedule “G”). Failure to comply strictly with such dissent procedures may result in the loss or unavailability of any dissent rights. Please be advised that the exercise of a proxy does not constitute a written objection.

This Notice of Meeting and Information Circular is accompanied by a form of proxy.

DATED at Halifax, Nova Scotia, this 22<sup>nd</sup> day of March, 2018.

**BY ORDER OF THE BOARD OF DIRECTORS OF SONA NANOTECH LTD.**

(signed)

Per: Darren Rowles  
President and Chief Executive Officer

**SONA SHAREHOLDERS UNABLE TO ATTEND THE SONA MEETING ARE REQUESTED TO DATE, SIGN AND RETURN THE FORM OF PROXY IN THE ENCLOSED ENVELOPE.**

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## SUMMARY

*The following is a summary of information relating to Sona, Stockport, and Amalco (assuming completion of the Amalgamation) and should be read together with the more detailed information and financial data and statements contained elsewhere in, or otherwise incorporated by reference in, the Joint Information Circular, including the schedules hereto. Capitalized terms not otherwise defined in this Summary are defined in the Glossary of Defined Terms or elsewhere in the Joint Information Circular. This Summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere herein.*

### **The Meetings**

#### ***Date, Time and Place of Meetings***

The Sona Meeting will be held on Thursday, April 26, 2018 at 1:00 p.m. (Halifax time) at the offices of Sona at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7. The Stockport Meeting will be held on Thursday, April 26, 2018 at 2:00 p.m. (Halifax time) at the offices of Stockport at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7.

The Record Date for determining the registered shareholders for the Stockport Meeting is March 22, 2018. The Record Date for determining the registered shareholders for the Sona Meeting is March 22, 2018.

#### ***Purposes of the Sona Meeting***

This Joint Information Circular is furnished in connection with the solicitation of proxies by management of Sona for use at the Sona Meeting.

At the Sona Meeting, Sona Shareholders will be asked to consider, and if thought fit, to approve with or without variation:

- 1 a special resolution (the “**Sona Continuation Resolution**”) approving the continuance of Sona from the laws of Nova Scotia under the federal laws of Canada pursuant to the *Canada Business Corporations Act*, as amended;
- 2 if the Sona Continuation Resolution is passed, and the Sona Continuation is effective, a special resolution (the “**Sona Amalgamation Resolution**”) approving the amalgamation (the “**Amalgamation**”) under Section 181 of the *Canada Business Corporations Act*, as amended (the “**CBCA**”) among Sona and Stockport Exploration Inc. (“**Stockport**”) to form Sona Nanotech Inc. (“**Amalco**”) and thereafter the issuance to the former shareholders of Sona of One (1) common share of Amalco (an “**Amalco Share**”) for every 1.5802 Sona common shares (the “**Sona Shares**”); and
- 3 if the Sona Amalgamation Resolution is approved, an ordinary resolution approving the stock option plan to be adopted by Amalco pursuant to which the directors of Amalco may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of Amalco and its subsidiaries to a maximum of 10% of the issued and outstanding common shares of Amalco at the time of the grant, subject to regulatory approvals and such amendments as may be required by the TSX-V, as more fully set out in the Joint Information Circular.

See “The Amalgamation” and “Other Matters to be Acted Upon at the Meetings.”

***Purposes of the Stockport Meeting***

This Joint Information Circular is furnished in connection with the solicitation of proxies by management of Stockport for use at the Stockport Meeting.

At the Stockport Meeting, Stockport Shareholders will be asked to consider, and if thought fit, to approve with or without variation:

- 1 an ordinary resolution to receive and consider the consolidated financial statements of Stockport for the fiscal year ended October 31, 2017, together with the report of the auditors thereon;
- 2 an ordinary resolution to appoint as auditors for the forthcoming year, Manning Elliott LLP, at a remuneration to be fixed by the directors;
- 3 an ordinary resolution to elect the Board of Directors for the forthcoming year;
- 4 an ordinary resolution to confirm Stockport's Stock Option Plan, as required annually under the policies of the TSX-V;
- 5 a special resolution (the "**Stockport Amalgamation Resolution**") approving the Amalgamation among Stockport and Sona, to form Amalco and thereafter the issuance to the former shareholders of Stockport of one (1) Amalco Share for every four (4) Stockport common shares (the "**Stockport Shares**");
- 6 if the Stockport Amalgamation Resolution is approved, an ordinary resolution approving the stock option plan to be adopted by Amalco pursuant to which the directors of Amalco may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of Amalco and its subsidiaries to a maximum of 10% of the issued and outstanding common shares of Amalco at the time of the grant, subject to regulatory approvals and such amendments as may be required by the TSX-V, as more fully set out in the Joint Information Circular.

See "The Amalgamation" and "Other Matters to be Acted Upon at the Meetings".



## **The Amalgamation**

### *Summary*

The principal features of the Amalgamation may be summarized as follows (and are qualified in their entirety by reference to the full text of the Amalgamation Agreement):

Sona will first continue under the laws of the CBCA and then on the date (the “**Effective Date**”) (see “The Amalgamation – Effective Date and Conditions of Amalgamation”) of the Amalgamation:

- 1 Stockport and Sona will amalgamate under the CBCA to form Amalco;
- 2 Each holder of Sona Shares (other than a holder who exercises dissent rights) will be entitled to one (1) Amalco Share for every 1.5802 Sona Shares;
- 3 each holder of Stockport Shares (other than a holder who exercises dissent rights) will be entitled to one (1) Amalco Share for every four (4) Stockport Shares;
- 4 the assets of Sona and Stockport will become the assets of Amalco; and
- 5 the name of Amalco shall be “Sona Nanotech Inc.”, or such other name as approved by the TSX-V and the directors of Amalco.

For a more detailed summary of the Amalgamation Agreement see “The Amalgamation”.

### *Business of the Amalgamating Companies and Amalco*

Stockport is a mineral exploration company with its shares listed on the TSX-V (trading symbol: SPT). Sona is private life sciences company, which has developed two proprietary methods for manufacturing gold nanorods for medical diagnostics. Amalco will divest the former Stockport mineral resource properties in an orderly manner following the Amalgamation.

Upon completion of the Amalgamation, the business focus of Amalco will be the continued research and development, and commercialization of the Sona nanotechnologies. See Schedule “C”, Information Concerning Amalco.

### *Board of Directors and Management of Amalco*

Upon completion of the Amalgamation,

- (a) the board of directors of Amalco is expected to be comprised of: Daniel Whittaker, James Megann, Dr. A. Neil Smith, Robert McKay, and Zephaniah Mbugua; and
- (b) the audit committee of Amalco is expected to be comprised of: James Megann, Mr. Daniel Whittaker and Robert McKay.

The management team of Amalco is expected to be comprised of: Darren Rowles, President and Chief Executive Officer; and Robert Randall, Chief Financial Officer and Corporate Secretary.

*Available Funds and Principal Purposes of Such Funds*

The following table sets out information respecting Amalco's available funds upon completion of the Transaction.

Source of Funds	Available Funds on Completion of the Transaction
Working capital of Sona as of February 28, 2018 (estimated)	\$7,544 <sup>(1)</sup>
Working capital of Stockport as of February 28, 2018 (estimated)	\$493,736 <sup>(2)</sup>
Net proceeds from Private Placement (estimated)	\$1,825,000 <sup>(3)</sup>
Estimated remaining expenses and costs relating to the Amalgamation and Transaction	(\$100,000)
Remaining portion of first loan from Atlantic Canada Opportunities Agency	\$49,283
Committed second loan from Atlantic Canada Opportunities Agency	\$500,000
<b>Total Funds Available:</b>	<b>\$2,775,563</b>

- <sup>(1)</sup> Sona has obtained an 18-month payment deferral agreement for its outstanding amount payable to Numus Financial Inc., a private company controlled by Wade Dawe (the Managing Director is James Megann, who also indirectly controls the company), of \$396,000 for accrued management services fees. Sona's net working capital deficiency of \$388,456 has been adjusted for this deferral agreement.
- <sup>(2)</sup> Stockport has obtained four 18-month payment deferral agreements for outstanding amounts due to related parties totaling \$866,518. The fair value of the Stockport convertible debentures, estimated at \$125,705, will be settled with the issuance of shares. Stockport's net working capital deficiency of \$372,782 has been adjusted for these deferral agreements and the fair value of the convertible debenture.
- <sup>(3)</sup> A finder's fee of 7.5% cash and the issuance of finder's share purchase warrants to acquire up to 300,000 common shares at an exercise price of \$0.50 for two years from the date of completion of the Private Placement is proposed to be payable to Numus Capital Corp., an Exempt Market Dealer controlled by Wade Dawe (the Ultimate Designated Person of Numus Capital Corp. is James Megann).

The funds available to Amalco on completion of the Transaction are proposed to be used as follows:

Use of Available Funds	Amount Assuming Completion of the Transaction
General and administrative costs (12 months) <sup>(1) (2)</sup>	\$481,000
Business development budget for Amalco <sup>(1) (2)</sup>	\$210,000
Product development costs <sup>(1)(2)</sup>	\$1,850,500
Unallocated working capital	\$234,063
<b>Total:</b>	<b>\$2,775,563</b>

<sup>(1)</sup> See "Costs" in Schedule "C" Information Concerning Amalco.

<sup>(2)</sup> See "Stated Business Objectives" in Schedule "A" Information Concerning Sona.

Amalco will spend the funds available to it upon completion of the Amalgamation to further its business development, in accordance with its stated business objectives. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for Amalco to achieve its stated business objectives, or in the event it is necessary to modify them. Amalco may require additional funds in order to fulfill all of the Amalco's expenditure requirements and to meet its objectives, in which case Amalco expects to either issue additional securities or incur indebtedness. There is no assurance that additional funding required by Amalco will be available if required.

Proceeds from the exercise of any options, warrants or other rights to purchase shares of Amalco will be used for general corporate purposes.

### ***Amalco Unaudited Pro Forma Summary Financial Information***

Upon completion of the Amalgamation, Amalco is expected to have sufficient cash available to pay its operating and administrative costs for at least the next year.

The following table sets out selected unaudited pro forma financial information for Amalco, assuming completion of the Amalgamation, as of October 31, 2017, and should be considered in conjunction with the more complete information contained in the unaudited pro forma financial statements of Amalco attached as Schedule "E" to this Joint Information Circular. Unless otherwise indicated, all currency amounts are stated in Canadian dollars.

	<b>As at Oct. 31, 2017</b>
Current Assets	\$3,240,568
Non-current Assets	\$ 956,015
Total Assets	\$4,196,583
Current Liabilities	\$2,387,956
Share Capital	\$6,128,015
Deficit	(\$5,216,406)

### ***Reasons for the Amalgamation***

Sona and Stockport believe that the Amalgamation is in the best interests of their respective shareholders for numerous reasons. The business combination between Sona and Stockport was negotiated on the basis that the Sona Shareholders and Stockport Shareholders would benefit from combining Sona and Stockport's cash and businesses. It is hoped that Amalco may appeal to a wider set of investors and to the degree that investor interest is increased, is expected that the liquidity of trading in the Amalco Shares would be increased and that Amalco's trading price would consequently be less volatile than Stockport's trading prices alone.

For further information on the reasons for the Amalgamation, see "The Amalgamation – Reasons for the Amalgamation" and "The Amalgamation – Recommendations of the Directors" in the Joint Information Circular.

### ***Recommendations of the Sona and Stockport Directors***

The independent board of directors of Sona and Stockport have each determined that the Amalgamation is fair and reasonable to the Sona Shareholders and Stockport Shareholders, and in the best interests of Sona and Stockport.

The independent board of directors of Sona recommends that the Sona Shareholders vote in favour of the Sona Amalgamation Resolution. See “The Amalgamation – Recommendations of the Directors”.

The independent board of directors of Stockport recommends that the Stockport Shareholders vote in favour of the Stockport Amalgamation Resolution. See “The Amalgamation – Recommendations of the Directors”.

### ***Conditions to the Amalgamation***

Completion of the Amalgamation is subject to a number of specified conditions, including:

- 1 the approval or acceptance of the Amalgamation by the requisite majority of the Sona Shareholders and the Stockport Shareholders, and the acceptance for filing by the TSX-V; and
- 2 the Amalgamation having been effected on or before May 31, 2018 or such other date as may be mutually agreed to by the parties in writing.

See “The Amalgamation – Effective Date and Conditions of Amalgamation”.

### ***Stock Exchange Approvals***

It is a condition of closing that the Amalco Shares to be issued to the Sona Shareholders and the Stockport Shareholders, on the TSX-V and that the TSX-V shall have accepted the Amalgamation. See “The Amalgamation – Conduct of Meeting and Other Approvals” in the Joint Information Circular.

### ***Experts***

A valuation report dated February 8, 2018 was prepared by Evans & Evans, Inc. with respect to a valuation of Sona.

An auditor’s report on the financial statements of each of: (i) Sona for the ten month period ended October 31, 2017 and for the year ended December 31, 2016 (attached as Schedule “D” to the Circular); and (ii) Stockport for the year ended October 31, 2017 has been prepared by Manning Elliott LLP, Chartered Professional Accountants.

An auditor’s report on the financial statements of Stockport for the years ended October 31, 2016 and 2015 have been prepared by PricewaterhouseCoopers LLP a partnership of Chartered Professional Accountants.

See “General Matters – Experts” in the Joint Information Circular.

### ***Exchange of Certificates and Fractional Shares***

Included with this Circular is a letter of transmittal containing instructions with respect to the deposits of certificates for Sona Shares with the Depository (Computershare Investor Services Inc.) at its principal office in Toronto, Ontario, will be forwarded to the former holders of Sona Shares for use in exchanging their Sona Share certificates for certificates representing Amalco Shares promptly after the Effective Date. Upon return of a properly completed letter of transmittal, together with certificates representing Sona Shares, certificates for the appropriate number of Amalco Shares will be distributed without charge.

Included with this Circular is a letter of transmittal containing instructions with respect to the deposits of certificates for Stockport Shares with the Depository (Computershare Investor Services Inc.) at its principal office in Toronto, Ontario, will be forwarded to the former holders of Stockport Shares for use in exchanging their Stockport Share certificates for certificates representing Amalco Shares promptly after the Effective Date. Upon return of a properly completed letter of transmittal, together with certificates representing Stockport Shares, certificates for the appropriate number of Amalco Shares will be distributed without charge.

No fractional shares will be issued and no cash will be paid in lieu of fractional shares. Any fractions resulting will be rounded down to the next whole share.

### ***Cancellation of Rights After Six Years***

If a former Sona Shareholder or Stockport Shareholder fails to deliver and surrender to the Depository the former certificates representing Sona Shares or Stockport Shares together with a duly executed and completed letter of transmittal and other required documents, the certificates representing the Amalco Shares, to which the Sona Shareholder or Stockport Shareholder would otherwise have been entitled, will be held by the Depository for a maximum of six (6) years from the Effective Date.

**Upon the expiry of six (6) years from the Effective Date, each such former certificate representing Sona Shares or Stockport Shares, as the case may be, shall cease to represent a right or claim of any kind or nature and the right of such former holder of Sona Shares or Stockport Shares, as the case may be, to receive certificates representing Amalco Shares, and the Amalco Shares issued to such former Sona Shareholders or Stockport Shareholders, as the case may be, shall be deemed to be surrendered to Amalco together with all dividends or distributions thereon declared or held for such holder.**

### ***Rights of Dissent***

Stockport Shareholders have the right to dissent to the proposed Amalgamation and to be paid the fair value of their shares upon strict compliance with the provisions of applicable law. Sona Shareholders have the right to dissent to the proposed Sona Continuance or Amalgamation, or both, and to be paid the fair value of their shares upon strict compliance with the provisions of applicable law. See “Dissenting Registered Shareholders’ Rights”.

### ***Income Tax Considerations***

**Holders of Sona securities or Stockport securities should consult their own tax advisors about the applicable Canadian or United States federal, provincial, state and local tax consequences of the Amalgamation.**

#### ***Summary of Certain Canadian Federal Income Tax Considerations***

A Canadian resident who holds Stockport Share or Sona Shares as capital property and exchanges such shares for Amalco Shares under the Amalgamation will generally not recognize a capital gain or capital loss under the Tax Act in respect of the exchange unless the resident chooses to recognize a capital gain or capital loss at that time.

A non-resident who holds Stockport Shares or Sona Shares as capital property and exchanges such shares for Amalco Shares under the Amalgamation will generally not be subject to tax under the Tax Act in

respect of any capital gain realized on the exchange unless the shares are “taxable Canadian property” to such non-resident holder and not “treaty-protected property” as defined in the Tax Act.

A summary of the principal Canadian federal income tax considerations in respect of the proposed Amalgamation is included under “Canadian Federal Income Tax Considerations” and the foregoing is qualified in full by the information in such section.

#### *Other Tax Considerations*

This Joint Information Circular does not address any tax considerations of the Amalgamation other than Canadian income tax considerations discussed herein. Shareholders who are resident in jurisdictions other than Canada or whose tax considerations are not addressed in this Joint Information Circular, should consult an independent tax advisor with respect to tax implications of the Amalgamation to them. Shareholders should also consult their own tax advisors regarding provincial, territorial or state tax considerations of the Amalgamation or of receiving and holding Amalco Shares.

#### *Canadian Securities Laws Information*

The issuance under the Amalgamation of Amalco Shares to holders of Stockport Shares and Sona Shares will constitute a distribution of shares by Amalco which will be exempt from the registration and prospectus requirements of the securities legislation in all Provinces and Territories of Canada in which Registered Shareholders are resident.

Amalco Shares received pursuant to the Amalgamation by holders of Stockport Shares or Sona Shares who are resident in Canada, may be freely sold pursuant to the securities laws of Canada provided that: any person, company or combination of persons or companies holding a sufficient number of Amalco Shares to affect materially the control of Amalco will be restricted in reselling such shares pursuant to applicable securities laws; no unusual effort is made to prepare the market or to create a demand for the Amalco Shares; no extraordinary commission or other consideration is paid to a person or company in respect of the trade; and if the selling shareholder is an insider (including a senior officer) of Amalco, as the case may be, the selling shareholder has no reasonable grounds to believe that the Amalco is in default of securities legislation.

To the extent that holders of Stockport Shares or Sona Shares reside in non-Canadian jurisdictions, the Amalco Shares received by such shareholders may be subject to certain additional trading restrictions under applicable securities laws. **All such holders of Stockport Shares or Sona Shares residing outside Canada are advised to consult their own legal advisors regarding such resale restrictions.**

See “Securities Laws Considerations – Issuance and Resale of Amalco Shares under Canadian Securities Laws” in the Joint Information Circular.

#### *Risk Factors*

The Amalco Securities to be issued to the Sona Shareholders and the Stockport Shareholders pursuant to the Amalgamation are speculative and subject to a number of risk factors. Holders of Sona Shares and Stockport Shares should review carefully the risk factors set forth under “The Amalgamation – Amalgamation Risk Factors”.

***Cautionary Statement Regarding Forward-Looking Statements***

Statements contained in this Joint Information Circular that are not historical facts are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements evaluating the market and general economic conditions and discussing future-oriented costs and expenditures. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Sona, Stockport, and Amalco, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to the integration of Sona’s and Stockport’s businesses; risks related to Sona’s operations; risks associated with Sona’s potential product liabilities; the effects of changes in technologies that might affect Sona’s business plans; general economic conditions; actions by government authorities; uncertainties associated with legal proceedings and negotiations; industry supply levels; competitive pricing pressures; and misjudgments in the course of preparing forward-looking statements, as well as those factors discussed in the section entitled “The Amalgamation - Amalgamation Risk Factors” in this Joint Information Circular. Although Sona and Stockport have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking 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.

Although Stockport and Sona, where applicable, have attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. 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.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Joint Information Circular are made as of the date of this Joint Information Circular and, except as required under applicable securities laws, neither Stockport nor Sona undertakes any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise.

## **GLOSSARY OF DEFINED TERMS**

In this Joint Information Circular, the following capitalized words and terms shall have the following meanings:

<b>Amalco Options</b>	The options of Amalco deemed to be issued in exchange for the Stockport Options.
<b>Amalco</b>	The company to be formed pursuant to the Amalgamation by the amalgamation of Sona and Stockport under the name “Sona Nanotech Inc.” or such other name as may be acceptable to regulatory authorities.
<b>Amalco Securities</b>	Collectively, the Amalco Shares, Amalco Warrants and the Amalco Options.
<b>Amalco Shares</b>	The voting common shares of Amalco to be issued in exchange for the Sona Shares and Stockport Shares in accordance with the Amalgamation Agreement.
<b>Amalco Warrants</b>	The share purchase warrants of Amalco deemed to be issued in exchange for the Stockport Warrants.
<b>Amalgamating Companies</b>	Sona and Stockport.
<b>Amalgamation</b>	The proposed amalgamation of Sona and Stockport to be completed pursuant to the provisions of Section 181 of the CBCA on the terms and conditions set out in the Amalgamation Agreement and any amendments thereto or variations made in accordance with its terms and the Stockport Amalgamation Resolution or Sona Amalgamation Resolutions.
<b>Amalgamation Agreement</b>	The Amalgamation Agreement dated for reference March 22, 2018 between Sona and Stockport providing for the Amalgamation.
<b>Amalgamation Resolutions</b>	Collectively, the Sona Amalgamation Resolution and the Stockport Amalgamation.
<b>BCSC</b>	British Columbia Securities Commission.
<b>CBCA</b>	<i>Canada Business Corporations Act</i> , as amended.
<b>CEO</b>	Chief Executive Officer.
<b>CFO</b>	Chief Financial Officer.
<b>Company or Companies</b>	Sona or Stockport as the context requires and means Sona and Stockport when used in the plural.
<b>CRA</b>	Canada Revenue Agency.
<b>Depository</b>	Computershare, which will act as the depository for the exchange of the Stockport Shares and Sona Shares for the Amalco Shares pursuant to the Amalgamation.
<b>Definitive Agreement</b>	The Definitive Agreement dated for reference March 22, 2018 between Sona and Stockport providing for, among other things, the Sona Continuance and the Amalgamation.
<b>Director</b>	The Director appointed under the CBCA.



<b>Dissent Rights</b>	Collectively, the Sona Dissent Rights and the Stockport Dissent Rights.
<b>Effective Date</b>	The date shown on the Certificate of Amalgamation to be issued under the CBCA in respect of the Amalgamation.
<b>Effective Time</b>	The time, in the City of Halifax, of filing of the Amalgamation Application with the Director on the Effective Date.
<b>Exchange Act</b>	The <i>United States Securities Exchange Act of 1934</i> , as amended.
<b>Evans Valuation Report</b>	The valuation report dated February 8, 2018 delivered by Evans & Evans, Inc., Certified Business Valuators, on Sona for the independent Special Committee of the Board of Directors of Stockport in respect of the valuation of Sona.
<b>IFRS</b>	International Financial Reporting Standards
<b>ITA</b>	The <i>Income Tax Act</i> (Canada), as amended.
<b>Joint Information Circular or Circular</b>	This Joint Information Circular to be sent to the Sona Shareholders in connection with the Sona Meeting and to the Stockport Shareholders in connection with the Stockport Meeting.
<b>Letter Agreement</b>	The letter agreement dated September 15, 2017 between Sona and Stockport.
<b>Majority of the Minority Approval</b>	A simple majority of the disinterested shareholders of Stockport, being Stockport shareholders who are not director, officers, or their associates or affiliates, of Stockport.
<b>Meeting</b>	The Sona Meeting or the Stockport Meeting, as the context requires and both the Sona Meeting and the Stockport Meeting when used in the plural.
<b>NSCA</b>	The <i>Companies Act</i> , c. 81, Revised Statutes 1989, as amended, of Nova Scotia.
<b>Ordinary Resolution</b>	A resolution required to be approved by greater than 50% of the votes cast by those shareholders who (being entitled to do so) vote in person or by proxy at the Sona Meeting or the Stockport Meeting for which the appropriate notice has been given.
<b>Private Placement</b>	Means the proposed non-brokered offering of 4,000,000 common shares of Amalco at an offering price of CAD\$0.50 per share to raise gross proceeds of CAD\$2,000,000 for Amalco, immediately following the Amalgamation.
<b>Record Date</b>	March 22, 2018, being the date for determining Stockport Shareholders and Sona Shareholders entitled to receive notice of and vote at the Stockport Meeting and Sona Meeting respectively.
<b>Registered Shareholder</b>	A registered shareholder of record of either Sona Shares or Stockport Shares, as the case may be.
<b>Securities Act</b>	The Securities Act or the equivalent securities legislation of Nova Scotia, as amended.
<b>Securities Legislation</b>	The Securities Act, as now enacted or as amended, and the applicable rules, regulations, rulings, orders, instruments and forms made or promulgated under such statute, as well as the rules, regulations, by-laws and policies of the TSX-V.

<b>Shareholders</b>	Holders of Stockport Shares and Sona Shares of record on the Record Date for the Meeting
<b>Sona</b>	Sona Nanotech Ltd., a corporation existing under the NSCA.
<b>Sona Amalgamation Resolution</b>	The Special Resolution approving the Amalgamation to be voted on, with or without variation, by Sona Shareholders at the Sona Meeting, the full text of which is included as Schedule “I” to this Joint Information Circular.
<b>Sona Continuance Resolution</b>	The Special Resolution approving the Sona Continuance to be voted on, with or without variation, by Sona Shareholders at the Sona Meeting, the full text of which is included as Schedule “I” to this Joint Information Circular.
<b>Sona Dissent Rights</b>	The rights of a Sona Shareholder to dissent to either the Sona Continuance under the NSCA, or the Sona Amalgamation Resolution under the CBCA, and receive fair value for all Sona Shares held, as more particularly described under the heading “Rights of Dissenting Shareholders” and in the Third Schedule of the NSCA and Section 190 of the CBCA, as the case may be.
<b>Sona Continuance</b>	The continuance of Sona from the laws of Nova Scotia to the CBCA.
<b>Sona Meeting</b>	The special meeting of Sona Shareholders to be held at 1:00 p.m. (Halifax time) on Thursday, April 26, 2018 for the purpose of, among other things, voting on the Sona Continuance Resolution, Sona Amalgamation Resolution, and the Stock Option Plan Resolution, and any adjournment or postponement thereof.
<b>Sona Shares</b>	Voting common shares in the capital of Sona, presently existing and existing up to the completion of the Amalgamation.
<b>Sona Shareholders</b>	At the relevant time, the holders of Sona Shares.
<b>Special Committee</b>	Each of the special committees of the independent directors of each of Stockport and Sona, appointed by their respective Boards, to review and evaluate the proposed Amalgamation.
<b>Special Resolution</b>	A resolution required to be approved by not less than a two-thirds (2/3) majority of the votes cast by those shareholders who (being entitled to do so) vote in person or by proxy at the respective Sona Meeting or Stockport Meeting for which the appropriate notice has been given.
<b>Stock Option Plan Resolution</b>	The ordinary resolution approving the stock option plan for Amalco to be voted on, with or without variation: (a) by Sona Shareholders at the Sona Meeting, the full text of which is included herein under “Other Matters to be Acted Upon at the Meetings”, and (b) by Stockport Shareholders at the Stockport Meeting, the full text of which is included herein under “Other Matters to be Acted Upon at the Meetings”.
<b>Stockport</b>	Stockport Exploration Inc., a corporation existing under the CBCA.
<b>Stockport Amalgamation Resolution</b>	The Special Resolution approving the Amalgamation to be voted on, with or without variation, by Stockport Shareholders at the Stockport Meeting, the full text of which is included as Schedule “J” to this Joint Information Circular.

<b>Stockport Convertible Notes</b>	The 15% convertible promissory notes issued by Stockport in the aggregate principal amount of CAD\$295,000, and convertible into up to approximately 5,900,000 common shares of Stockport at a conversion price of \$0.05 per share until March 27, 2018 (proposed to be extended to September 27, 2019, subject to TSX-V approval); and the convertible debentures issued by Stockport with the principal and premium entitlement amounts totaling CAD\$2,514,112, and convertible into up to approximately 5,028,223 common shares of Stockport at a conversion price of \$0.50 per share until October 31, 2018.
<b>Stockport Dissent Rights</b>	The rights of a Stockport Shareholder to dissent to the Stockport Amalgamation Resolution and receive fair value for all Stockport Shares held, as more particularly described under the heading “Rights of Dissenting Shareholders” and in Section 190 of the CBCA.
<b>Stockport Meeting</b>	The special meeting of Stockport Shareholders to be held at 2:00 p.m. (Halifax time) on Thursday, April 26, 2018 for the purpose of, among other things, voting on the Stockport Amalgamation Resolution and the Stock Option Plan Resolution and any adjournment or postponement thereof.
<b>Stockport Options</b>	Existing options at March 22, 2018 granted by Stockport for the purchase of up to 3,800,000 Stockport Shares at various prices and expiring on various dates.
<b>Stockport Securities</b>	Collectively, the Stockport Shares, Stockport Options and Stockport Warrants.
<b>Stockport Securityholders</b>	At the relevant time, the holders of Stockport Securities.
<b>Stockport Shareholders</b>	At the relevant time, the holders of Stockport Shares.
<b>Stockport Shares</b>	Voting common shares in the capital of Stockport, presently existing and existing up to the completion of the Amalgamation.
<b>Stockport Warrants</b>	Existing share purchase warrants at March 22, 2018 granted by Stockport for the purchase of up to 1,196,000 Stockport Shares at an exercise price of \$0.10 and expiring on October 31, 2018.
<b>Transaction</b>	A Change of Business, as that term is defined under the policies of the TSX-V, including the Continuance, Amalgamation and Private Placement, in that order.
<b>TSX-V</b>	TSX Venture Exchange.

**STOCKPORT EXPLORATION INC.**  
Suite 2001 – 1969 Upper Water Street  
Halifax, Nova Scotia, B3J 3R7

**SONA NANOTECH LTD.**  
Suite 2001 – 1969 Upper Water Street  
Halifax, Nova Scotia, B3J 3R7

## **JOINT INFORMATION CIRCULAR**

(As at March 22, 2018 and in Canadian dollars except as indicated)

### **GENERAL PROXY INFORMATION**

#### **Solicitation of Proxies**

**This Joint Information Circular is furnished in connection with the solicitation of proxies by the management of Sona and Stockport for use at the Meetings and any adjournments thereof.**

The Companies will conduct their solicitations by mail and officers and employees of the Companies may, without receiving special compensation, also telephone or make other personal contact. The Companies will pay their respective costs of solicitation.

At the Sona Meeting, Sona Shareholders will be asked to pass the Sona Continuance Resolution and, if approved, immediately following the Sona Continuance, the Sona Amalgamation Resolution, the full text of which is included in Schedule “I” to this Joint Information Circular, and the Stock Option Plan Resolution as described herein under “Other Matters to be Acted Upon at the Meetings”.

At the Stockport Meeting, Stockport Shareholders will be asked to approve, among other things, the Stockport Amalgamation Resolution, the full text of which is included in Schedule “J” to this Joint Information Circular, and the Stock Option Plan Resolution as described herein under “Other Matters to be Acted Upon at the Meetings”.

Unless indicated otherwise, all amounts are expressed in Canadian dollars.

#### **Appointment of Proxyholder**

The individuals named in the accompanying form of proxy are officers and/or directors of Stockport or Sona. **A SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM OR HER AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY STRIKING OUT THE NAMES OF THOSE PERSONS NAMED IN THE ACCOMPANYING FORM OF PROXY AND INSERTING THE DESIRED PERSON’S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY. A Stockport proxy will not be valid unless the completed form of proxy is received by Computershare Investor Services Inc., by mail to 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, Canada M5J 2Y1, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or any adjournment thereof. Proxies delivered after that time will not be accepted. For Stockport Shareholders only, Internet and telephone voting are also available 24 hours a day, using the instructions on the proxy form. If you vote by Internet or the telephone, do not mail back the proxy.**

**If you are a Stockport Shareholder, to vote using the Internet, go to [www.investorvote.com](http://www.investorvote.com) and provide your Control Number, Holder Account Number and Access Number listed on the bottom of the proxy form.**

**To vote using the telephone, call the Toll Free number shown on the proxy form, 1-866-732-8683 and provide your Control Number, Holder Account Number and Access Number listed on the bottom of the proxy form.**

**A Sona proxy will not be valid unless the completed form of proxy is received by mail or by hand to Sona at 2001-1969 Upper Water Street, Halifax NS, B3J 3R7, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or any adjournment thereof. Proxies delivered after that time will not be accepted. If you are a Sona Shareholder, to vote using email, please email your duly completed, signed and dated proxy form to Darren Rowles, CEO, at darren@sonanano.com before the submission deadline for the Sona Meeting or any adjournment thereof.**

The proxy form must be executed by the Shareholder or his attorney authorized in writing, or if a Shareholder is a corporation, the proxy form should be signed in its corporate name under its corporate seal by an authorized officer of such corporation whose title should be indicated. A proxy form signed by a person acting as attorney or in some other representative capacity should indicate such person's capacity under his or her signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act.

Submitting a proxy by mail or by hand, or, in the case of Stockport, voting by Internet, are the only methods by which a Shareholder may appoint a person as proxy other than a director or officer of Stockport or Sona named on the form of proxy. A proxyholder that is not a management proxyholder cannot be appointed by telephone.

### **Voting By Proxy**

The Stockport Shares and Sona Shares represented by a properly executed proxy in favour of persons proposed by management as proxyholders in the accompanying form of proxy will:

- (a) be voted in accordance with the instructions of the person appointing the proxyholder on any ballot that may be taken; and
- (b) where a choice with respect to any matter to be acted upon has been specified in the form of proxy, be voted in accordance with the specification made in such proxy.

**ON A POLL, SUCH SHARES WILL BE VOTED IN FAVOUR OF EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED OR WHERE BOTH CHOICES HAVE BEEN SPECIFIED BY THE SHAREHOLDER.**

The enclosed form of proxy when properly completed and delivered and not revoked confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Joint Information Circular, the management of Stockport and Sona know of no such amendment, variation or other matter which may be presented to the Meeting.

## Completion and Return of Proxy

Each proxy must be dated and signed by the Nominee (as defined in “**Non-Registered Holders**” below) acting on behalf, of a shareholder, or by the shareholder or his/her attorney authorized in writing. In case of a corporation, the proxy must be dated and executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation.

Completed forms of proxy for Sona must be deposited at its head office located at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, or by email to Darren Rowles, CEO, at darren@sonanano.com, by not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, before the time of the Sona Meeting.

Completed forms of proxy for Stockport must be deposited at the office of its registrar and transfer agent, by mail to 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1 not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, before the time of the Stockport Meeting.

## Non-Registered Holders

The information set forth in this section is of significant importance to many holders of Stockport Shares and Sona Shares, as a substantial number of such shareholders do not hold their shares in their own name. **Only Registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders are “non-registered” shareholders because the shares they own are not registered in their names but are instead registered in the names of a brokerage firm, bank or other intermediary or in the name of a clearing agency. Shareholders who do not hold their shares in their own name (referred to herein as “Beneficial Shareholders”) should note that only Registered Shareholders may vote at the Meeting.** If common shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those common shares will not be registered in such shareholder’s name on the records of Stockport or Sona. Such common shares will more likely be registered under the name of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which company acts as nominee for many Canadian brokerage firms). Common shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the brokers’ clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Stockport Share or Sona Shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided by Stockport and Sona to the registered shareholders. However, its purpose is limited to instructing the registered shareholder (i.e. the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communication Solutions, Inc. (“**Broadridge**”). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all

instructions received and provides appropriate instructions respecting the voting of common shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote common shares directly at the Meeting. The voting instruction form must be returned to Broadridge (or instructions respecting the voting of common shares must be communicated to Broadridge) well in advance of the Meeting in order to have the common shares voted.**

All Beneficial Shareholders of Stockport Shares and Sona Shares can expect to be contacted by Broadridge or their brokers or their broker's agents as set out above.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the common shares in that capacity. **Beneficial shareholders who wish to attend the Meeting and indirectly vote their common shares as proxyholder for the registered shareholder should enter their own names in the blank space on the proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to Shareholders in this Joint Information Circular and the accompanying form of Proxy and Notice of Meeting are to Shareholders of record unless specifically stated otherwise.

### **Revocability of Proxy**

In addition to revocation in any other manner permitted by law, a Registered Shareholder who has given a proxy may revoke it as to any matter on which a vote has not already been cast by either executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Registered Shareholder or the Registered Shareholder's authorized attorney in writing, or, if the Shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date or the notice of revocation to the registered and records office of Stockport or Sona located at Stockport/Sona at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof. A revocation of a proxy will not affect a matter on which a vote is taken before the revocation

### **Principal Holders of Voting Securities**

To the knowledge of the directors and the executive officers of Sona, as at the date hereof, no person or company beneficially owns, directly or indirectly, or controls or directs, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of Sona, with the exception of the following:

<b>Name</b>	<b>Number of Sona Shares Held</b>	<b>Percentage of Issued Sona Shares</b>
Wade Dawe	6,800,000 <sup>(1)</sup>	19.5%

<sup>(1)</sup> Of Mr. Dawe's Sona Common Shares, 2,050,000 are held indirectly through Numus Financial Inc. and 4,750,000 shares are held indirectly by Brigus Capital Inc. Brigus Capital Inc. and Numus Financial Inc. are private companies controlled by Mr. Dawe. The Managing Director of Numus Financial Inc. is James Megann, who also indirectly controls the company.

To the knowledge of the directors and the officers of Stockport, at the date hereof, no person holds, directly or indirectly, or has control or direction over more than ten (10%) percent of the outstanding common shares of Stockport.

## **MEETING MATTERS**

### **Time, Date and Place**

The Sona Meeting will be held on Thursday, April 26, 2018 at 1:00 p.m. (Halifax time) at the offices of Stockport/Sona at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7. The Stockport Meeting will be held on Thursday, April 26, 2018 at 2:00 p.m. (Halifax time) at the offices of Stockport/Sona at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7.

### **Record Date and Voting of Shares**

Stockport has set March 22, 2018 as the Record Date for the Stockport Meeting. Only shareholders of record as at that date are entitled to receive notice of and to vote at the Stockport Meeting unless after that date a shareholder of record transfers his shares and the transferee, upon producing properly endorsed certificates evidencing such common shares or otherwise establishing that he owns such shares, requests not later than ten days prior to the date of the Stockport Meeting that the transferee's name be included in the list of shareholders entitled to vote, in which case, such transferee shall be entitled to vote such shares at the Stockport Meeting.

Stockport is authorized to issue an unlimited number of common shares without par value, of which 88,653,128 common shares are issued and outstanding as of the close of business on March 22, 2018. Each issued and outstanding common share of Stockport confers upon its holder the right to one vote.

Sona has set March 22, 2018 as the Record Date for the Sona Meeting. Only shareholders of record as at that date are entitled to receive notice of and to vote at the Sona Meeting unless after that date a shareholder of record transfers his shares and the transferee, upon producing properly endorsed certificates evidencing such common shares or otherwise establishing that he owns such shares, requests not later than ten days prior to the date of the Sona Meeting that the transferee's name be included in the list of shareholders entitled to vote, in which case, such transferee shall be entitled to vote such shares at the Sona Meeting.

Sona is authorized to issue an unlimited number of common shares without par value, of which 34,821,662 common shares were issued and outstanding as of the close of business on March 22, 2018. Each issued and outstanding common share of Sona confers upon its holder the right to one vote.

### **Matters to be Considered**

At the Sona Meeting, Sona Shareholders will be asked to consider, and if thought fit, to approve:

- 1 the Sona Continuance Resolution approving the Sona Continuance under the CBCA;
- 2 if the Sona Continuance Resolution is passed, and the Sona Continuance is effective, the Sona Amalgamation Resolution approving the Amalgamation under Section 181 of the CBCA between Sona and Stockport; and



- 3 if the Sona Amalgamation Resolution is passed, an ordinary resolution approving the stock option plan to be adopted by Amalco pursuant to which the directors of Amalco may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of Amalco and its subsidiaries to a maximum of 10% of the issued and outstanding common shares of Amalco at the time of the grant, subject to regulatory approvals and such amendments as may be required by the TSX-V.

as more fully set out in the Joint Information Circular.

See “The Amalgamation” and “Other Matters to be Acted Upon at the Meetings”.

At the Stockport Meeting, Stockport Shareholders will be asked to consider, and if thought fit, to pass:

- 1 an ordinary resolution to receive and consider the consolidated financial statements of Stockport for the fiscal year ended October 31, 2017, together with the report of the auditors thereon;
- 2 an ordinary resolution to appoint as auditors for the forthcoming year, Manning Elliott LLP, at a remuneration to be fixed by the directors;
- 3 an ordinary resolution to elect the Board of Directors for the forthcoming year;
- 4 an ordinary resolution to confirm Stockport’s Stock Option Plan, as required annually under the policies of the TSX-V;
- 5 the Stockport Amalgamation Resolution approving the Amalgamation under Section 181 of the CBCA between Sona and Stockport; and
- 6 if the Stockport Amalgamation Resolution is approved, an ordinary resolution approving the stock option plan to be adopted by Amalco pursuant to which the directors of Amalco may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of Amalco and its subsidiaries to a maximum of 10% of the issued and outstanding common shares of Amalco at the time of the grant, subject to regulatory approvals and such amendments as may be required by the TSX-V.

as more fully set out in the Joint Information Circular.

### **Quorum and Votes Required for Certain Matters**

The presence of two persons holding at least one-tenth of the issued and outstanding Sona Shares entitled to vote at the Sona Meeting as shareholders will constitute a quorum for the Sona Meeting. The presence of two persons entitled to vote at the Stockport Meeting as shareholders will constitute a quorum for the Stockport Meeting.

### **Interest of Informed Persons in Material Transactions**

For the purposes of this section, the term “informed person”, as defined in National Instrument 51-102 *Continuous Disclosure Obligations*, means:

- (a) a director or executive officer of a reporting issuer;

- (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of a reporting issuer;
- (c) any person or company who beneficially owns, directly or indirectly, voting securities of a reporting issuer or who exercises control or direction over voting securities of a reporting issuer or a combination of both carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the reporting issuer other than voting securities held by the person or company as underwriter in the course of a distribution; and
- (d) a reporting issuer that has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

### *Sona*

Since the commencement of Sona's last completed financial year, other than as disclosed elsewhere herein, no informed person of Sona, any proposed director of Sona or any associate or affiliate of any informed person or proposed director has any material interest, direct or indirect, in any transaction or in any proposed transaction which has materially affected or would materially affect Sona or its subsidiaries, except as described below.

James Megann, Daniel Whittaker, Robert McKay, A. Neil Smith and Zephaniah Mbugua are the proposed directors of Amalco, and together with Darren Rowles as President and CEO and Robert Randall as CFO and Corporate Secretary, will form the proposed management team for Amalco upon completion of the Amalgamation. These persons currently hold securities of Sona or Stockport or both (see "Insider Holdings of Securities of Sona and Stockport" below), and may benefit from any increase in value of those securities as a result of the Amalgamation. The proposed directors and officers may be granted options to purchase shares of Amalco under Amalco's stock option plan and may receive compensation for management or consulting services which they may provide in the future to Amalco.

### *Stockport*

Since the commencement of Stockport's last completed financial year, other than as disclosed elsewhere herein, no informed person of Stockport, any proposed director of Stockport or any associate or affiliate of any informed person or proposed director has any material interest, direct or indirect, in any transaction or in any proposed transaction which has materially affected or would materially affect Stockport or its subsidiary, except as described below.

James Megann, Daniel Whittaker, Robert McKay, A. Neil Smith and Zephaniah Mbugua are the proposed directors of Amalco, and together with Darren Rowles as President and CEO and Robert Randall as CFO and Corporate Secretary, will form the proposed management team for Amalco upon completion of the Amalgamation. These persons currently hold securities of Sona or Stockport, or both (see "Insider Holdings of Securities of Sona and Stockport" below) and may benefit from any increase in value of those securities as a result of the Amalgamation. The proposed directors and officers may be granted options to purchase shares of Amalco under Amalco's stock option plan and may receive compensation for management or consulting services which they may provide in the future to Amalco.

### Insider Holdings of Securities of Sona and Stockport

The following table sets forth the holdings by directors, senior officers and other insiders of Sona of securities of Stockport and Sona, and the holdings by directors, senior officers and other insiders of Stockport of securities of Sona and Stockport as at March 22, 2018:

Name and Position with Sona and/or Stockport	No. of Sona Shares	No. of Stockport Shares	No. of Stockport Warrants	No. of Stockport Options <sup>(1)</sup>	No. of Amalco Shares to be held following Amalgamation
<b>James Megann</b> Director of Sona; President and CEO of Stockport	2,625,000 <sup>(2)</sup>	1,369,000 <sup>(2)</sup>	Nil	500,000	2,003,432
<b>Wade Dawe</b> Director of Sona	6,800,000 <sup>(3)</sup>	7,132,169	Nil	550,000	6,086,292
<b>Gerrard Marangoni</b> Secretary and Director of Sona	3,000,000	Nil	Nil	Nil	1,898,493
<b>Darren Rowles</b> President and CEO of Sona	Nil	Nil	Nil	Nil	Nil
<b>Robert McKay</b> Director of Stockport	250,000	1,634,000	Nil	550,000	566,707
<b>Carl Sheppard</b> Director of Stockport	50,000 <sup>(5)</sup>	869,000	Nil	600,000	296,260
<b>Zephaniah Mbugua</b> Director of Stockport	Nil	1,222,766 <sup>(4)</sup>	Nil	500,000	305,691
<b>Robert Randall</b> CFO of Stockport and Sona	Nil	350,000	Nil	400,000	87,500
<b>Kulbir Singh</b> Insider (former director of Sona)	3,000,000	Nil	Nil	Nil	1,898,493

<sup>(1)</sup> New Amalco Options may be granted to the directors and officers following the completion of the Transaction.

<sup>(2)</sup> Mr. Megann's Sona Shares are held indirectly through John St. Capital Inc., a private company controlled by Mr. Megann. Of Mr. Megann's Stockport Shares, 1,119,000 are held personally and 250,000 are held indirectly through John St. Capital Inc.

<sup>(3)</sup> Of Mr. Dawe's Stockport Shares, 3,148,811 shares are held personally, 2,744,559 are held indirectly through Kelligrew Inc., and 1,238,799 shares are held indirectly through Brigus Capital Inc. Of Mr. Dawe's Sona shares, 4,750,000 shares are held indirectly through Brigus Capital Inc. and 2,050,000 are held indirectly by Numus Financial Inc. Kelligrew Inc., Brigus Capital Inc. and Numus Financial Inc. are private companies controlled by Mr. Dawe. The Managing Director of Numus Financial Inc. is James Megann, who also indirectly controls the company.

<sup>(4)</sup> Mr. Mbugua holds his Stockport shares through Direct Investments Company Limited, a Kenyan company.

<sup>(5)</sup> Mr. Sheppard owns his shares of Sona through Strategic Concepts Inc., a company of which he is President and Managing Partner.

### THE SONA CONTINUATION

As a condition precedent to the proposed Amalgamation, because Sona is a Nova Scotian company, it must first continue under the federal laws of Canada, and become governed by the CBCA. Accordingly, before presenting the Sona Shareholders with the Sona Amalgamation Resolutions, at the Sona Meeting Sona Shareholders will be asked to approve the Sona Continuance Resolution, the text of which is set out in Schedule "I".

## THE AMALGAMATION

### Approval of Stockport Amalgamation Resolution and Sona Amalgamation Resolutions

At the Sona Meeting, assuming the Sona Continuance Resolution is passed, Sona Shareholders will be asked to approve the Sona Amalgamation Resolutions, the text of which is set out in Schedule "T". At the Stockport Meeting, Stockport Shareholders will be asked to approve the Stockport Amalgamation Resolution, the text of which is set out in Schedule "J".

### Background of the Amalgamation

The Amalgamating Companies have expressed their intention to amalgamate and continue as one corporation under the federal laws of Canada. In order to effect the Amalgamation as proposed, upon the recommendations of their respective Special Committee, the Boards of Directors of Sona and Stockport have unanimously agreed that, conditional upon the Sona Shareholders approval of the Sona Continuance, and the Shareholders and TSX-V approval of the proposed Amalgamation, the Amalgamating Companies would take the necessary steps to amalgamate pursuant to the provisions of the CBCA.

Each of the Amalgamating Companies has determined that the Amalgamation is in the best interests of its Shareholders.

In considering the proposed Amalgamation, the Amalgamating Companies engaged legal counsel to, among other things, discuss the general nature of the proposed transaction, provide the Boards of Directors of each Amalgamating Company with advice concerning their duties in respect of the proposed transaction, and to assist the Boards of Directors in discharging such duties. The legal counsels for the Amalgamating Companies also outlined the legal duties and responsibilities of Special Committees, the Amalgamating Companies, and other persons in considering and effecting the proposed Amalgamation.

As Sona and Stockport have directors and members of management in common, each of the Amalgamating Companies formed an independent Special Committee of its Board to negotiate and consider the terms of the proposed Amalgamation. The Sona independent Special Committee was comprised of Wade Dawe and Gerrard Marangoni. The Stockport independent Special Committee was comprised of Carl Sheppard and Robert McKay. As a publicly listed corporation, the independent Special Committee of Stockport engaged a qualified independent financial advisor, Evans & Evans, Inc. to assist in its deliberations. The mandate of Evans & Evans, Inc. included providing an evaluation of Sona. Stockport engaged the services of Evans & Evans, Inc., certified business valuers, to prepare the Evans Valuation Report.

In addition to reviewing the Evans Valuation Report, the independent Special Committee and Board of Directors of each Amalgamating Company also met formally and informally on a number of occasions to consider the proposed Amalgamation and certain matters related thereto including to discuss the advice provided by legal counsel; to examine the business and financial condition of each of the Amalgamating Companies; to consider the proposed terms and conditions of the Amalgamation; and to review all other documents and information that the Board of Directors, in consultation with legal counsel, considered relevant in order to make a recommendation to its Shareholders.

Through this deliberation and consultation process, each of independent Special Committees recommended, and the Board of Directors of each of the Amalgamating Companies unanimously determined, that there are reasonable grounds for believing that: (i) each Amalgamating Company is and Amalco will be able to pay its liabilities as they become due; (ii) the realizable value of Amalco's assets will not be less than the aggregate of its liabilities and stated capital of its share capital; (iii) no creditor

will be prejudiced by the Amalgamation; and (iv) no minority shareholders will be adversely affected or unfairly prejudiced by the Amalgamation.

Based on the above considerations and the fact that there will be no change of control following the Amalgamation, the Board of Directors of each of Sona and Stockport is unanimously recommending that Sona Shareholders and Stockport Shareholders vote in favour of each of the resolutions set forth in this Joint Information Circular.

Note that the foregoing list of factors considered by the independent Special Committee and Board of Directors of each Amalgamating Company is not intended to be exhaustive. In view of the number of factors considered in connection with the evaluation of the Amalgamation and other related matters, the Board of Directors did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weight to specific factors in reaching its determinations. In addition, different members of the Board of Directors may have given different weight to different factors.

### **Amalgamation Agreement and Definitive Agreement**

#### ***General***

The Amalgamating Companies entered into the Amalgamation Agreement, which is dated for reference as of March 22, 2018. Pursuant to the Amalgamation Agreement, on the effective date of the Amalgamation, Stockport and Sona will amalgamate pursuant to the provisions of the CBCA. The Amalgamation Agreement includes the following terms and conditions:

1. The name of Amalco shall be “Sona Nanotech Inc.” or such other name as approved by the TSX-V and the directors of Amalco;
2. The unissued shares of each of the Amalgamating Companies will be cancelled;
3. The authorized capital of the Amalco shall consist of an unlimited number of common shares without par value;
4. On the Effective Date of the Amalgamation, each Stockport Shareholder (other than an Stockport Shareholder who exercised Stockport Dissent Rights) will receive one (1) Amalco Share for every four (4) Stockport Shares held; and each Sona Shareholder (other than a Sona Shareholder who exercised Sona Dissent Rights) will receive one (1) Amalco Shares for every 1.5802 Sona Shares held;
5. The Articles of Amalgamation and By-laws of Amalco are as set out in Schedules “A” and “B” of the Amalgamation Agreement;
6. The first directors of Amalco will be James Megann, Daniel Whittaker, Robert McKay, A. Neil Smith and Zephaniah Mbugua; and
7. The first officers of Amalco will be Darren Rowles as President and Chief Executive Officer, and Robert Randall as Chief Financial Officer and Corporate Secretary.

In the Definitive Agreement, the Amalgamating Companies also provide representations and warranties to one another regarding certain customary commercial matters, including corporate, legal and other matters, relating to their respective affairs. All expenses incurred in connection with the Amalgamation and the transactions contemplated thereby will be shared equally.

Under the Definitive Agreement, Sona has agreed to seek the approval of its shareholders to the Sona Continuance, and the Amalgamation Agreement and the transactions contemplated thereunder. Once continued under the CBCA, Sona must obtain the approval of its shareholders to the Amalgamation by Special Resolution. Sona has agreed to use all reasonable commercial efforts to obtain all necessary shareholder and regulatory approvals.

Under the Definitive Agreement, Stockport has agreed to seek the approval of its shareholders to the Amalgamation Agreement and the transactions contemplated thereunder. Under the CBCA, Stockport must obtain the approval of its shareholders to the Amalgamation by Special Resolution, as well as Majority of the Minority Approval under National Instrument 61-101, *Protection of Minority Security Holders in Special Transactions*, since the Amalgamation will be a business combination. Stockport has agreed to use all reasonable commercial efforts to obtain all necessary shareholder and regulatory approvals

Until the closing of the Amalgamation, the Companies have each agreed, among other things, to conduct their respective businesses in the ordinary course, consistent with existing practice, and not to incur any obligation, expenditures or liability, other than those relating to the maintenance of their corporate existence, the Sona Continuance, Amalgamation and the Meeting, except with the written consent of other parties.

In addition to their other covenants under the Definitive Agreement, each of Stockport and Sona have agreed that until completion of the Amalgamation they will not solicit, encourage, accept or approve any bids from any firm, person, corporation or other entity relating to the sale or transfer of the assets or business initiate, assist, facilitate, promote or knowingly encourage the initiation of proposals or offers from, entertain or enter into negotiations with, any person other than the other party hereto, with respect to any amalgamation, merger, consolidation, restructuring, sale of any material assets or part thereof of it, unless such action is necessary to carry on the business of the issuer in the ordinary course or required as a result of the duties of the directors and officers of the relevant company.

### ***Termination***

The Definitive Agreement may be terminated at any time prior to the Effective Date, in the circumstances specified in the Definitive Agreement, including: (a) in the event the conditions precedent of the Definitive Agreement are not fulfilled, performed or waived by the party to whom they are of benefit by May 31, 2018; (b) by mutual agreement; (c) by one of the parties if the Sona Continuance, Amalgamation and Financing does not become effective on or before May 31, 2018; and (d) the Sona Shareholders fail to approve the Sona Amalgamation Resolution or the Stockport Shareholders fail to approve the Stockport Amalgamation Resolution.

### ***Amendment***

Each of the Amalgamating Companies may, by a resolution of their respective directors, assent to any alteration or modification of the Amalgamation Agreement which the shareholders of the respective companies, the Registrar under the CBCA may require and all alterations or modifications so assented to shall be binding upon the Amalgamating Companies.

## **Effective Date and Conditions of Amalgamation**

### ***Effective Date***

If the Sona Continuance Resolution is passed by Special Resolution and the Form 11 (CBCA) Articles of Continuance filed with the Director under the CBCA, and the Sona Amalgamation Resolution and the Stockport Amalgamation Resolution are passed approving the Amalgamation, every requirement of the CBCA relating to the Amalgamation has been complied with and all other conditions disclosed below are met, the Amalgamation will become effective on the date (the “**Effective Date**”) of the filing with the Director under the CBCA of a Form 9 (CBCA) – Articles of Amalgamation and such other documents as may be required by the Director.

### ***Mutual Conditions Precedent***

The completion of the Amalgamation is subject to certain conditions precedent which are for the mutual benefit of Stockport and Sona which include, but are not limited to:

1. The Amalgamation Agreement shall have been approved by Special Resolutions passed at special meetings of the Shareholders of the Amalgamating Companies, called and held in accordance with the provisions of the CBCA and applicable securities laws;
2. The Amalgamating Companies shall not have received notices of dissent with respect to the Amalgamation from Sona Shareholders and Stockport Shareholders who collectively hold more than 5% of the issued common shares of the Amalgamating Companies, on a combined basis;
3. the Form 11-Articles of Continuance and Form 9 – Articles of Amalgamation, and other documents as are required shall have been delivered to the Director under the CBCA for registration;
4. the Amalgamation Agreement shall not have been terminated in accordance with the terms thereof;
5. there shall not be in force any order or decree restraining or enjoining the consummation of the Amalgamation;
6. the Amalgamation shall have been effected on or before May 31, 2018 or such other date as may be mutually agreed to by Amalgamating Companies in writing; and
7. Amalco, upon completion of the Amalgamation, shall meet the minimum listing requirements of the TSX-V and the TSX-V shall have, prior to the Effective Date, issued its approval of the Amalgamation.

### ***Stockport’s Conditions Precedent***

The obligations of Stockport to complete the Transaction is subject to the satisfaction on or before the closing date of the Transaction of certain conditions precedent which are for the sole benefit of Stockport, which include, but are not limited to:

1. that each of the acts and undertakings of Sona to be performed on or before the closing date of the Transaction pursuant to the terms of the Definitive Agreement has been duly performed and there has been no material breach of such terms by Sona;

2. Sona has furnished Stockport with certified copies of the resolutions duly passed by the board of directors of Sona approving the Definitive Agreement and the consummation of the transactions contemplated therein;
3. Sona has furnished Stockport with certified copies of the resolutions duly passed by the Sona Shareholders approving the Sona Continuance and the Definitive Agreement and the consummation of the transactions contemplated therein;
4. no change, fact or circumstance has occurred in the affairs, operations or business of Sona, from and after the date hereof to and including the closing date of the Transaction which, in Stockport's reasonable opinion, is materially adverse to Stockport's interest in proceeding with the Transaction;
5. except as affected by the transactions contemplated by the Definitive Agreement, the representations and warranties of Sona contained in the Definitive Agreement are true in all material respects immediately prior to the closing date of the Transaction with the same effect as though such representations and warranties had been made at and as of such time and Stockport has received a certificate to that effect from an officer of Sona, acting solely on behalf of Sona and not in his personal capacity, certifying that to the best of his information and belief having made reasonable inquiry and having no knowledge to the contrary;
6. there has been no material breach of the terms of the Definitive Agreement by Sona; and
7. Stockport shall be provided with evidence of the Sona Continuance out of Nova Scotia issued by the jurisdiction of incorporation of Sona.

***Sona's Conditions Precedent***

The obligations of Sona to complete the Transaction is subject to the satisfaction on or before the closing date of the Transaction of certain conditions precedent which are for the sole benefit of Sona, which include, but are not limited to:

1. that each of the acts and undertakings of Stockport to be performed on or before the closing date of the Transaction pursuant to the terms of the Definitive Agreement has been duly performed and there has been no material breach of such terms by Stockport;
2. Stockport has furnished Sona with certified copies of the resolutions duly passed by the board of directors of Stockport approving the Definitive Agreement and the consummation of the transactions contemplated therein;
3. Stockport has furnished Sona with certified copies of the resolutions duly passed by the Stockport Shareholders approving the Definitive Agreement and the consummation of the transactions contemplated therein;
4. no change, fact or circumstance has occurred in the affairs, operations or business of Stockport, from and after the date hereof to and including the closing date of Transaction which, in Sona's reasonable opinion, is materially adverse to Sona's interest in proceeding with the Transaction;
5. except as affected by the transactions contemplated by the Definitive Agreement, the representations and warranties of Stockport contained in the Definitive Agreement are true in all material respects immediately prior to the closing date of the Transaction with the same effect as though such representations and warranties had been made at and as of such time and Sona has



received a certificate to that effect from an officer of Stockport, acting solely on behalf of Stockport and not in his personal capacity, certifying that to the best of his information and belief having made reasonable inquiry and having no knowledge to the contrary;

6. there has been no material breach of the terms of the Definitive Agreement by Stockport;
7. Sona shall be provided with a certificate of compliance issued by the Director regarding the Amalgamation.

### **Effect of the Amalgamation Upon Shareholders**

As a result of the Amalgamation, Sona Shareholders will receive one (1) Amalco Share for every 1.5802 Sona Shares held and Stockport Shareholders will receive one (1) Amalco Share for every four (4) Stockport Shares held.

Amalco will hold all of the assets and liabilities of Sona and Stockport, including the Stockport Convertible Notes. It is expected that the issued capital of Amalco following completion of the Amalgamation will consist of approximately 44,199,520 Amalco Shares. Except for the Stockport Convertible Notes, no options, warrants or other convertible securities of Amalco will be outstanding other than Amalco Options and Amalco Warrants. On such a basis, the former Sona Shareholders will own approximately 50% of Amalco, and the former Stockport Shareholders will own approximately 50% of Amalco.

See Schedule “C” Information Concerning Amalco for disclosure about the operations of Amalco.

### **Reasons for the Amalgamation**

Pursuant to the Letter Agreement, Sona and Stockport agreed that:

- 1 they would amalgamate to form Amalco;
- 2 holders of Sona Shares would receive one (1) Amalco Share for every 1.5802 Sona Shares held; and
- 3 holders of Stockport Shares would each receive one (1) Amalco Share for every four (4) Stockport Shares held.

The parties subsequently entered into the Definitive Agreement and the Amalgamation Agreement. The business combination between Sona and Stockport pursuant to the Definitive Agreement was negotiated on the basis that the shareholders of the respective companies would benefit from the combination of the cash of Sona and Stockport and the business of Sona, as well as the reduced administrative and regulatory costs of operating one rather than two companies.

Stockport is a mineral exploration company with its shares listed on the TSX-V - trading symbol SPT). Stockport has interests in various mineral exploration properties, and estimated working capital of about \$493,736 (as at February 28, 2018). See “The Amalgamation – Amalgamation Agreement”. There are 88,653,128 issued Stockport Shares, plus 3,800,000 Stockport Options at various exercise prices ranging from \$0.04 per share to \$0.07 per share, and 1,196,000 Stockport Warrants exercisable at \$0.10 per share. Stockport also has liabilities under the Convertible Debentures and the Convertible Notes, which may be converted into up to an estimated additional 10,928,223 Stockport Shares. Stockport has two subsidiaries,

6321593 Canada Inc. and Minera Zapoteca, S.A. de C.V.

Sona is a life sciences research and development company, which has developed two proprietary methods for manufacturing gold nanorods for medical diagnostics. Sona has estimated working capital of about \$7,544 (as at February 28, 2018). There are 34,821,662 issued Sona Shares and no outstanding stock options or share purchase warrants. Sona has no subsidiaries.

The mineral property interests currently held by Stockport will be divested by Amalco in an orderly manner after the completion of the Amalgamation. These properties will be considered inventory properties that can be joint ventured or sold by Amalco depending on future economic and market conditions.

### **Recommendations of the Directors**

#### *Sona*

**The Special Committee of Sona has reviewed the terms and conditions of the Amalgamation Agreement and the transactions contemplated thereunder and has concluded that the Amalgamation is fair to the Sona Shareholders from a financial point of view and in the best interests of Sona. The independent member of the board of directors of Sona therefore recommends that the Sona Shareholders vote in favour of the Sona Continuance Resolution and the Amalgamation Resolution, and any other related resolutions proposed by the board of directors of Sona as set out in the Notice of Meeting.**

#### *Stockport*

**The Special Committee of Stockport has reviewed the terms and conditions of the Amalgamation Agreement and the transactions contemplated thereunder and has received the Evans Valuation Report, and has concluded that the Amalgamation is fair to the Stockport Securityholders from a financial point of view and in the best interests of Stockport. The board of directors of Stockport therefore recommends that the Stockport Shareholders vote in favour of the Stockport Amalgamation Resolution and any related resolutions proposed by the board of directors as set out in the Notice of Meeting.**

In arriving at its conclusion, the Special Committees and board of directors of each of Sona and Stockport considered, among other matters:

- (a) the benefits of combining the Amalgamating Companies' cash and assets;
- (b) The elimination of duplicate administrative and regulatory costs of operating two companies;
- (c) information with respect to the financial condition, business and operations, on both a historical and prospective basis, of Sona and Stockport including information in respect of Sona and Stockport on a pro forma consolidated basis;
- (d) the procedures by which the Amalgamation is to be approved;
- (e) the tax treatment of Sona Shareholders and Stockport Shareholders under the Amalgamation;
- (f) the availability of rights of dissent to Sona Shareholders and Stockport Shareholders with respect to the Amalgamation;

- (g) the management groups and technical teams of Sona and Stockport;
- (h) the Evans Valuation Report;
- (i) that after the Amalgamation, Amalco will have a significant asset base, and greater combined capitalization and liquidity;
- (j) that through greater size and diversity, Amalco will have greater exposure to potential investment opportunities; and
- (k) that Amalco may have enhanced share trading liquidity.

The Special Committee and board of directors of Sona also identified certain disadvantages associated with the Definitive Agreement and the transactions contemplated thereunder, including the fact that the Sona Shareholders after the Amalgamation will be subject to:

- (a) dilution of their interest in Sona;
- (b) the risk factors applicable to Amalco. See “The Amalgamation - Amalgamation Risk Factors”; and
- (c) the possibility that there may be adverse tax consequences to certain holders of securities of Sona. See “Canadian Federal Income Tax Considerations”.

The Special Committee and board of directors of Stockport also identified certain disadvantages associated with the Definitive Agreement and the transactions contemplated thereunder, including the fact that the Stockport Securityholders after the Amalgamation will be subject to:

- (a) dilution of their interest in Stockport;
- (b) the risk factors applicable to Sona and Amalco. See “The Amalgamation - Amalgamation Risk Factors”; and
- (c) the possibility that there may be adverse tax consequences to certain holders of securities of Stockport. See “Canadian Federal Income Tax Considerations”.

### **Amalgamation Risk Factors**

There are inherent risks in the business of Amalco. The business of Stockport and Sona and, upon completion of the Amalgamation, the business of Amalco must be considered highly speculative due to uncertainty relating to completion of the Amalgamation, the nature of the Property, and Amalco’s relatively early stage of development. Shareholders must rely on the ability, expertise, judgment, discretion, integrity and good faith in management of Amalco. There is no guarantee that Amalco will be able to secure future financing to meet its future needs on reasonable terms. The business of Amalco will be subject to certain operating risks and hazards which are beyond its control.

In addition to the other information in this Joint Information Circular, an investor should carefully consider each of, and the cumulative effect of, the following risk factors:

### *Completion of the Amalgamation*

The completion of the Amalgamation Transaction is subject to several conditions under the Amalgamation Agreement. See “The Amalgamation – Effective Date and Conditions of Amalgamation”. If any of those conditions are not satisfied or waived, the Amalgamation may not be completed which will result in Stockport and Sona continuing operations as separate public companies with significant duplication of administrative costs.

### *Limited Liquidity, Need for Additional Financing and Uncertainty of Such Financing*

Current financial resources are able to fund Amalco’s operations. However, Amalco will require additional financing to conduct its business operations and fund corporate costs that are beyond the current financial resources. There is no assurance that Amalco will be successful in obtaining the required financing either through issuance of common shares, divestment of properties or partnerships. A lack of financing would cause Amalco to postpone its business development plans, reduce its technical staff, and could necessitate reducing operations and/or will cause going concern issues for Amalco.

### *Political and Economic Changes*

Amalco’s activities may be affected by changes in political and economic conditions, government regulations relating to the industry in which it operates and foreign investment therein. Any changes in regulations or shifts in political conditions are beyond the control of Amalco and may adversely affect its business.

### *Uninsurable Risks*

Amalco may become subject to liability for product liability or other risks against which it cannot insure or against which it may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce the funds available for business activities. Payment of liabilities for which Amalco does not carry insurance may have a material adverse effect on the financial position of Amalco.

### *Foreign Currency*

Amalco may have operations in the United States, and may incur certain expenses in U.S. currency. This renders Amalco subject to foreign currency fluctuations which may materially change Amalco’s financial position and results.

### *Reliance on Management*

Amalco will carry on business in the life sciences industry. This industry involves a substantial degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Shareholders must rely on the ability, expertise, judgment, direction and integrity of the management of Amalco. The success of Amalco is currently largely dependent on the performance of its directors and officers. The loss of the services of any of these persons could have a material adverse effect on Amalco’s business and prospects. There is no assurance Amalco can maintain the services of its directors, officers or other qualified personnel required to operate its business.

*If Sona is unable to obtain and maintain patent protection for its products, or if the scope of the patent protection obtained is not sufficiently broad, Sona's competitors could develop and commercialize products similar or identical to that of Sona's, and its ability to successfully commercialize its products may be adversely affected.*

Sona's success depends in large part on its ability to obtain and maintain patent protection with respect to its proprietary products. This patent application process is expensive and time-consuming, and Sona may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that Sona will fail to identify patentable aspects of its research and development output before it is too late to obtain patent protection.

Sona can provide no assurance that any patents will be issued for its provisional patent application in a manner that gives Sona the protection that it seeks, if at all, or that any future patents that may be issued to Sona will not be challenged, invalidated or circumvented. Furthermore, Sona may not be able to detect the unauthorized use of Sona's technology and processes or take appropriate steps to prevent such use.

The patent position of life science companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of Sona's patent rights are highly uncertain. Sona's future patent applications may not result in patents being issued which protect its products or which effectively prevent others from commercializing competitive products. Changes in either the patent laws or interpretation of the patent laws may diminish the value of Sona's patents, if any, or narrow the scope of its patent protection.

The laws of foreign countries may not protect Sona's rights to the same extent as the laws of Canada and the United States. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in Canada and the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, Sona cannot be certain that it was the first to make the inventions claimed in its provisional patent application.

Even if Sona's provisional patent application is issued as a patent, it may not issue in a form that will provide Sona with any meaningful protection, prevent competitors from competing with Sona or otherwise provide Sona with any competitive advantage. Sona's competitors may be able to circumvent its owned or licensed patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its scope, validity or enforceability, and Sona's patents, if any, may be challenged in the courts or patent offices in Canada, the United States and abroad. Such challenges may result in patent claims being narrowed, invalidated or held unenforceable, which could limit Sona's ability to or stop or prevent Sona from stopping others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of its technology and products. Given the amount of time required for the development, testing and regulatory review of new products, patents protecting such products might expire before or shortly after such products are commercialized. As a result, Sona's provisional patent application may not provide it with sufficient rights to exclude others from commercializing products similar or identical to Sona's.

### *Competition*

The high technology industry is intensely competitive in all its phases. Amalco will compete for the development of new technologies, as well as for the recruitment and retention of qualified employees with many companies possessing greater financial resources and technical facilities than Amalco. The

competition could have an adverse effect on Amalco's ability to retain or recruit suitable candidates in the future.

#### *No Expected Dividends from Amalco*

Stockport and Sona have not paid dividends to their Shareholders. For the foreseeable future, all of Amalco's available funds will be invested to finance its activities and therefore shareholders cannot expect to receive a dividend on Amalco Shares in the foreseeable future.

#### *Conflicts of Interest*

Certain of the directors and officers of Amalco will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of Amalco may become subject to conflicts of interest. The CBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the CBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the CBCA. To the knowledge of proposed management of Amalco, as at the date hereof there are no existing or potential material conflicts of interest between Amalco and a proposed director or officer of Amalco except as otherwise disclosed herein.

#### *Volatility of Share Price*

As the Amalco Shares will be listed on the TSX-V, factors such as announcements of quarterly variations in operating results, or new actions by competitors of Amalco, as well as market conditions in the industry may have a significant impact on the market price of the Amalco Shares. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular companies. Share prices for several companies in technology industries in particular have experienced wide fluctuations that have been often unrelated to the operations of the companies themselves. In addition, there can be no assurance that an active public market will develop or be sustained for the Amalco Shares. The market price of the Amalco Shares could be subject to significant fluctuations in response to quarterly variations and operating results of Amalco, changes in financial estimates by securities analysts or other events or factors, many of which will be beyond Amalco's control.

Please see also "Trends and Business Risks" in Schedule "A".

#### **Effects of the Amalgamation on Shareholders' Rights**

As a result of the Amalgamation, all Sona Shareholders and Stockport Shareholders will become Amalco Shareholders, unless they exercise Dissent Rights in connection with the Amalgamation. Amalco will be governed by the CBCA and by Amalco's constating documents.

#### **Conduct of Meeting and Other Approvals**

#### **Sona Shareholder and Stockport Shareholder Approval of the Amalgamation**

In order for the Amalgamation to be effected, the CBCA requires the Amalgamation Agreement to be approved by special resolution passed by the Sona Shareholders (the "**Sona Amalgamation Resolution**") and by the Stockport Shareholders (the "**Stockport Amalgamation Resolution**"). The complete text of

the Sona Continuance Resolution and Sona Amalgamation Resolution to be presented to the Sona Meeting is set forth in Schedule “I” and the complete text of the Stockport Amalgamation Resolution to be presented at the Stockport Meeting is set forth in Schedule “J”. The Sona Amalgamation Resolution must be approved by a majority of at least two-thirds of the votes of those Sona Shareholders who are present and vote either in person or by proxy at the Sona Meeting. The Stockport Amalgamation Resolution must be approved by a majority of at least two-thirds of the votes of those Stockport Shareholders who are present and vote either in person or by proxy at the Stockport Meeting, as well as Majority of the Minority Approval.

### **Regulatory Approvals**

If the Sona Amalgamation Resolution is approved by the requisite majority of Sona Shareholders and the Stockport Amalgamation Resolution is approved by the required majority of Stockport Shareholders, regulatory acceptance of the TSX-V must be obtained for all the transactions contemplated by the Transaction, including, but not limited to, the Private Placement.

An application has been made for the Change of Business of Stockport from a TSX-V Tier 2 mining issuer to a TSX-V Tier 2 technology or life sciences issuer, subject to the acceptance of the TSX-V.

*Shareholders of Sona and Stockport should be aware that the foregoing TSX-V approval has not yet been given by the regulatory authorities referred to above. Neither Sona nor Stockport cannot provide any assurances that such approval will be obtained.*

## **EVANS VALUATION REPORT**

### **Engagement of Evans & Evans, Inc. by Stockport Independent Committee**

Pursuant to an engagement letter dated December 6, 2017 (the “**Engagement Letter**”), the services of Evans & Evans, Inc. (“**Evans**”) were retained by Stockport on behalf of the independent Special Committee of the Board of Directors of Stockport in connection with the provision of a valuation report related to the proposed amalgamation with Sona. Evans’ services included providing advice and assistance to the management and independent Directors of Stockport in connection with the preparation and delivery to Stockport a valuation report on Sona (the “**Evans Valuation Report**”), to establish the fair market value of Sona.

Evans was paid a cash fee of \$12,500 for their services of the preparation of the Evans Valuation Report, but none of the fee was contingent on the determination of the fair market value of Sona. In addition, Evans was indemnified in respect of certain liabilities that might arise out of the engagement.

### **Independence of Evans**

Evans is an independent arm’s-length consultant who does not have a financial interest (nor does he expect to have any future interest), directly or indirectly, in Stockport or Sona (or their respective subsidiaries or associated companies), nor does he expect any consideration other than the fee and expenses from Stockport for the preparation of the Evans Valuation Report, nor is his fee contingent upon the completion of the proposed Amalgamation.

### **Summary of Evans Valuation Report**

Based upon and subject to the limitations in this Evans Valuation Report, and such other matters as Evans has considered relevant, it is their opinion that, as of the date of the Evans Valuation Report, Evans

concluded that the fair market value of Sona is in the range of \$2.66 to \$3.04 million. However, Evans expresses no opinion as to the expected trading price of the shares of Amalco if the proposed Amalgamation is completed, or of both Amalgamating Companies if it is terminated.

A summary of the Evans Valuation Report has been reproduced and is appended to this Circular as Schedule "F".

### **PROCEDURE FOR EXCHANGE OF STOCKPORT AND SONA SHARES**

Included with this Circular is a letter of transmittal containing instructions as to how holders of Stockport Shares and Sona Shares may exchange their Stockport and Sona certificates for certificates representing Amalco Shares.

1. Procedure for exchange for Stockport Shareholders and Sona Shareholders
  - (a) Included with this Circular is a letter of transmittal and instructions for obtaining delivery of certificates representing Amalco Shares that will be sent to each registered holder of Stockport Shares and Sona Shares.
  - (b) In order to receive share certificates pursuant to the Amalgamation, former Shareholders of Stockport and Sona must deliver the following to the Depositary within six (6) years of the Effective Date:
    - (i) their certificates representing Stockport Shares or Sona Shares;
    - (ii) a duly completed letter of transmittal; and
    - (iii) such other documents as the Depositary may require.
  - (c) Upon return of a properly completed letter of transmittal, together with certificates representing Stockport Shares or Sona Shares, certificates for the appropriate number of Amalco Shares will be distributed without charge.

Certificates for the Amalco Shares issued to a former Stockport Shareholder or Sona Shareholder who provides the appropriate documentation described above, shall be registered in such name or names and will be delivered to such address or addresses as such holder may direct in the letter of transmittal as soon as practicable after the receipt by the Depositary of the required documents.

### **2. Cancellation of Rights after Six Years**

If a former Stockport Shareholder or Sona Shareholder fails to deliver and surrender to the Depositary the former certificates for Stockport or Sona Shares together with a duly executed and completed letter of transmittal and other required documents, the certificates representing the Amalco Shares to which the Shareholder would otherwise have been entitled will be held by the Depositary for a maximum of six (6) years from the Effective Date.

**Upon the expiry of six (6) years from the Effective Date, each such former certificate representing Stockport Shares or Sona Shares shall cease to represent a right or claim of any kind or nature and the right of such former holder of Stockport Shares or Sona Shares to receive certificates representing Amalco Shares and the Amalco Shares issued to such former Stockport Shareholders**



**or Sona Shareholders shall be deemed to be surrendered to Amalco together with all dividends or distributions thereon declared or held for such holder.**

### 3. Fractional Shares

No fractional Amalco Shares will be issued to Sona Shareholders. No cash will be paid in lieu of fractional shares. Any fractions resulting will be rounded down to the next whole share.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of the principal Canadian federal income tax consequences to the Stockport and the Sona Shareholders in respect of the amalgamation (“the Amalgamation”) of Stockport and Sona under the Amalgamation, or the exercise of dissent rights, to Shareholders who are individuals (other than trusts) and who, for purposes of the Income Tax Act (Canada) (the “Tax Act”), deal at arms’ length with both Stockport and Sona, and hold the Shares as capital property. Generally, the Shares will be considered to be capital property to a holder unless the holder is a trader or dealer in securities, has acquired the Shares as part of an adventure in the nature or trade, or holds the Shares in the course of carrying on business of buying or selling securities or otherwise than for investment purposes. Certain shareholders resident in Canada who hold Shares that might not otherwise qualify as capital property may be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have the Shares and any other “Canadian security” as defined in the Tax Act treated as capital property. Shareholders considering such election should consult their own tax advisors.

This summary is also generally applicable to Shareholders who at all relevant times (i) deal at arm’s length (within the meaning of the Tax Act) with and are not affiliated with either Stockport or Sona; (ii) following the completion of the Amalgamation will not, either alone or together with other persons with whom they do not deal at arm’s length, either control Amalco or beneficially own shares of Amalco which have a fair market value in excess of 50% of the fair market value or all outstanding shares of Amalco; and (iii) is and was not a “foreign affiliate” (within the meaning of the Tax Act) of a person resident in Canada at any time.

This summary is not applicable to a Shareholder (i) that is a “financial institution” for the purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a “specified financial institution” for the purposes of the Tax Act; or (iii) an interest in which is a “tax shelter investment” as defined in the Tax Act, and does not address other special situations.

This summary is based on the facts as set out in this Joint Information Circular, current provisions of the Tax Act, the regulations thereunder, all proposals to amend the Tax Act or the regulations publicly announced by the federal Minister of Finance (Canada) prior to the date hereof (the “Proposed Amendments”), the current published administrative practices of the Canada Revenue Agency (the “CRA”) and assumes that the Proposed Amendments will be enacted substantially as proposed.

The summary also assumes that Stockport Shares will remain listed on the TSX-V until the completion of the Amalgamation, and that Amalco Shares will be listed on the TSX-V.

This summary is not exhaustive of all possible Canadian federal income tax consequences that may affect Shareholders under the Amalgamation or in respect of an exercise of dissent rights. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or any changes in CRA’s administrative policies and assessing practices. The summary does not take into account any other federal or any provincial, territorial, or foreign tax legislation or considerations, which may differ significantly

from those discussed herein.

The income and other tax consequences of the Amalgamation will vary depending on the Shareholder's particular circumstances, including the province/territory or provinces/territories in which a Shareholder resides, carries on business or has a permanent establishment.

**THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSIDERED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR SHAREHOLDER. ACCORDINGLY, ALL SHAREHOLDERS ARE ADVISED TO CONSULT THEIR OWN INDEPENDANT TAX ADVISORS WITH REGARD TO THEIR PARTICULAR CIRCUMSTANCES AND THE APPLICATION OF CANADIAN, PROVINCIAL, FOREIGN AND OTHER TAX IMPLICATIONS.**

### **Residents of Canada**

The following portion of the summary is generally applicable to Shareholders who, at all relevant times, for the purposes of the Tax Act, and any applicable income tax treaty or convention are, or are deemed to be, resident only in Canada.

### **Shareholders Resident in Canada who Participate in the Amalgamation**

Generally, when a Shareholder surrenders upon amalgamation shares of a particular class of the capital stock of a taxable Canadian corporation, as defined in the Tax Act, solely for shares from treasury of a particular class of capital stock of another taxable Canadian corporation being the amalgamated corporation, the Shareholder will be deemed to dispose of the exchanged shares for their adjusted cost base and deemed to acquire newly issued shares at the same adjusted cost base resulting in neither a capital gain nor a capital loss on the disposition. As a result, a Shareholder will be deemed to acquire the Amalco shares received in the exchange at the Shareholder's adjusted cost base of all Stockport shares and Sona shares held before the Amalgamation.

### **Investment Eligibility**

The Amalco Shares will be qualified investments under the Tax Act for registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans, tax free savings accounts and deferred profit sharing plans.

### **Dissenting Shareholders Resident in Canada**

A Shareholder who dissents (a "**Dissenter**") will be deemed to receive a dividend equal to the amount by which the amount received from Stockport exceeds the paid-up capital of the Dissenter's Stockport shares ("Stockport Dividend") plus the amount received from Sona exceeds the paid-up capital of the Dissenter's Sona shares ("Sona Dividend").

A deemed dividend received by a Shareholder who is an individual will be included in computing the Shareholder's taxable income, and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by a taxable Canadian corporation.

Subject to the potential application of subsection 55(2) of the Tax Act, dividends received or deemed to be received by a corporate Shareholder will be included in computing its taxable income, but normally will also be deductible in computing its taxable income. Subsection 55(2) of the Tax Act provides that where a corporate Shareholder receives a dividend, all or part of the dividend may in certain

circumstances be treated as proceeds of disposition of its shares and not as a dividend for the purpose of computing the Shareholder's capital gain or loss on a disposition of such shares. Accordingly, corporate Shareholders should consult their tax advisors for specific advice with respect to the potential application of this provision.

In addition, a Dissenter will be considered to have disposed of the Dissenter's Stockport shares for proceeds of disposition equal to the amount received from Stockport less the Stockport Dividend. The Dissenter will realize a capital gain (or capital loss) to the extent the adjusted proceeds of disposition, less any reasonable costs of disposition, exceed (or are exceeded by) the Dissenter's adjusted cost base of the disposed Stockport shares.

Similarly, a Dissenter will be considered to have disposed of the Dissenter's Sona shares for proceeds of disposition equal to the amount received from Sona less the Sona Dividend. The Dissenter will realize a capital gain (or capital loss) to the extent the adjusted proceeds of disposition, less any reasonable costs of disposition, exceed (or are exceeded by) the Dissenter's adjusted cost base of the disposed Sona shares.

Any capital gain or loss will be subject to the normal rules under the Tax Act. Generally, a Shareholder will be required to include in taxable income 50% of the amount of any capital gain (the "taxable capital gain") realized by the Shareholder in a particular taxation year. A "Canadian controlled private corporation", as defined in the Tax Act, may be liable to pay an additional 6 2/3% of its "aggregate investment income" which may include taxable capital gains.

Additionally, any interest paid to a Dissenter upon exercise of dissent rights would be required to be included in the Dissenter's taxable income in the year received.

### **Stockport Option Holders**

**HOLDERS OF STOCKPORT OPTIONS ARE ADVISED TO CONSULT THEIR OWN INDEPENDENT TAX ADVISORS WITH REGARD TO THEIR PARTICULAR CIRCUMSTANCES AND THE RELEVANT TAX IMPLICATIONS OF EXCHANGING THEIR STOCKPORT OPTIONS FOR AMALCO OPTIONS UNDER THE AMALGAMATION.**

### *Non-Residents of Canada*

The following part of the summary applies, subject to all provisions and assumptions set out above, to a Shareholder who, for the purposes of the Tax Act and any relevant tax treaty, is not and has never been resident in Canada and does not and will not at any relevant time use or hold any shares of either Stockport or Sona in carrying on, or otherwise in connection with, a business in Canada (herein referred to as a "Non-Resident Shareholder").

**NON-RESIDENT SHAREHOLDERS ARE ADVISED TO CONSULT THEIR OWN INDEPENDENT TAX ADVISORS WITH REGARD TO THEIR PARTICULAR CIRCUMSTANCES AND THE RELEVANT FOREIGN TAX IMPLICATIONS.**

### *Non-Resident Shareholders who Participate in the Amalgamation*

A Non-Resident Shareholder should not be subject to tax under the Tax Act in respect of the exchange.

### *Dissenting Non-Resident Shareholders*

The following portion of the summary is applicable to a Non-Resident Shareholder who exercises

dissenting rights. Such Non-Resident Shareholder is referred to in this part of the summary as a “Dissenting Non-Resident”, and this part of the summary only addresses such Dissenting Non-Residents.

A Dissenting Non-Resident will be entitled to receive payment from Stockport equal to the value of such Dissenting Non-Resident’s common shares and will be considered to have disposed of such shares for proceeds of disposition equal to the amount received by the Dissenting Non-Resident. A Dissenting Non-Resident will be deemed to receive a dividend equal to the amount by which the amount received from Stockport exceeds the paid-up capital of such shares.

Similarly, a Dissenting Non-Resident will be entitled to receive payment from Sona equal to the value of such Dissenting Non-Resident’s common shares and will be considered to have disposed of such shares for proceeds of disposition equal to the amount received by the Dissenting Non-Resident. A Dissenting Non-Resident will be deemed to receive a dividend equal to the amount by which the amount received from Sona exceeds the paid-up capital of such shares.

A deemed dividend received by a Dissenting Non-Resident will be subject to Canadian withholding tax at a rate of 25% of the gross amount of the dividend, unless the rate is reduced under the provisions of an applicable income tax convention.

A Dissenting Non-Resident will also realize a capital gain to the extent that the proceeds of disposition from Stockport (reduced by any deemed dividend as discussed above) exceed the adjusted cost base of the Stockport shares immediately before the exchange. Similarly, a Dissenting Non-Resident will also realize a capital gain to the extent that the proceeds of disposition from Sona (reduced by any deemed dividend as discussed above) exceed the adjusted cost base of the Sona shares immediately before the exchange. A dissenting Non-Resident should not be subject to income tax under the Tax Act in respect of any such capital gain.

Generally, any interest paid to a Dissenting Non-Resident upon exercise of dissent rights will not be subject to Canadian withholding tax.

## **SECURITIES LAWS CONSIDERATIONS**

The following is a brief summary of the securities law considerations applying to the transactions contemplated herein.

### **Canadian Securities Laws**

#### ***Status under Canadian Securities Laws***

Stockport is a “reporting issuer” (i.e. a public company) in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia. The Stockport Shares are listed on the TSX-V. Sona is a private company. It is anticipated that the Amalco Shares issued in connection with the Amalgamation will be listed on the TSX-V.

#### ***Issuance and Resale of Amalco Shares Under Canadian Securities Laws***

The issuance of the Amalco Shares pursuant to the Amalgamation will constitute a distribution of securities, which is exempt from the registration and prospectus requirements of Canadian securities legislation. The Amalco Shares may be resold in each of the provinces and territories of Canada, provided the holder is not a “control person” as defined in the applicable securities legislation, no unusual effort is made to prepare the market or create a demand for those securities and no extraordinary

commission or consideration is paid in respect of that sale.

**EACH HOLDER IS URGED TO CONSULT SUCH HOLDER'S PROFESSIONAL ADVISORS TO DETERMINE THE CANADIAN CONDITIONS AND RESTRICTIONS APPLICABLE TO TRADES IN THE AMALCO SHARES. REALES OF ANY SECURITIES ACQUIRED IN CONNECTION WITH THE AMALGAMATION MAY BE REQUIRED TO BE MADE THROUGH PROPERLY REGISTERED SECURITIES DEALERS.**

## **DISSENTING REGISTERED SHAREHOLDERS' RIGHTS**

### **Dissent Rights under NSCA**

Any holder of Sona Shares has the right to dissent in accordance with the provisions of Section 2 of the Third Schedule of the NSCA with respect to the Sona Continuance Resolution. Any Sona Shareholder who dissents in accordance with Section 2 of the Third Schedule of the NSCA will be entitled to be paid by the Company a fair value of the Sona Shares held by such Sona Shareholder determined as at the close of business on the day before the Sona Continuance Resolution against which a Sona Shareholder has dissented was adopted.

To exercise this right, Sona must receive from a registered holder of Sona Shares who dissents (a "**Continuation Dissenting Shareholder**") a written objection ("**Notice of Objection**") to the Sona Continuation Resolution delivered by registered mail addressed to Sona at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, at or before the Sona Meeting, and the Continuation Dissenting Shareholder must have otherwise complied with the provisions of the Third Schedule of the NSCA (which is described in the Information Circular under the heading "Dissenting Registered Shareholders' Rights" and in Schedule "H"). Failure to comply strictly with such dissent procedures may result in the loss or unavailability of any dissent rights. Please be advised that the exercise of a proxy does not constitute a written objection.

Persons who are beneficial owners of the Sona Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to exercise dissent rights should be aware that only a Registered Shareholder is entitled to exercise dissent rights. Accordingly, a beneficial owner of Sona Shares desiring to exercise dissent rights must make arrangements for such securities to be registered in such holder's name prior to the time the written objection to the Sona Continuation Resolution is required to be received or, alternatively, make arrangements for the Registered Shareholder to exercise dissent rights on such holder's behalf.

A Sona Shareholder may only dissent with respect to all of his or her Sona Shares.

The delivery of a Notice of Objection does not deprive a Shareholder of the right to vote at the Sona Meeting; however, the Third Schedule of the NSCA provides, in effect, that a Sona Shareholder who has submitted a Notice of Objection and who then votes in favour of the Sona Continuance Resolution at the Meeting will no longer be considered a dissenting shareholder with respect to their Sona Shares voted in favour of the Sona Continuance Resolution. Any proxy granted by a Sona Shareholder who intends to dissent, other than a proxy that instructs the proxyholder to vote against the Sona Continuance Resolution, should be validly revoked in order to prevent the proxyholder from voting such shares in favour of the Sona Continuance Resolution and thereby causing the Sona Shareholder to forfeit his or her dissent rights.

A vote against the Sona Continuance Resolution, an abstention, or the execution of a proxy to vote against the Sona Continuance Resolution does not constitute a Notice of Objection.

Sona is required, within 10 days after the Sona Continuance Resolution is adopted at the Sona Meeting, to send a notice of such adoption to each Sona Shareholder that has delivered a Notice of Objection. Following receipt of such notice, a Continuation Dissenting Shareholder must, within the time periods specified in the Third Schedule to the NSCA, send to Sona a written demand for payment and the certificates representing the Sona Shares in respect of which he or she dissents.

Notwithstanding the foregoing, Sona is not permitted to make a payment to a Continuation Dissenting Shareholder if there are reasonable grounds for believing that:

- (a) Sona is or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realizable value of Sona's assets would thereby be less than the aggregate of its liabilities.

On sending the written demand for payment, a Continuation Dissenting Shareholder ceases to have any rights as a Sona Shareholder, other than the right to be paid a fair value for his or her Sona Shares. The names of such Continuation Dissenting Shareholder will be deleted from the Sona's shareholders' register.

**The foregoing is only a summary of the dissent provisions of the NSCA, which are technical and complex. It is recommended that any Sona Shareholder wishing to exercise his or her dissent rights under those provisions seek legal advice as failure to comply strictly with the provisions of the NSCA may prejudice his or her dissent rights.**

#### **Dissent rights under the CBCA**

As indicated in the Notice of the Meeting, any holder of Stockport Shares or Sona Shares is entitled to be paid the fair value of such shares in accordance with the provisions of section 190 of the CBCA if the shareholder duly dissents to the Sona Amalgamation Resolution or Stockport Amalgamation Resolution and the Amalgamation becomes effective. A holder of Stockport Shares or Sona Shares who dissents to the Stockport Amalgamation Resolution or Sona Amalgamation Resolution and is paid the fair value of such shares will not be entitled to receive any Amalco Shares. The fair value of such holder's Stockport Shares or Sona Shares is their fair value immediately before the adoption of the Stockport Amalgamation Resolution or Sona Amalgamation Resolution, excluding any appreciation or depreciation in anticipation of the Amalgamation unless exclusion would be inequitable. The payment for such fair value of the shares shall be made by Stockport or Sona or, if Stockport or Sona do not have the funds available to make such payment, then by Amalco, as the case may be.

Shareholders registered as such on the Record Date of the Meeting may exercise rights of dissent pursuant to and in the manner set forth in section 190 of the CBCA (as abstract of which is attached at Schedule F), provided that a Dissent Notice duly executed by such Shareholder is received by Stockport or Sona at its offices located at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, in advance of the date of the Meeting. Dissenting Shareholders are ultimately entitled to be paid fair value for their Dissenting Shares and shall be deemed to have transferred their Dissenting Shares to Stockport or Sona for cancellation immediately on the Effective Date and in no case shall Stockport or Sona be required to recognize such persons as holding Stockport Shares or Sona Shares after the Effective Date.

A vote against the Stockport Amalgamation Resolution or Sona Amalgamation Resolution, an abstention from voting in respect of the Stockport Amalgamation Resolution or Sona Amalgamation Resolution, or the execution or exercise of a Proxy to vote against the Stockport Amalgamation Resolution or Sona Amalgamation Resolution does not constitute a Dissent Notice, but a Shareholder need not vote against the Stockport Amalgamation Resolution or Sona Amalgamation Resolution in order to dissent. However, a Shareholder who consents to or votes in favour of the Stockport Amalgamation Resolution or Sona Amalgamation Resolution, other than as a proxy for a Shareholder whose Proxy required an affirmative vote, will cease to be entitled to exercise any Dissent Rights.

Shareholders who do not duly exercise their Dissent Right are not entitled to be paid fair value for their Dissenting Shares, shall be deemed to have participated in the Amalgamation on the same basis as a Shareholder who is not a Dissenting Shareholder and shall receive Amalco Shares on the same basis as every other Shareholder.

Pursuant to the terms of the Amalgamation Agreement, the obligation of Amalco and Stockport or Sona to complete the Amalgamation is subject to Stockport or Sona not having received Dissent Notices in respect of more than 5% of the number of Stockport Shares and Sona Shares which are issued as at the Effective Date, on a combined basis, which requirement may be waived by Amalco at its discretion. Should Amalco and Stockport or Sona not complete the Amalgamation, whether as a result of the failure of the Shareholders to approve the Stockport Amalgamation Resolution or Sona Amalgamation Resolution or Stockport or Sona receiving Dissent Notices in excess of 5% of the number of Stockport Shares and Sona Shares which are issued as at the Effective Date or for any other reason, Dissenting Shareholders will not be entitled to receive fair value for their Stockport Shares or Sona Shares and will continue to be Stockport or Sona Shareholders.

Prior to the Effective Date of the Amalgamation, Stockport or Sona will send a notice of intention to act to each Dissenting Shareholder stating that the Stockport Amalgamation Resolution or Sona Amalgamation Resolution has been passed and informing the Dissenting Shareholder of their intention to act on such Stockport Amalgamation Resolution or Sona Amalgamation Resolution. A notice of intention need not be sent to any Shareholder who voted in favour of the Stockport Amalgamation Resolution or Sona Amalgamation Resolution or who has withdrawn his Dissent Notice. Within one month of the date of the notice given by Stockport or Sona of its intention to act, the Dissenting Shareholder is required to send written notice to Stockport or Sona that he requires Stockport or Sona to purchase all of his Stockport Shares or Sona Shares and at the same time to deliver certificates representing those Stockport Shares or Sona Shares to Stockport or Sona. Additionally, if the dissent is being exercised by a Shareholder on behalf of a Beneficial Shareholder who is not the Dissenting Shareholder, the notice to Stockport or Sona must include a written statement signed by the beneficial owner, confirming whether or not the beneficial owner is the beneficial owner of other Stockport Shares or Sona Shares and if so, the names of the registered owners of such Stockport Shares or Sona Shares, the number of those other Stockport Shares or Sona Shares and that dissent is being exercised in respect of all of such Stockport Shares or Sona Shares. Upon such delivery, a Dissenting Shareholder is deemed to have sold to Stockport or Sona and Stockport or Sona is deemed to have purchased the Stockport Shares or Sona Shares subject to the demand for payment equal to their fair value immediately before the Stockport Amalgamation Resolution or Sona Amalgamation Resolution was passed by the Shareholders, excluding any appreciation or depreciation in anticipation of the Amalgamation unless exclusion would be inequitable. Every Dissenting Shareholder who has delivered a demand for payment must be paid the same price as the other Dissenting Shareholders.

A Dissenting Shareholder who has sent a demand for payment under section 190(7) of the CBCA, or Stockport or Sona, may apply to the Court which may: (a) set the payout value, or order that the payout be

established by arbitration or by reference to the registrar, or a referee, of the last; (b) join in the application of any other Dissenting Shareholder who has delivered a demand for payment under section 190(7) of the CBCA; and (c) make consequential orders and give such directions as it considers appropriate. No Dissenting Shareholder who has delivered a demand for payment may vote or exercise or assert any rights of a Shareholder in respect of the Stockport Shares or Sona Shares for which a demand for payment has been given, other than the rights to receive payment for those Stockport Shares or Sona Shares. No Dissenting Shareholder may withdraw his demand for payment unless Stockport or Sona consents.

**Strict adherence to the procedures set forth above and in sections 190 of the CBCA is required and failure to do so may result in the loss of all Dissent Rights. Accordingly, each Shareholder who might desire to exercise Dissent Rights should carefully consider and fully comply with the provisions set forth above and below and consult his or her legal advisor.**

In addition to Dissent Rights, under the CBCA, a Shareholder or a non-Registered Shareholder has the right to apply to Court on the grounds that some act of Stockport or Sona has been done, or is threatened, or that some resolution of the Shareholders has been passed or is proposed that is unfair or prejudicial to one or more of the Shareholders, including the applicant. On such an application, the Court may make such order as it sees appropriate including an order to prohibit any act proposed by Stockport or Sona or to cancel or vary any transaction or resolution.

### **Rights of Dissenting Shareholders**

**Sona Shareholders who wish to dissent should take note that the procedures for dissenting to the Continuance are different than the procedures for dissenting to the Amalgamation and that in each case strict compliance with the applicable dissent procedures is required.**

**Persons who are beneficial owners of Sona Shares or Stockport Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that ONLY A REGISTERED SHAREHOLDER IS ENTITLED TO DISSENT. A shareholder who beneficially owns Sona Shares or Stockport Shares, but is not the registered holder thereof, should contact the registered holder for assistance.**

## **OTHER MATTERS TO BE ACTED UPON AT THE MEETINGS**

### **Audited Financial Statements**

The audited financial statements of Stockport for the fiscal year ended October 31, 2017 and the report of the auditors thereon will be submitted to the Meeting. Receipt at such Meeting of the auditor's report and Stockport's financial statements for the above noted fiscal period will not constitute approval or disapproval of any matters referred to therein.

### **Appointment of Auditors**

Manning Elliott LLP, of Vancouver, British Columbia is the auditor of Stockport. Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the re-appointment of Manning Elliott LLP as the auditor of Stockport, to hold office for the ensuing year at a level of remuneration to be fixed by the directors. Manning Elliott LLP were first appointed as auditors on October 23, 2017.

For more information, a copy of the reporting package regarding the change of auditor from PricewaterhouseCoopers LLP to Manning Elliott LLP is attached as Schedule "M", which sets out that



there have been no reservations in the Auditor's Reports of PricewaterhouseCoopers LLP for Stockport's two most recently completed fiscal years and no Reportable Events, as that term is defined in National Instrument 51-102 *Continuous Disclosure Obligations*.

### **Re-election of Stockport Directors**

It is proposed that the current Stockport directors, being the four (4) persons listed below, be elected as directors at the Stockport Meeting, to serve until the next annual meeting of Stockport shareholders or until his successor is duly elected or appointed:

- Carl Sheppard
- James Megann
- Zephaniah Mbugua
- Robert McKay

Directors of Stockport are elected annually by the Shareholders and will hold office until the next annual general meeting of Shareholders. Mr. James Megann, Mr. Zephaniah Mbugua, Mr. Robert McKay, and Mr. Carl Sheppard are presently directors of Stockport and will all stand for re-election.

Stockport's Board of Directors has adopted a majority voting policy in director elections that will apply at any meeting of shareholders where an uncontested election of directors is held. Pursuant to this policy, if the number of proxy votes withheld for a particular director nominee is greater than the votes for such director, the director nominee will be required to submit his or her resignation to the Chairman of the Board promptly following the applicable shareholders' meeting. Following receipt of the resignation, Stockport's Board will consider whether or not to accept the offer of resignation. In considering whether or not to accept the resignation, the Board will consider all factors deemed relevant by its members. The Board will be expected to accept the resignation except in situations where the considerations would warrant the applicable director to continue to serve on the Board. The Board will publicly disclose its final decision within 90 days following the Meeting. A director who tenders his or her resignation pursuant to this policy will not participate in any meeting of the Board at which the resignation is considered.

Further information on each nominee, including their principal occupation, the date on which each became a director of Stockport and the number of shares of Stockport beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as at March 22, 2018 is included in Schedule B, Information Concerning Stockport.

Please note that if the Sona Amalgamation Resolution and the Stockport Amalgamation Resolution do pass and the Amalgamation is completed, then there will be a subsequent change to the board of directors for Amalco (see "Directors, Officers, Management and Promoters of Amalco in Schedule C, Information Concerning Amalco). If the Sona Amalgamation Resolution or the Stockport Amalgamation Resolution do not pass or the Amalgamation is not completed, then the four (4) persons elected as directors at the Stockport Meeting will serve until the next annual meeting of Stockport shareholders or until his successor is duly elected or appointed.

**Proxies received appointing directors of Stockport will be voted FOR the election of the nominees named, unless the shareholder has specified in the proxy that the common shares are to be withheld from voting in respect thereof.** Management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

### **Special Business - Confirming Stockport Stock Option Plan**

Stockport Shareholders are being asked to confirm re-approval of Stockport's current Stock Option Plan, as outlined under "Securities Authorized for Issuance under Equity Compensation Plans" and accepted by the TSX-V upon Stockport's previous listing with the TSX-V. There have been no changes to the Stock Option Plan since Stockport's Annual General and Special Meeting held April 25, 2017.

Stockport's Stock Option Plan is a "rolling" or "evergreen" plan pursuant to which 10% of the issued and outstanding common shares of Stockport on the date of option grant are reserved for issuance upon the exercise of stock options. There are currently 88,653,128 shares of Stockport issued and outstanding, and therefore the current 10% threshold is 8,865,312 shares available for incentive stock option grants under the Stock Option Plan. Incentive stock options under the Stock Option Plan may be granted by the Board of Directors to eligible persons, who are directors, officers or consultants of Stockport or its subsidiaries (if any), or who are employees of a company providing management services to Stockport, or who are eligible charitable organizations. Stock options may be granted under the Stock Option Plan with a maximum exercise period of up to five (5) years, as determined by the Board of Directors of Stockport.

The Stock Option Plan will limit the number of stock options which may be granted to any one individual to not more than 5% of the total issued shares of the Company in any 12 month period, and not more than 10% of the total issued shares to all insiders at any time or granted over any 12 month period. The number of options granted to any one consultant or to all persons employed to provide investor relations activities in any 12 month period must not exceed 2% of the total issued shares of the Company, respectively.

Options under the Plan may be granted at an exercise price which is at or above the current market price (as defined under the policies of the TSX-V) on the date of the grant. In the event of the resignation, or the termination or removal of an optionee, any option granted to such optionee will be exercisable for a period of 30 days thereafter.

For further details regarding the Stock Option Plan, see "Securities Authorized for Issuance under Equity Compensation Plans".

Whether or not the resolution is approved, all stock options currently outstanding under the Stock Option Plan will remain in effect in accordance with their terms. If the resolution is not approved, any currently unallocated options, rights or entitlements under the Stock Option Plan will no longer be available for grant, and previously granted options will not be available for reallocation if they are cancelled prior to exercise.

In accordance with the policies of the TSX-V, a plan with a rolling 10% maximum must be confirmed by shareholders at each annual general meeting. Accordingly, at the Meeting, the Stockport shareholders will be asked to pass the following resolution:

“WHEREAS

- i. The Board of Directors of Stockport adopted a Stock Option Plan, which reserves for issuance pursuant to stock options a maximum number of common shares of Stockport equal to 10% of the aggregate issued and outstanding common shares on the date of grant;

BE IT RESOLVED THAT:

- i. The Stock Option Plan be and are hereby approved; and
- ii. Any officer or director of Stockport be and is hereby authorized for and on behalf of Stockport to execute and deliver all documents and instruments, and to take all such other actions as such officer or director may deem necessary or desirable to implement the foregoing resolution and the matters authorized hereby, such determinations to be conclusively evidenced by the execution and delivery of such documents and other instruments and the taking of any such action.”

The Board of Directors has determined that the approval of the Stock Option Plan is in the best interests of Stockport and its shareholders. **The Board of Directors recommends that shareholders vote FOR the adoption of the resolution set forth herein. Unless contrary instructions are indicated on the form of proxy, the persons designated in the accompanying form of proxy intend to vote FOR the approval of the Stock Option Plan.**

### **Approval of Amalco Stock Option Plan**

Provided that the Sona Amalgamation Resolution and the Stockport Amalgamation Resolution are each passed by a Special Resolution, and in the case of Stockport, Majority of the Minority Approval, Shareholders at both Meetings will be asked to consider the implementation by Ordinary Resolution of the Amalco stock option plan (the “**Amalco Plan**”), a draft copy of which is attached as Schedule “K” to this Joint Information Circular.

Under the policies of the TSX-V governing stock options, all listed issuers must implement a stock option plan. Annual Shareholder approval is required for “rolling” stock option plans pursuant to which stock options are to be granted to certain employees, senior officers and directors of or consultants to an issuer.

Stockport previously adopted a stock option plan (the “**Old Plan**”). Given the proposed Amalgamation, the proposed management of Amalco wishes to adopt the Amalco Plan to replace the Old Plan. There are 3,800,000 Stockport Options outstanding under the Old Plan as of March 22, 2018, of which 100,000 Stockport Options will expire on April 12, 2018.

Any previously granted Stockport Options will be deemed to be issued under and governed by the Amalco Plan and will, upon completion of the Amalgamation, entitle the holders to purchase Amalco Shares on the basis of one (1) Amalco Share for every four (4) Stockport Shares for which the Stockport Options were granted at an exercise price per Amalco Share equal to the four times the exercise price per Stockport Share under each of the Stockport Options and with the same term as specified in the Stockport Options.

The Amalco Plan is a “rolling” or “evergreen” plan, pursuant to which 10% of the issued and outstanding common shares of Stockport on the date of option grant are reserved for issuance upon the exercise of stock options. Incentive stock options under the Amalco Plan may be granted by the Board of Directors to eligible persons, who are directors, officers or consultants of Amalco or its subsidiaries (if any), or who are employees of a company providing management services to Amalco, or who are eligible charitable organizations. Stock options may be granted under the Amalco Plan with a maximum exercise period of up to five (5) years, as determined by the Board of Directors of Amalco.

The Amalco Plan will limit the number of stock options which may be granted to any one individual to not more than 5% of the total issued shares of Amalco in any 12 month period (unless otherwise approved by the disinterested shareholders of the Amalco), and not more than 10% of the total issued shares to all

insiders at any time or granted over any 12 month period. The number of options granted to any one consultant or to persons employed to provide investor relations activities in any 12 month period must not exceed 2% of the total issued shares of Amalco. Any stock options granted under the Amalco Plan will not be subject to any vesting schedule, unless otherwise determined by the Board of Directors or required by the policies of the TSX-V.

Options under the Amalco Plan may be granted at an exercise price which is at or above the current market price (as defined under the policies of the TSX-V) on the date of the grant. In the event of the death or permanent disability of an optionee, any option granted to such optionee will be exercisable upon the earlier of 365 days from the date of death or permanent disability, or the expiry date of the option. In the event of the resignation, or the termination or removal of an optionee without just cause, any option granted to such optionee will be exercisable for a period of 30 days thereafter. In the event of termination for cause, any option granted to such optionee will be cancelled as at the date of termination.

Attached as Schedule “K” to this Joint Information Circular is a copy of the proposed Amalco Plan.

Upon completion of the Amalgamation, there will be 925,000 Amalco Options outstanding. See Schedule “C” Information Concerning Amalco for further information concerning the Stockport Options.

### ***Shareholder Approval Required***

An Ordinary Resolution requires the favourable vote of the simple majority of the votes cast in person or by proxy at the Sona Meeting or the Stockport Meeting, as the case may be.

Management of each of Sona and Stockport recommend that the Sona Shareholders and Stockport Shareholders approve the Stock Option Plan Resolution, the full text of which is set out below:

“BE IT RESOLVED, as of the Effective Date, as an ordinary resolution of the shareholders of the Company that the Amalco stock option plan, as more particularly described in Company’s Joint Information Circular dated March 22, 2018, be and the same is hereby approved and authorized.”

**In the absence of instructions to the contrary, the management designees for both Sona and Stockport set out in the respective forms of proxy, if named as proxyholders, intend to vote in favour of the Stock Option Plan Resolution.**

## **GENERAL MATTERS**

### **Sponsor**

Stockport has applied to the TSX-V for waiver of sponsorship; however there is no guarantee that such waiver will be granted by the TSX-V.

### **Experts**

The following professional persons have prepared reports or have provided opinions that are either included in or referred to in this Joint Information Circular:

1. Evans prepared the Evans Valuation Report.
2. Manning Elliott LLP, Chartered Professional Accountants, has provided an auditor’s report on the

financial statements of Stockport for the year ended October 31, 2017, a copy of which is incorporated herein by reference.

3. Manning Elliott LLP, Chartered Professional Accountants, has also provided an auditor's report on the financial statements of Sona for the ten-month period ended October 31 2017 and the year ended December 31, 2016, a copy of which is attached as Schedule "D" to the Circular.
4. PricewaterhouseCoopers LLP, a partnership of Chartered Professional Accountants, has provided consent to the incorporation by reference of their auditor's report on the financial statements of Stockport for the years ended October 31, 2016 and 2015.

#### *Interests of Experts*

Except as disclosed herein, no professional person who has provided an opinion or report referenced in this Joint Information Circular currently holds more than 1% of the Sona Shares or the Stockport Shares and, upon completion of the Amalgamation, will not hold more than 1% of the issued and outstanding Amalco Shares of Amalco, and no such professional person is expected to be elected, appointed or employed as a director, officer or employee of Amalco or of its Associates or Affiliates.

#### **Other Material Facts**

There are no other material facts relating to Sona, Stockport, Amalco or the proposed Transaction that have not been disclosed elsewhere in this Joint Information Circular or in the attached Schedules.

#### **Board Approval**

The contents and sending of this Joint Information Circular to the Sona Shareholders and the Stockport Shareholders have been approved by the board of directors of Sona and Stockport. Where information contained in this Joint Information Circular rests particularly within the knowledge of a person other than Sona or Stockport, Sona and Stockport have relied upon information furnished by such person.

### **DOCUMENTS INCORPORATED BY REFERENCE**

**Information has been incorporated by reference in this Joint Information Circular from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The following documents of Stockport, which have been filed with the securities commissions or similar authorities in the provinces of Canada in which Stockport is a reporting issuer, are specifically incorporated by reference into and form an integral part of this Joint Information Circular:

- (a) Audited financial statements for the years ended October 31, 2017, 2016 and 2015; and
- (b) Management's Discussion and Analysis of the financial condition and results of operations for the years ending October 31, 2017, 2016 and 2015.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Joint Information Circular to the extent that a statement contained herein or in any other subsequently filed document which is also, or is deemed to be, incorporated by reference herein modifies or**

**supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed to be an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded.**

#### **OTHER BUSINESS**

Management of the Companies has no knowledge as at the date hereof, of any amendment, variation or business other than that referred to in the Notices of Meeting; however if any other matter properly comes before the Meetings, the accompanying form of proxy will be voted on such matter in accordance with the best judgment of the persons voting the Proxy.

**CERTIFICATE OF STOCKPORT EXPLORATION INC.**

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of Stockport Exploration Inc. assuming completion of the Transaction.

**DATED:** March 22, 2018

*s/“James Megann”*

*s/“Robert Randall”*

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JAMES MEGANN  
President and Chief Executive Officer

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ROBERT RANDALL  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS  
OF STOCKPORT EXPLORATION INC.**

*s/“ Zephaniah Mbugua”*

*s/“ Robert McKay”*

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ZEPHANIAH MBUGUA  
Director

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ROBERT MCKAY  
Director

**CERTIFICATE OF SONA NANOTECH LTD.**

The foregoing document as it relates to Sona Nanotech Ltd. constitutes full, true and plain disclosure of all material facts relating to the securities of Sona Nanotech Ltd.

**DATED:** March 22, 2018

*s/“ Darren Rowles”*

*s/“Robert Randall”*

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DARREN ROWLES  
President and Chief Executive Officer

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ROBERT RANDALL  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS  
OF SONA NANOTECH LTD.**

*s/“ James Megann”*

*s/“Wade Dawe”*

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JAMES MEGANN  
Director

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WADE DAWE  
Director



## SCHEDULE “A”

### INFORMATION CONCERNING SONA

Capitalized terms used in this Schedule “A” that are not defined herein shall have the meanings ascribed to such terms in the joint information circular (the “**Joint Information Circular**”) of Stockport Exploration Inc. and Sona Nanotech Ltd. (the “Company” or “Sona”) to which this Schedule “A” is attached. All references to dollar amounts in this Schedule “A” are to Canadian dollars unless expressly stated otherwise.

The following information is presented on a pre-transaction basis and reflects the current business, financial and share capital position of Sona. See Schedule “C” – “Information Concerning Amalco” in this Joint Information Circular for current and pro forma, business and financial information relating to Amalco on a post-transaction basis.

#### Corporate Structure

Sona was incorporated pursuant to the provisions of the *Companies Act* (Nova Scotia) on January 21, 2014 under the name “Sona Nano Tech Limited” with an authorized capital of 20,000,000 common shares without par value. By special resolution passed on June 15, 2015, Sona increased its authorized capital to an unlimited number of common shares without par value. Sona changed its name to its current name, “Sona Nanotech Ltd.” on November 2, 2016. The head office of Sona is located at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, and the registered and records office of Sona is located at Suite 1100 – 1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2. Sona has no subsidiaries.

On September 15, 2017, the Company entered into a letter of intent with Stockport Exploration Inc. (“Stockport”) relating to the proposed transaction with Stockport, a public company incorporated and domiciled in Canada. The Company entered the Definitive Agreement and the Amalgamation Agreement which provides for the amalgamation of Stockport and Sona (the “Transaction”).

Under the terms of the Amalgamation, Stockport and Sona (the “**Amalgamating Companies**”) will amalgamate and continue as one company, Amalco. The name of Amalco is to be “Sona Nanotech Inc.” or such other name as may be acceptable to regulatory authorities. The Stockport Shareholders shall receive one (1) common share of Amalco (“**Amalco Share**”) for every four (4) Stockport Shares held, and the Sona Shareholders shall receive one (1) Amalco Share for every 1.5802 Sona Shares held. In order to become effective, the Amalgamation must be approved by at least 66-2/3% of the votes cast by the shareholders of each of the Amalgamating Companies at their respective Meetings. The proposed Transaction is subject to regulatory approval prior to completion.

#### Management Team

Effective October 2017, Darren Rowles was appointed at the President and CEO of the Company. A commercially-minded scientist, Mr. Rowles joined Sona with 14 years’ experience in the diagnostic and nanoparticle industry. He previously worked for one of the leading providers of technologies to the global diagnostics market, where he specialised in product manufacture and development in the area of noble metal nanoparticles and lateral flow diagnostics. During his time there, he helped grow nanoparticle sales from \$200K to \$5.5M with \$4M profit and introduced more than 15 new products to market. Mr. Rowles is a key opinion leader at industry seminars and conferences and acts as an advisory board member to the World Gold Council.

Sona’s life sciences program is in its infancy, with further development of the product ranges required to satisfy the regulatory requirements for in-vivo applications. To ensure Sona has the best possible chance to succeed in this market, the creation and engagement of a Scientific Advisory Board (“SAB”) is underway, with continued commitments from existing SAB members Dr. Catherine Murphy, Dr. Gerry Marangoni (pioneers of gold nanorod (“GNR”) technology) and Dr. Shine, who specialises in immunotherapies and toxicology.

- Dr. Catherine J. Murphy is the Peter C. and Gretchen Miller Markunas Professor of Chemistry at the University of Illinois at Urbana-Champaign (UIUC). Dr. Murphy has won numerous awards for her

research (NSF CAREER Award, Sloan Fellowship, Cottrell Scholar, Dreyfus-Teacher Scholar Award, ACS Division of Inorganic Chemistry's Inorganic Nanoscience Award) over the years. She was named as Fellow of the Royal Society of Chemistry in 2014, was elected to the U.S. National Academy of Sciences in 2015 and is the pioneer of nanorod technology, creating the first ever gold nanorods.

- Dr. Gerrard Marangoni, a Director of the Company, has 25 years' experience in surfactant and colloidal chemistry. He is the named author on 75 research papers and six (6) patents and applications. Dr. Marangoni is a tenured professor of chemistry at St. Francis Xavier University in Antigonish, Nova Scotia. He is the lead science advisor to the Sona product research and development team and is one of the co-founders of Sona.
- Dr. Xu Zhang (Dr. Shine) is an industrial research chair in applied nanotechnology and a chemist with extensive experience in immunoassay and cancer research. Dr. Shine has established expertise in immunoassays, lateral flow assays, and microfluidic technology based bioassays. His research has been filed with 7 patents. Currently, Dr. Shine is developing various biomedical applications of functionalized nanomaterials such as highly sensitive immunoassays, drug delivery systems, and nano-theranostic devices for cancer diagnostics and combinatory treatment. Dr. Shine is funded by ACOA, NSERC, CIHR, Beatrice Hunter Cancer Research Institute, and NSHRF.

### **General Development of the Business**

Sona is a life sciences company. Its primary focus of business has been to develop and commercialize novel nanoparticle technologies for sale to the global nanoparticles market, and its first Beta product (Gemini<sup>TM</sup>) was released to market in 2016.

Continued refinement and iterations of the Gemini<sup>TM</sup> product progressed through 2016 and 2017, and a second range of nanorods (Omni<sup>TM</sup>) was created in 2017, aimed at the in-vivo life science market, due to the use of further bio-friendly surfactants (a substance that tends to reduce the surface tension of a liquid in which it is dissolved) to create the nanorods.

Sona is the world's first company to develop the ability to synthesize high volumes of gold nanorods without the use of the toxic surfactant, cetyltrimethylammonium bromide ("CTAB"). GNR products are ideally suited for in-vitro Diagnostics ("IVD") test products including lateral flow assays, enzyme-linked immunosorbent assays ("ELISA"), flow through assays and lab analyzers. In addition, Sona's gold nanorods have potential to be incorporated into disruptive emerging medical applications including targeted drug delivery, photothermal therapy and cell imaging.

### ***Three Year History***

Throughout the last three years, Sona has attempted to enter the global nanoparticles market with their initial Gemini<sup>TM</sup> gold nanorod product, through the setup of a distribution agreement with Strem Chemicals Inc and Strem Chemicals, UK who cover the USA and UK respectively. A further agreement with CABRU, Italy has also been established. In all agreements, little or no activity has taken place. All distributors and associated agreements will be assessed through 2018 to determine their alignment with Sona's future.

An e-commerce platform for direct sales was also established to help generate sales of its GNR technology, but this platform has generated no revenue and does not currently suit its intended purpose; therefore, its future will be assessed to determine if such a platform is aligned with Sona's plans.

Since 2016, Sona has been engaging with multiple life science-based companies to establish collaborative programs where Sona GNR's were to be utilised in the development of conjugation kits for sale to the market through a co-marketing agreement. Potential programs with UCB and Biomedica stalled through 2016 and 2017 and are no longer being targeted.

Sona has a number of collaborative development programs underway that will help create the next generation of multiplexed lateral flow tests by incorporating Sona GNR technology as the primary detector label within these

assays. Programs include detection of analytes across multiple segments, varying from female sexual health, infectious diseases and antimicrobial resistance to food testing and environmental monitoring.

Sona is also undertaking a sponsored development program to create a model system for Sona nanorods in lateral flow assays. This system can then be offered through a contract development program and will also be developed into an off-the-shelf lateral flow kit.

Sona is currently collaborating with Cape Breton University in Sydney, Nova Scotia (Dr. Shine's group) to establish toxicity levels of Gemini<sup>TM</sup> and Omni<sup>TM</sup> nanorods across a range of different cell lines.

A further collaboration underway is with Clemson University (Dr. Naren) where they are developing non-surgical treatments and imaging techniques. Recent testing has shown that Sona's GNR technology performs better than traditional gold nanoparticles used in previous studies.

### **Narrative Description of the Business**

In 2017, the Company adopted a new focused commercial strategy aimed at the diagnostics and research life sciences markets. Its current focus is the establishment of a production and R&D facility fit to service the diagnostics market and the commercialization of its Gemini<sup>TM</sup> and Omni<sup>TM</sup> gold nanorod (GNR) technology concentrated in two areas: Diagnostics and Life Sciences.

#### Principal Products and Services

The primary offering to the diagnostics market will be technology licenses and associated reagent (gold nanorod or conjugate) sales to use Sona's gold nanorods in lateral flow assays. To aid in the sale of such licenses and reagents, Sona will offer a contract development service to develop commercially viable diagnostic assays that provide superior products to the market, reduce cost burdens for healthcare payers and individuals and provide access to next generation multiplexed point of care tests. A secondary offering of a custom conjugation service, where upon third party antibodies, antigens or proteins are attached to Sona gold nanoparticles and said third party is charged accordingly for this work, and the supply of gold nanorods for customers to use in their own development also is proposed to be available through direct sales channels and a global distribution network.

The offering to the life sciences market will include the supply of gold nanorod products through direct and distributor sales channels as well as a custom synthesis service which will help support the application of nano-research and its potential to improve nanotechnology driven applications in the life sciences sector.

To help establish the new facility and commercialization of GNR technology, Sona has received approval for a CAD\$500,000 government loan from Atlantic Canada Opportunities Agency ("ACOA") and is set to be utilized through Q2 and Q3 of 2018 for the purchase of capital equipment, creation of promotional materials, business development activities and contribution towards salaries for existing and new hires, including a business development manager, development and production scientists and a PR/Marketing consultant.

Sona's primary approach to market entry involves targeting firms that have established and ubiquitous platforms in place for lateral flow assays. By convincing firms to utilize Sona's gold nanorods in their existing products, firms will be able to transform their platforms by incorporating modern diagnostic techniques with broad applications across multiple diagnostic segments ranging from human health conditions, antimicrobial resistance, animal health and infectious diseases plus many others.

#### Business Objectives

The diagnostic market requires a more robust proof of technology, therefore the proposed objectives related to the future diagnostic activities are concentrated on achieving this to pursue the benefits that Sona technology can provide and include the following:

- Develop feasible next generation, multiplexed, lateral flow assays utilizing Sona's gold nanorod technologies with commercial partners;
- Establish an equipped center for the production and characterization of gold nanoparticles and the development of lateral flow assays;
- Create lean production scale-up processes;
- Establish production characterization techniques;
- Develop a quality management system in preparation for applying for ISO certification to serve the diagnostics market;
- Demonstrate the feasibility of conjugating various biological materials using Sona's gold nanorod technologies;
- Demonstrate the feasibility of using Sona's gold nanorod technologies in a lateral flow platform;
- Develop model systems that will be used as a comparator to existing technologies in the market;
- Advance existing production techniques to a more automated, continuous production process;
- Demonstrate proof of concept of using SERS (Surface Enhanced Raman Spectroscopy) technology alongside Sona's nanorod technology in a lateral flow platform for detection of single molecule analytes; and
- Build Sona's IP portfolio centered around Nanorod/Nanoparticle technology and platforms.

The life sciences project component deals with selected issues related to the diverse range of properties that gold nanorods have. Specific projects will provide practical applications of the gold nanorod technology. The proposed objectives of the life sciences module include the following:

- Establish development programs with commercial partners to utilize Sona's nanorods in life science research;
- Establish supply agreements directly with university groups and nanotechnology centers partaking in gold nanotechnology research;
- Create a distribution network that services the life science and academic networks;
- Develop an improved understanding of the chemical and physical processes of gold nanorods in-vivo;
- Study the potential application of Sona's nanorod technology to a wider range of commercial applications;
- Develop a graduate training center for next generation nanotechnologists to collaborate with Sona on existing projects.

The above objectives are anticipated to be completed over the 12-18 month period following completion of the Transaction and will involve Sona using a combination of both in-house research and development activities as well as subcontracting parts of this work out to experienced third parties with an anticipated 50/50 split respectively.

To ensure Sona is able to service the international diagnostics market, Sona proposes to obtain ISO13485 certification (A framework for meeting medical device quality requirements in the international markets).

### Operations

Sona will undertake production operations of its gold nanorod using documented manufacture batch records and associated quality control testing procedures. Its contract development services will be provided as a custom service utilising a design history file approach, when each phase of the test design is documented and filed. Sona will produce all its gold nanorod products in house and will use a combination of both in-house and sub-contracting for its lateral flow development and manufacture services offering.

Sona currently has three full-time employees. Sona's current research and development ("R&D") and production operates from leased lab space at St. Francis Xavier University ("StFX") in Antigonish, Nova Scotia; however, to align with its future goals and markets, Sona intends to establish a development and production centre in Halifax, Nova Scotia to allow for the lab to be set up for regulatory approval and certification under ISO13485 standard. Sona's current agreement with StFX is in good standing and is a rolling agreement that will be terminated at the end

of June 2018, unless otherwise agreed to between StFX and Sona. There are no arms length agreements with Sona regarding this matter.

Lateral flow development is a specialized skill set that existing Sona personnel have, and further personnel with this skill set can be obtained globally. There are multiple well-established global sources of key materials and components for gold nanorods and lateral flow production, all operating at fair market prices. Core patents around lateral flow technology have now expired, therefore a large influx of companies operating in this space has emerged over recent years, some with their own patents and many without. It is therefore not essential to own associated patents to operate in this market, however patent ownership and the ability to license its technology is a key part of Sona's commercial strategy.

Sona currently has one U.S. provisional patent application relating to gold nanorod particles technology: "Metal Nanoparticles and Methods of Making Same" (USPTO Provisional Patent Application number: 62581669).

By an assignment of invention dated February 16, 2018, among Kulbir Singh, Michael McAlduff and Gerrard Marangoni, as assignors, and Sona, as assignee, Sona was assigned USPTO Provisional Patent Application number 62581669 entitled "Metal Nanoparticles and Methods of Making Same" for nominal consideration.

Sona has a provisional patent application only and at this time, no patent has been filed for or granted. Sona has until November 4, 2018 to make an application for a patent in the USA; however, Sona can provide no assurance that any patents will be issued for its currently provisional patent application in a manner that gives Sona the protection that it seeks, if at all, or that any future patents issued to Sona will not be challenged, invalidated or circumvented.

Although Sona is aware of a number of already granted patents regarding fabrication methods of nanorods, all said patents utilize cytotoxin, cetyltrimethylammonium bromide ("CTAB") as the surfactant to allow growth of the rods. Sona has invented two methods of making gold nanorods without CTAB.

Sona's intention is for Sona's patent lawyers to conduct a preliminary search to attempt to identify any possible barriers to Sona proceeding to make a full application for a patent. If no conflicting provisional patents by a third party are identified, Sona will file a renewed provisional patent. If a later-dated provisional application is submitted by a third party, Sona intends to submit a final patent application, followed by a PCT (International patent).

The lateral flow market is a stable market year round but can be affected in a positive manner during outbreaks of infectious diseases such as the recent Ebola and Zika epidemics. Influenza can also cause positive spikes in demand for the market due to its seasonal cycle and multiple different strains.

### Market

Upon completion of its noted business objectives, Sona will concentrate its efforts on the USA and European Union ("EU") markets for its lateral flow development and production services, targeting three broad segments within the lateral flow market: over the counter, animal diagnostics and cardiometabolic. However, Sona will not limit itself to solely working in these segments and may choose to work with companies on projects in alternative segments of the lateral flow market, including, but not limited to, environmental testing, infectious disease and food testing. Its life science target market will be predominantly researchers in the area of photothermal therapy, drug delivery and cell imaging.

It is unclear the impact that Brexit may have on the United Kingdom and EU markets and also the new in-vitro device regulation (IVDR) that was released May 2017 with regards to impacting companies wishing to pursue creation of lateral flow products. With the recent influx of EU companies bringing products to market, trends show this effect is currently of low risk.

There is already an established market for gold nanoparticles for use in lateral flow devices. Completion of the above-stated objectives will ensure further market acceptance.

Sona intends to market its products and services directly and through a distribution network using distribution agreements with non-arm's length companies. Sona will embark on an aggressive public relations campaign to

bolster the company and its personnel as key opinion leaders in the market. Sona will also attend market established conferences such as AACC and Medica and will sponsor lateral flow seminars with targeted audiences. The costs of this marketing program have not yet been determined.

#### *Competitive Conditions*

There are a small number of nanorod producers in the market including Nanopartz, Cytodiagnostics, Nanohybrids and Nanocomposix. Sona positions itself at the top end of the market due to the properties of its nanorods and the advantages they have when compared to the existing products in the market. Performance in lateral flow is being assessed. New competition may come from nanoparticle producers in the market that do not have nanorods in their catalogue such as DCN, BBI and Expeadeon.

#### *Material Agreements*

Except for contracts entered into in the ordinary course of business, Sona does not have any other material contracts currently they entered into within the two years immediately prior to the date hereof that can reasonably be regarded as currently material to Sona.

#### **Dividends**

Sona has not declared or paid any dividends on the Shares since its incorporation and does not intend to pay any prior to completion of the Arrangement.

#### **Selected Financial Information and Management's Discussion and Analysis**

The following table sets out certain selected financial information of Sona for the periods indicated which was extracted from Sona's audited financial statements (for more information see Schedule "D").

#### *Annual Data*

	<b>Year ended December 31, 2016</b>	<b>Period ended October 31, 2017</b>
Total Expenses	(747,867)	(449,126)
Other income	105,107	21,115
Net Loss	(642,760)	(428,011)
Loss Per Share – Basic and Diluted	(0.02)	(0.02)
Total Assets	143,466	336,145
Total Liabilities	751,319	1,134,270
Working Capital (Deficit)	(521,935)	(646,195)
Shareholders' Equity (Deficiency)	(607,852)	(798,125)
Weighted Average Common Shares Issues and Outstanding (end of period)	27,190,155	27,928,923

### ***Management's Discussion and Analysis***

*The Management's Discussion and Analysis ("MD&A") provides a review of the performance of Sona Nanotech Ltd. ("Sona" or the "Company") and should be read in conjunction with the audited financial statements of Sona (the "Financial Statements") for the period ended October 31, 2017 (Schedule "D"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").*

#### *Expenses*

During the ten-month period ended October 31, 2017, the Company recorded expenses of \$449,126, a decrease of \$298,741 from the \$747,867 expenses incurred during the year-ended December 31, 2016. The decrease can be attributed to the following items:

- Consulting and wages decrease by \$110,427 primarily as a result of a shorter reporting period. The consulting and wage for the ten-month period ended October 31, 2017 relate primarily to the salaries and consulting fees of the President and CEO, Chief Technology Officer, Director of R&D and the former president and COO.
- Financing fees decreased by \$75,000 as there was a one-time fee associated with a loan received from Brigus Capital Inc ("Brigus") during the year ended December 31, 2016. See "Related Party Transactions".
- Professional fees decreased by \$46,349 as a result of a shorter reporting period. The professional fees for the ten-month period ended October 31, 2017 are primarily made up of audit fees and external consultant fees.
- Management services decreased by \$38,000 as a result of a shorter reporting period. The management service fees relate to management service fees and consulting services provided by Numus Financial Inc. ("Numus"). See "Related Party Transactions".
- Research and development costs decreased by \$22,707 as a result of a shorter reporting period. The research and development costs for the ten-month period ended October 31, 2017 relate primarily to costs associated with supplies and the attendance at conferences and courses.

#### *Other income*

During the ten-month period ended October 31, 2017, the Company recorded other income of \$21,115, a decrease of \$83,992 from the \$105,107 other income earned during the year-ended December 31, 2016. The decrease can be attributed to the following items:

- The Company recorded \$41,660 of other income relating to ACOA loans during the year ended December 31, 2016. The value recorded in other income relating to ACOA is the difference between the face value and the initial fair value of the ACOA loans. The initial fair value of the loans is determined based on the projected repayment of the loan based on a 5% royalty on the estimated gross product revenues. The ACOA loans decreased during the ten-month period end October 31, 2017 by \$20,545 as a result of a shorter reporting period.
- The decreases in expenses were offset by a decrease of \$63,447 in other income relating to SR&ED due to a SR&ED claim completed during the year-ended December 31, 2016. The Scientific Research and Experimental Development ("SR&ED") Program is a federal tax incentive program designed to encourage Canadian businesses of all sizes and in all sectors to conduct research and development in Canada.

*Liquidity and capital resources*

	<b>Year ended December 31, 2016</b>	<b>Period ended October 31, 2017</b>
Total assets	143,466	336,145
Current financial liabilities	664,811	962,024
Non-current financial liabilities	86,507	172,246

Sona's liquidity depends on existing cash reserves, supplemented as necessary by asset dispositions, government loans, government grants, and equity and/or debt financings. As of October 31, 2017, Sona had cash of \$173,323 compared to \$35,406 as at December 31, 2016. The negative working capital balance at October 31, 2017 was \$646,195 as compared to the negative working capital balance of \$521,935 at December 31, 2016 due primarily operating and investing costs incurred through the normal course of operations, netted against the cash received from the private placement completed in October 2017.

During the ten-month period ended October 31, 2017, Sona used net cash of \$201,538 to fund operating activities. In addition, Sona raised net funds through financing activities of \$362,916 during the ten-month period ended October 31, 2017 through the issuance of shares and proceeds from long-term debt. Investing activities focused on additions to capital assets, resulting in cash outflow from investing activities of \$23,461 for the period ended October 31, 2017.

During the year ended December 31, 2016, Sona used net cash of \$328,110 to fund operating activities. In addition, Sona raised net funds through financing activities of \$336,507 during the year ended December 31, 2016 through the issuance of shares and proceeds from long-term debt. Investing activities focused on additions to capital assets, resulting in cash outflow from investing activities of \$651 for the year ended December 31, 2016.

Sona's business to date has been the research and development of its gold nanorod products. Sona has historically relied primarily on funding through the form of repayable government loans, non-repayable government grants, issuance of common shares and debt.

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, it may necessitate the need for the Company to issue equity or obtain debt financing.

The Company is in the process of applying for a government loan and is pursuing financing alternatives. However, 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. Refer to note 1, *Nature of operations and going concern*, in the audited financial statements for the ten-month period ended October 31, 2017 (see Schedule "D" for more information).

*Off-balance sheet arrangements*

Sona has no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to Sona.



*Related party transactions*

During the ten-month period ended October 31, 2017, the Company incurred costs for management services from a related party, Numus Capital Corp. (“Numus”), a company controlled by certain directors of Sona, in the amount of \$180,000 (December 31, 2016 – \$218,000). Sona incurred rent and office costs from Numus in the amount of \$12,150 (December 31, 2016 – \$14,850), recognized other cost reimbursements from Numus of \$12,390 (December 31, 2016 – \$46,744), received a loan in the amount of \$45,000 (December 31, 2016 – \$nil) and accrued interest on the loan of \$325 (December 31, 2016 – nil). As at October 31, 2017, the amount owing to Numus was \$589,669 (December 31, 2016 – \$345,738).

During the ten-month period ended October 31, 2017, Numus, a company controlled by certain directors of Sona, assisted the Company in securing subscribers in the private placements during the ten-month period ended October 31, 2017. The Company incurred Numus finders' fees of 8%, or \$20,800 (December 31, 2016 – \$nil).

During the year ended December 31, 2016, the Company received a loan of \$160,000 from Brigus Capital Inc (“Brigus”), a company controlled by a director of Sona. During the ten-month period ended October 31, 2017, the Company accrued interest of \$10,000 (December 31, 2016 – \$7,093). As at October 31, 2017, the amount owing to Brigus was \$117,094 (December 31, 2016 – \$107,094).

During the year ended December 31, 2016, the Company issued 500,000 common shares as a financing fee at a price of \$0.15 per share for an aggregate value of \$75,000.

*Critical accounting estimates*

The preparation of the 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. Estimates are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical accounting judgments and estimates in applying accounting policies that have the most significant impact on the amounts recognized in the financial statements are outlined below.

*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 require a number of assumptions. The difference between the face value and the initial fair value of the ACOA loans is recorded in the statement of loss and comprehensive loss as government assistance. 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 in the research stage for researching and developing gold nanorod 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 Corporation 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 rates ranging from 8.1% to 12.0% to discount the ACOA loan.

If the weighted average discount rate used in determining the initial fair value and the carrying value at each reporting date of all ACOA loans, with repayment terms based on future revenue, had been determined to be higher by 10% (resulting in a discount rates ranging from 8.9% to 13.2%), or lower by 10% (resulting in a discount rates ranging from 7.3% to 10.8%), the carrying value of the long-term debt at October 31, 2017 would have been an estimated \$4,600 lower or \$4,800 higher, respectively. If the total forecasted revenue was reduced by 10% or increased by 10%, the carrying value of the long-term debt at October 31, 2017 would not have been materially impacted.

### Trends and Business Risks

*Sona has a limited operating history and its future profitability is uncertain*

Sona has a limited operating history and its business is subject to all of the risks inherent in the establishment of a new business enterprise. The Company's likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with establishing a new life science company.

*Sona has a history of losses and may never achieve or sustain profitability*

Sona has incurred substantial losses since its inception, and it may not achieve profitability in the foreseeable future, if at all. Sona expects to incur net losses and negative cash flows due in part to increasing research and development expenses, marketing expenses and hiring additional personnel. As a result, Sona will need to generate significant revenues in order to achieve and maintain profitability. Sona may not be able to generate these revenues or achieve profitability in the future. Even if Sona does achieve profitability, it may not be able to sustain or increase profitability.

*Sona needs to raise additional capital to operate its business*

Sona is an early commercial-stage company focused on product development and commercialization and has generated only limited product revenues to date. For the foreseeable future, Sona will have to fund all of its operations and capital expenditures primarily from the net proceeds of future offerings, government grants, government loans and financing through the issuance of securities. Sona's actual capital requirements will depend on many factors. If Sona experiences unanticipated cash requirements, it may need to seek additional sources of financing, which may not be available on favorable terms, if at all. If Sona does not succeed in raising additional funds on acceptable terms, it may be forced to discontinue product development and/or commercialization, reduce or forego sales and marketing efforts and attractive business opportunities or discontinue operations.

*Sona has limited access to the capital markets, and, even if it can raise additional funding, it may be required to do so on terms that are dilutive to shareholders*

Sona has limited access to the capital markets to raise capital. The capital markets have been unpredictable in the recent past for other life science companies and unprofitable companies such as Sona. In addition, it is generally difficult for early commercial-stage companies to raise capital. The amount of capital that a company such as Sona is able to raise often depends on variables that are beyond its control. As a result, Sona may not be able to secure financing on terms attractive to it, or at all. If Sona is able to consummate a financing arrangement, the amount raised may not be sufficient to meet its future needs. If adequate funds are not available on acceptable terms, or at

all, Sona's business, results of operations, financial condition and its continued viability may be materially adversely affected.

*Raising additional capital may cause dilution to existing shareholders, restrict operations or require the Company to relinquish rights to its products.*

Until such time, if ever, as the Company can generate substantial product revenues, the Company expects to finance the cash needs through a combination of equity offerings, debt financings, government or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. Currently, the Company does not have any committed external source of funds. The Company will require substantial funding to complete the ongoing and planned research and development activities and to fund operating expenses and other activities. To the extent that the Company raises additional capital through the sale of equity or convertible debt securities, the shareholders ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the shareholders rights as a stockholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting the Company's ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If the Company raises additional funds through government or other third-party funding, marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, the Company may have to relinquish valuable rights to its products, future revenue streams, research programs or to grant licenses on terms that may not be favorable.

*The Company's reliance on government funding adds uncertainty to the Company's research and commercialization efforts of its government-funded product candidates.*

The Company has received significant funding from government organizations. There is no assurance the Company will continue to apply for and/or be awarded government funding in the future. If the Company is unable to obtain additional government funding, it will have to either obtain funds through raising additional capital or arrangements with strategic partners or others, if available, that may require the Company to relinquish material rights to certain technologies or potential markets. There is no certainty that financing will be available in amounts the Company requires to pursue the planned activities or on acceptable terms, if at all.

*Unexpected events may materially harm Sona's ability to align incurred expenses with recognized revenues*

Sona incurs operating expenses based upon anticipated revenue trends. Since a high percentage of these expenses may be relatively fixed, a delay in recognizing revenues from transactions related to these expenses (such a delay may be due to the factors described elsewhere in this risk factor section or it may be due to other factors) could cause significant variations in operating results from quarter to quarter, and such a delay could materially reduce operating income. If these expenses are not subsequently matched by revenues, Sona's business, financial condition, or results of operations could be materially and adversely affected.

*Sona must continue to manage its internal resources during periods of company growth or its operating results could be adversely affected*

Sona's growth, coupled with the rapid evolution of its markets, may place, significant strains on Sona's administrative and operational resources and increased demands on its internal systems, procedures and controls. Sona's administrative infrastructure, systems, procedures and controls may not adequately support its operations. In addition, Sona's management may not be able to achieve the rapid, effective execution of the product and business initiatives necessary to successfully implement Sona's operational and competitive strategy. If Sona is unable to manage growth effectively, its operating results will likely suffer which may, in turn, adversely affect its business.

*Sona may fail to achieve its financial forecasts due to inaccurate sales forecasts or other factors*

Sona's revenues are difficult to forecast, and, as a result its quarterly operating results can fluctuate substantially. Sona's sales forecasts are only an estimate and may be an unreliable predictor of actual sales activity, both in a particular quarter and over a longer period of time. Many factors may affect actual sales activity, such as weakened economic conditions, which may cause Sona's potential customers to reduce, delay, or eliminate their planned expenditure on Sona's product; and potential collaborative partners to delay, reduce or eliminate their collaboration with Sona. If actual sales activity differs from Sona's forecasts, then Sona may have planned its activities and budgeted incorrectly and this may adversely affect its business, operating results and financial condition.

*The Company may expend its limited resources to pursue a particular product and fail to capitalize on products that may be more profitable or for which there is a greater likelihood of success.*

Because the Company has limited financial and managerial resources, the Company focuses on research and development of its product lines. As a result, the Company may forego or delay pursuit of opportunities with other products that later prove to have greater commercial potential. The Company's resource allocation decisions may cause the Company to fail to capitalize on viable commercial products or profitable market opportunities. The Company's spending on current and future research and development on its products for specific indications may not yield any commercially viable products.

*The Company's future success depends on its ability to retain its key executives and to attract, retain and motivate qualified personnel.*

The Company is highly dependent on its executive officers. Although the Company has formal employment agreements with each of its executive officers, these agreements do not prevent the Company's executives from terminating their employment with the Company at any time. The loss of the services of any of these persons could impede the achievement of the Company's research, development and commercialization objectives.

Recruiting and retaining qualified scientific, sales and marketing personnel will also be critical to the Company's success. The Company may not be able to attract and retain these personnel on acceptable terms given the competition among numerous life science companies for similar personnel. In addition, the Company relies on consultants and advisors, to assist it in formulating its research and development and commercialization strategy. The Company's consultants and advisors may be employed by employers other than the Company and may have commitments under consulting or advisory contracts with other entities that may limit their availability to the Company.

*If the Company is unable to protect the confidentiality of its trade secrets, the Company's business and competitive position would be harmed.*

In addition to seeking patents for some of the Company's products, it also relies on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain its competitive position. The Company seeks to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with internal and external parties who have access to them. Despite these efforts, any of these parties may breach the agreements and disclose the Company's proprietary information, including its trade secrets, and the Company may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, courts in certain jurisdictions are less willing or unwilling to protect trade secrets. If any of the Company's trade secrets were to be lawfully obtained or independently developed by a competitor, it would have no right to prevent them from using that information to compete with the Company and its competitive position would be harmed.

*Sona's investment in its current research and development efforts may not provide a sufficient, timely return*

The development of Sona's gold nanorod particles is a costly, complex and time-consuming process and the investment in Sona's product development often involves a long wait until a return is achieved on such an investment. Sona is making, and will continue to make, significant investments in product research and development. Investments in new equipment, technology and processes are inherently speculative. Commercial success depends on many factors, including the products and services developed through Sona's research and development efforts, sufficient support from its strategic partners and effective distribution and marketing. These expenditures may adversely affect Sona's operating results if they are not offset by revenue increases. Sona believes that it must continue to dedicate a significant amount of resources to its research and development efforts in order to maintain its competitive position. However, significant revenues from the products may not be achieved for a number of years, if at all. Moreover, the gold nanorod products may not be profitable, and even if they are profitable, operating margins for the gold nanorod products may not be as high as projected.

*The Company expects to expand its development and sales and marketing capabilities, and as a result, the Company may encounter difficulties in managing its growth, which could disrupt the Company's operations.*

The Company expects to experience significant growth in the number of its employees and the scope of its operations, particularly in the areas of development and sales and marketing. To manage the Company's anticipated future growth, it must continue to implement and improve its managerial, operational and financial systems, expand its facilities and continue to recruit and train additional qualified personnel. Due to the Company's limited financial resources, the Company may not be able to effectively manage the expansion of its operations or recruit and train additional qualified personnel. The physical expansion of the Company's operations may lead to significant costs and may divert its management and business development resources. Any inability to manage growth could delay the execution of the Company's business plans or disrupt the Company's operations.

*Third parties may initiate legal proceedings alleging that the Company is infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of the Company's business.*

The Company's commercial success depends upon its ability and the ability of its collaborators to develop, manufacture, market and sell its product and use its proprietary products without infringing the proprietary rights of third parties. The Company may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to its products and technology, including interference proceedings before the Canadian and/or U.S. Patent and Trademark Office or other similar regulatory authorities. Third parties may assert infringement claims against the Company based on existing patents or patents that may be granted in the future. If the Company is found to infringe a third party's intellectual property rights, it could be required to obtain a license from such third party to continue developing and marketing its products and technology. However, the Company may not be able to obtain any required license on commercially reasonable terms or at all. Even if the Company was able to obtain a license, it could be non-exclusive, thereby giving its competitors access to the same products licensed to the Company. The Company could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, the Company could be found liable for monetary damages. A finding of infringement could prevent the Company from commercializing its products or force the Company to cease some of its business operations, which could materially harm the Company's business. Claims that the Company has misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on its business.

*If the Company is unable to establish sales and marketing capabilities or enter into agreements with third parties to sell and market its product, the Company may not be successful in commercializing its product.*

The Company does not have a sales or marketing infrastructure in place. To achieve commercial success for any of its product that would be approved in the future, the Company must either develop a sales and marketing organization or outsource these functions to third parties. If the Company does not establish sales and marketing capabilities successfully, either on its own or in collaboration with third parties, it will not be successful in commercializing its product candidates.

*If the Company is unable to obtain and maintain patent protection for its products, or if the scope of the patent protection obtained is not sufficiently broad, the Company's competitors could develop and commercialize products similar or identical to that of the Company's, and its ability to successfully commercialize its products may be adversely affected.*

The Company's success depends in large part on its ability to obtain and maintain patent protection with respect to its proprietary products. This patent application process is expensive and time-consuming, and the Company may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that the Company will fail to identify patentable aspects of its research and development output before it is too late to obtain patent protection.

Sona can provide no assurance that any patents will be issued for its provisional patent application in a manner that gives Sona the protection that it seeks, if at all, or that any future patents that may be issued to Sona will not be challenged, invalidated or circumvented. Furthermore, Sona may not be able to detect the unauthorized use of Sona's technology and processes or take appropriate steps to prevent such use.

The patent position of life science companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of the Company's patent rights are highly uncertain. The Company's future patent applications may not result in patents being issued which protect its products or which effectively prevent others from commercializing competitive products. Changes in either the patent laws or interpretation of the patent laws may diminish the value of the Company's patents, if any, or narrow the scope of its patent protection.

The laws of foreign countries may not protect the Company's rights to the same extent as the laws of Canada and the United States. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in Canada and the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, the Company cannot be certain that it was the first to make the inventions claimed in its provisional patent application.

Even if the Company's provisional patent application is issued as a patent, it may not issue in a form that will provide the Company with any meaningful protection, prevent competitors from competing with the Company or otherwise provide the Company with any competitive advantage. The Company's competitors may be able to circumvent its owned or licensed patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its scope, validity or enforceability, and the Company's patents, if any, may be challenged in the courts or patent offices in Canada, the United States and abroad. Such challenges may result in patent claims being narrowed, invalidated or held unenforceable, which could limit the Company's ability to or stop or prevent the Company from stopping others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of its technology and products. Given the amount of time required for the development, testing and regulatory review of new products, patents protecting such products might expire before or shortly after such products are commercialized. As a result,

the Company's provisional patent application may not provide it with sufficient rights to exclude others from commercializing products similar or identical to the Company's.

*Intellectual property litigation could cause the Company to spend substantial resources and distract its personnel from their normal responsibilities.*

Even if resolved in the Company's favor, litigation or other legal proceedings relating to intellectual property claims may cause the Company to incur significant expenses, and could distract the Company's technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of the Company's common shares. Such litigation or proceedings could substantially increase the Company's operating losses and reduce the resources available for research and development activities. The Company may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of the Company's competitors may be able to sustain the costs of such litigation or proceedings more effectively than it can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on the Company's ability to compete in the marketplace.

*Foreign currency and exchange rate risk*

Sona currently reports its results in the Canadian dollar. Fluctuations in the exchange rates between the European Euro, United States dollar and Canadian dollar may have a material adverse effect on the business, financial condition and operating results of the Company. To date, Sona has not engaged in exchange rate hedging activities and may not do so in the foreseeable future.

*Sona's operating results could be adversely affected by any weakening of economic conditions*

Sona's overall performance depends in part on worldwide economic conditions. Certain economies have experienced periods of downturn as a result of a multitude of factors, including, but not limited to, turmoil in the credit and financial markets, concerns regarding the stability and viability of major financial institutions, declines in gross domestic product, increases in unemployment and volatility in commodity prices and worldwide stock markets, and excessive government debt. The severity and length of time that a downturn in economic and financial market conditions may persist, as well as the timing, strength and sustainability of any recovery, are unknown and are beyond Sona's control. Moreover, any instability in the global economy affects countries in different ways, at different times and with varying severity, which makes the impact to Sona's business complex and unpredictable. In addition, deterioration of the global credit markets could adversely impact Sona's ability to complete licensing transactions and services transactions, including maintenance and support renewals. Any of these events, as well as a general weakening of, or declining corporate confidence in, the global economy, or a curtailment in government or corporate spending could delay or decrease Sona's projected revenues, and therefore have a material adverse effect on its business, operating results and financial condition.

*Sona may become involved in litigation that may materially adversely affect it*

From time to time in the ordinary course of Sona's business, it may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause Sona to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on Sona's business, operating results or financial condition.

*Stress in the global financial system may adversely affect Sona's finances and operations in ways that may be hard to predict or to defend against*

Financial developments seemingly unrelated to Sona or to its industry may adversely affect Sona over the course of time. For example, material increases in any applicable interest rate benchmarks may increase the debt payment costs for Sona's credit facilities. Credit contraction in financial markets may hurt its ability to access credit in the event that Sona identifies an acquisition opportunity or require significant access to credit for other reasons. A reduction in credit, combined with reduced economic activity, may adversely affect businesses and industries that collectively constitute a significant portion of Sona's customer base and/or potential collaborative partners. As a result, these customers and/or collaborative partners may need to reduce their purchases of Sona's product and/or collaboration agreements with Sona, or Sona may experience greater difficulty in receiving payment for the products that these customers purchase from it. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on Sona's business, operating results, and financial condition

*Cyber security incidents and privacy breaches could result in important remediation costs, increased cyber security costs, litigation and reputational harm.*

Cyber security incidents can result from deliberate attacks or unintentional events. Cyber-attacks and security breaches could include unauthorized attempts to access, disable, improperly modify or degrade the Company's information, systems and networks, the introduction of computer viruses and other malicious codes and fraudulent "phishing" emails that seek to misappropriate data and information or install malware onto users' computers. Cyber-attacks in particular vary in technique and sources, are persistent, frequently change and are increasingly more targeted and difficult to detect and prevent against.

Disruptions due to cyber security incidents could adversely affect the Company's business. In particular, a cyber security incident could result in the loss or corruption of data from the Company's research and development activities, which may cause significant delays to some or all of the Company's research and development. Also, the Company's trade secrets, including unpatented know-how and other proprietary information could be disclosed to competitors further to a breach, which would harm the Company's business and competitive position. If the Company is unable to protect the confidentiality of its trade secrets, the Company's business and competitive position would be harmed.

#### *Impact of laws*

Sona operates in Canada and plans to offer its products in Canada, the United States, Europe and eventually in other countries. Sona is and will be subject to a variety of laws in Canada, the United States and abroad, including laws regarding consumer protection, privacy, intellectual property, taxation and content suitability, distribution and antitrust, that are continuously evolving and developing. The scope, enforcement and interpretation of the laws that are or may be applicable to Sona are often uncertain and may be conflicting, particularly laws outside of Canada and the United States. It is also likely that as business grows and evolves to a greater number of countries, Sona will become subject to laws and regulations in additional jurisdictions. Compliance with applicable laws or regulations could be very difficult or liability could arise under these laws or regulations due to amendments to or evolving interpretation and enforcement of such laws and regulations. As a result, Sona could be directly harmed, and may be forced to implement new measures to reduce the exposure to this liability. This may require substantial resources to be expended or a modification of its products and services, which would harm the business, financial condition and results of operations of Sona.

Please see also "The Amalgamation - Amalgamation Risk Factors".



### Description of the Securities

The Company has authorized an unlimited number of common shares without par value. As of October 31, 2017, the Company had 30,421,662 common shares outstanding. Since October 31, 2017 the Company has completed a non-brokered private placement for aggregate gross proceeds of \$440,000 at a price of \$0.10 per share resulting in the issuance of 4,400,000 common shares. As at March 22, 2017, the Company has 34,821,662 common shares outstanding.

The holders of the Shares are entitled to receive notice of and to attend and vote at all meetings of the Shareholders and each Share confers the right to one vote in person or by proxy at all meetings of the Shareholders. The holders of the Shares, subject to the prior rights, if any, of any other class of shares of Sona, are entitled to receive such dividends in any financial year as the board of directors of Sona may by resolution determine. In the event of the liquidation, dissolution or winding-up of Sona, whether voluntary or involuntary, the holders of the Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of Sona, the remaining property and assets of Sona.

### Consolidated Capitalization

The following table sets forth the consolidated capitalization of Sona as at the Record Date:

Type of Security	Authorized	Outstanding as at dated of this Circular	Outstanding as at Oct. 31, 2017	Outstanding as at Dec. 31, 2016
Shares <sup>(1)</sup>	Unlimited	34,821,662	30,421,662	27,821,662
Options	Nil	Nil	Nil	Nil
Warrants	Nil	Nil	Nil	Nil

(1) As at October 31, 2017, Sona had a deficit of \$1,632,163.

Sona has long-term debt owing to the Atlantic Canada Opportunities Agency (“ACOA”) of \$172,246 as at October 31, 2017. The ACOA debt is interest free and the annual repayment is calculated at 5% of gross product revenue. As at October 31, 2017, Sona has amounts due to related parties of \$162,378. Of the amounts due to related parties, \$117,094 bears interest at 1% per month while \$45,284 bears interest at prime plus 1%, and both amounts are repayable on demand.

### Stock Option Plan and Outstanding Options

Sona does not have a stock option plan, and there are no stock options outstanding for Sona.

### Prior Sales

During the twelve month period preceding this Circular, Sona issued the following securities:

Date	Type of Transaction	Number and Type of Securities	Price	Proceeds \$
February 27, 2018	Private placement	400,000	\$0.10	40,000
January 24, 2018	Private placement	400,000	\$0.10	40,000
December 20, 2017	Private placement	3,600,000	\$0.10	360,000
October 31, 2017	Private placement	1,300,000	\$0.10	130,000
October 6, 2017	Private placement	1,300,000	\$0.10	130,000

### Stock Exchange Price

The Sona Shares are not currently listed and posted for trading on any recognized stock exchange.

### Escrowed Securities

Sona has no securities which are subject to escrow or other pooling or hold restrictions.

### Principal Shareholders

To the knowledge of the Directors and executive officers of Sona, no person beneficially owns, directly or indirectly, or exercises control or direction over shares carrying more than 10% of the voting rights attached to all outstanding Shares, as of the date hereof, other than:

Name	Number of Sona Shares Held	Percentage of Issued Sona Shares
Brigus Capital Inc. <sup>(1)</sup>	4,750,000	13.64%

<sup>(1)</sup> A private corporation controlled by Wade Dawe.

### Directors and Officers

The following table sets out the names of Directors and officers, the positions and offices which they presently hold with Sona, their respective principal occupations within the five preceding years and the number of shares of Sona which each beneficially owns, directly or indirectly, or over which control or direction is exercised as of the Record Date:

Name, Jurisdiction of Residence	Position with Sona	Principal Occupation during the past 5 years	Period as Director and/or Officer	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(2)</sup>
Wade Dawe Halifax, NS	Director	Current President & CEO of Fortune Bay Corp; formerly President & CEO of Brigus Gold Corp.	August 2015	6,800,000 (indirectly)
James Megann Halifax, NS	Director	President & CEO of Stockport 2012 to present; Principal of Numus Financial Inc., a venture capital firm; Ultimate Designated Person, Numus Capital Corp.	August 2015	2,625,000 (indirectly)
Gerrard Marangoni Antigonish, NS	Director	Professor of Chemistry, St. Francis Xavier University (2013 to 2015 and 2016 to present); Research Fellow, Verschuren Centre, Cape Breton University from 2015 to 2016.	March 2014	3,000,000
Darren Rowles Cardiff, United Kingdom	President and CEO	Current President and CEO Sona Nanotech, Oct 2017 – present; formerly Gold and lateral flow Product Manager, BBI Solutions – 2013 to 2017.	October 2017	Nil

Name, Jurisdiction of Residence	Position with Sona	Principal Occupation during the past 5 years	Period as Director and/or Officer	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(2)</sup>
Robert Randall Halifax, NS	CFO	CFO of Stockport Exploration Inc. since June 2012, Antler Gold Inc. since November 2016, Torrent Capital Ltd. since August 2016, and Duckworth Capital Corp. since May 2017. Previously served as CFO of NSGold Corporation from April, 2012 to November 2014; Ceylon Graphite Corp. from July 2012 to October 2013; kneat.com, inc. from June 2014 to November 2014; Graphene 3D Lab Inc. from August 2014 to July 2016; and Canabo Medical Inc. from November 2016 to June 2017.	November 2017	Nil

- (1) The information as to principal occupation, business or employment and Shares beneficially owned or controlled is not within the knowledge of the management of Sona and has been furnished by the respective nominees. Each nominee has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years.
- (2) The approximate number of Shares carrying the right to vote in all circumstances beneficially owned directly or indirectly, or over which control or direction is exercised by each proposed nominee as at the date hereof is based on information furnished by the transfer agent of Sona and by the nominees themselves.

#### Corporate Cease Trade Orders or Bankruptcies

To the knowledge of Sona, no proposed Director is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a Director, Chief Executive Officer (“CEO”) or Chief Financial Officer (“CFO”) of any company (including Sona) that:

- (a) was the subject, while the proposed Director was acting in the capacity as Director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
- (b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed Director ceased to be a Director, CEO or CFO but which resulted from an event that occurred while the proposed Director was acting in the capacity as Director, CEO or CFO of such company.

#### Personal Bankruptcies

To the knowledge of management of Sona, there has been no Director or officer, or any shareholder holding a sufficient number of securities of Sona to affect materially the control of Sona, or a personal holding company of any such person that has, within the 10 years before the Record Date, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Director or officer.

### **Penalties or Sanctions**

To the knowledge of management of Sona, no Director or officer, or any shareholder holding a sufficient number of securities of Sona to affect materially the control of Sona, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

There are potential conflicts of interest to which the Directors and officers of Sona will be subject in connection with the operations of Sona. In particular, certain of the Directors and officers of Sona are involved in managerial or Director positions with other mineral exploration and investment companies whose operations may, from time to time, be in direct competition with those of Sona or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Sona. Conflicts, if any, will be subject to the procedures and remedies available under the CBCA. The CBCA provides that if a Director has a material interest in a contract or proposed contract or agreement that is material to Sona, the Director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with, the CBCA.

### **Indebtedness of Directors, Executive Officers and Senior Officers**

No person who is or at any time since the commencement of Sona's last completed financial year was a Director, executive officer or senior officer of Sona, and no associate of any of the foregoing persons has been indebted to Sona at any time since the commencement of Sona's last completed financial year. No guarantee, support agreement, letter of credit or other similar arrangement or understanding has been provided by Sona at any time since the beginning of the most recently completed financial year with respect to any indebtedness of any such person.

### **Interest of Management and Others in Material Transaction**

Other than as disclosed herein or in Sona's financial statements for the ten month period ended October 31, 2017 and the year ended December 31, 2016 attached as Schedule "D" hereto, the Directors, executive officers and principal shareholders of Sona or any associate or affiliate of the foregoing have had no material interest, direct or indirect, in any transactions in which Sona has participated within the three year period prior to the Record Date, which has materially affected or will materially affect Sona.

### **Executive Compensation**

#### ***Compensation Discussion and Analysis***

The purpose of this Compensation Discussion and Analysis is to provide information about Sona's executive compensation objectives and processes and to discuss compensation decisions relating to its Named Executive Officers listed in the Summary Compensation Table that follows. During its ten month the period ended October 31, 2017, the following individuals were Named Executive Officers of Sona, namely, Darren Rowles, President and Chief Executive Officer; and Robert Randall, Chief Financial Officer.

Sona is a junior life sciences issuer. Sona has, as of yet, no significant revenues from operations and often operates with limited financial resources to ensure that funds are available to complete scheduled programs. As a result, the Directors of Sona have to consider not only the financial situation of Sona at the time of the determination of executive compensation, but also the estimated financial situation of Sona in the mid and long term. An important element of executive compensation is that of stock options, which do not require cash disbursement by Sona.

### Compensation Objectives and Principles

The primary goal of Sona's executive compensation package is to attract and retain the key executives necessary for Sona's long term success, to encourage executives to further the development of Sona and its operations, and to motivate top quality and experienced executives.

### Compensation Process

The process for determining executive compensation relies solely on the determination of Board of Directors.

The Board of Directors periodically reviews the compensation paid to directors and management based on such factors as (i) recruiting and retaining executives critical to the success of Sona and the enhancement of shareholder value, (ii) providing fair and competitive compensation; (iii) balancing the interests of management and the Shareholders; and (iv) rewarding performance, both on an individual basis and with respect to operations in general. To determine compensation payable, the board of directors reviews compensation paid for directors and CEOs of companies of similar size and stage of development in the high tech industry and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of Sona.

### Components of Compensation

Sona's key components of executive compensation are base salary and, variable annual cash incentives and option based awards. Sona does offer other perquisites but such are not material on an annual basis.

#### *Annual base salary*

The objectives of the base salary are to recognize market pay and acknowledge the competencies and skill of individuals. Base salary for the Named Executive Officers is determined by the Board upon the recommendation of the board of directors. The base salary for the most recently completed financial year and the prior financial years have been historically based upon negotiations with the Named Executive Officers and has consisted of a daily rate up to an annual limit based on the time allocated to Sona.

#### *Annual cash incentives*

The objectives of annual incentives in the form of cash payments are designed to add a variable component of compensation. Given that Sona is a junior company with no source of cash flow other than financings, the objectives are not necessarily based on corporation performance factors such as stock prices and earnings per share and can be subjective to a certain degree. The objectives are based more on the general improvement of Sona in terms of successful financings, property acquisitions, property option agreements, and other factors as determined by the board of directors. These factors are assessed against the objectives of Sona in light of the external environment and current business situation.

#### *Option based awards*

Long-term incentives in the form of options to purchase Shares are intended to align the interest of Sona's directors and its executive officers with those of the Shareholders, to provide a long term incentive that rewards these individuals for their contribution to the creation of shareholder value, and to reduce the cash compensation Sona would otherwise have to pay. The Option Plan is administered by the directors. In establishing the number of Options to be granted to the Named Executive Officers, reference is made to the number of stock options granted to officers of other publicly traded companies that, similar to Sona, are involved in the high tech industry, as well as those of other publicly traded Canadian companies of a comparable size to that of Sona in respect of assets. The directors also consider previous grants of options and the overall number of options that are outstanding relative to the number of outstanding Shares in determining whether to make any new grants of options and the size and terms of any such grants, as well as the level of effort, time, responsibility, ability, experience and level of commitment of the director or executive officer in determining the level of incentive stock option compensation. See "*Incentive Plan Awards – Outstanding Option-Based Awards*" below.

*Other*

Because Sona is a junior life sciences company without revenue and has small market capitalization certain compensation factors were considered and not included within the compensation structure and philosophy. Some of the factors not considered were target share ownership guidelines, pension plans, specific target weightings, and percentage of compensation at risk. In addition the perquisites offered were limited to health plans and excluded other items such as low or interest free loans, company car, club memberships, and other perquisites which may be offered by other companies.

**Summary Compensation Table**

The following table (presented in accordance with National Instrument Form 51-102F6 (“Form 51-102F6”)) sets forth all annual and long term compensation for services in all capacities to Sona for the ten month period ended most recently completed financial years of Sona as at October 31, 2017 and the financial year ended December 31, 2016 (to the extent required by Form 51-102F6) in respect of each of the Named Executive Officers.

Name and Principal Position	Year Ended October 31	Salary (\$)	Share Based awards (\$)	Option Based awards (\$)	Non-equity incentive plan compensation		All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long term incentive plans (\$)		
Darren Rowles CEO	2017	-	-	-	-	-	22,621	22,621
Robert Randall <sup>(1)</sup> CFO	2017	-	-	-	-	-	-	-

(1) The CFO services are provided by Randall Consulting Inc. (“RCI”).

**Named Executive Officer Agreements, Termination and Change of Control Benefits**

Effective October 2017, Mr. Darren Rowles became Sona’s President and Chief Executive Officer. Pursuant to his employment contract, Mr. Rowles is entitled to an annual salary of \$150,000. Should a change in control event occur for Sona, Mr. Rowles may elect to terminate his employment with Sona, in which event Sona would be required to pay Mr. Rowles a lump sum payment equal to 6 months of his then current salary. Following the two-year anniversary of his employment contract, Mr. Rowles will be entitled to a one (1) year lump sum payment in the event of a change of control.

Effective late 2017, Sona entered into a consulting agreement with RCI for the services of Sona’s Chief Financial Officer. RCI is paid a daily rate for the provision of these services. The agreement with RCI can be terminated by either Stockport or RCI without penalty, subject to 30 days notice.

**Incentive Plan Awards**Outstanding Share-Based Awards and Option-Based Awards

There were no incentive stock options granted to the Named Executive Officers and outstanding at the end of the most recently completed financial year, including awards granted before the most recently completed financial year, and no share-based awards have been granted to the Named Executive Officers.

Value of Share-Based and Option-Based Awards Vested or Earned During the Year

There were no share or option-based awards vested or earned by the Named Executive Officers.

Option-based Awards Granted During the Year

There were no option-based awards granted to the Named Executive Officers.

***Pension Plan Benefit***

Sona does not have a pension plan that provides for payments to the Named Executive Officers at, following, or in connection with retirement.

***Director Compensation***

Sona has no arrangements, standard or otherwise, pursuant to which Directors are compensated by Sona or its subsidiaries for their services in their capacity as Directors, or for committee participation, involvement in special assignments or for services as consultant or expert during the most recently completed financial year or subsequently, up to and including the date of this Circular.

The following table sets forth all amounts of compensation provided to the directors, who are not Named Executive Officers (each of whose compensation is disclosed above under “Summary Compensation Table”) for Sona’s most recently completed financial year:

<b>Name</b>	<b>Fees Earned (\$)</b>	<b>Share-Based Awards (\$)</b>	<b>Option-Based Awards (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Pension Value (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total Compensation (\$)</b>
Gerrard Marangoni	-	-	-	-	-	-	-
James Megann	-	-	-	-	-	-	-
Wade Dawe	-	-	-	-	-	-	-

Outstanding Share-Based Awards and Option-Based Awards

There were no incentive stock options or share-based awards granted to any of the directors who are not Named Executive Officer.

Value of Share-Based and Option-Based Awards Vested or Earned During the Year

There were no share or option-based awards vested or earned by the directors who are not Named Executive Officers during Sona’s most recently completed financial year.

Option-based Awards Exercised During the Year

There were no option-based awards exercised by the directors who are not Named Executive Officers during the most recently completed financial year.

Option-based Awards Granted During the Year

There were no option-based awards granted to directors who are not Named Executive Officers during Sona’s most recently completed financial year.

### **Audit Committee**

Sona is a private issuer and as such does not have an audit committee.

### **External Auditor Service Fees (By Category)**

The following table discloses the fees billed to Sona by its external auditor during the last two financial years.

<b>Financial Period Ending</b>	<b>Audit Fees<sup>(1)</sup></b> <b>\$</b>	<b>Audit Related Fees<sup>(2)</sup></b> <b>\$</b>	<b>Tax Fees</b> <b>\$</b>	<b>All Other Fees</b> <b>\$</b>
October 31, 2017	18,000	Nil	Nil	Nil
December 31, 2016	Nil	Nil	Nil	Nil

(1) The aggregate fees billed by Sona's auditor for audit fees.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of Sona's financial statements and are not disclosed in the 'Audit Fees' column.

### **Management Contracts**

No management functions of Sona are performed to any substantial degree by a person or persons other than the Directors or executive officers of Sona.

### **Securities Authorized for Issuance Under Equity Compensation Plans**

Sona does not have a stock option plan.

### **Promoters**

There is no person who is or who has been within the two years immediately preceding the Record Date, a 'promoter' of Sona as defined under applicable Canadian securities laws.

### **Legal Proceedings**

Sona is not a party to any legal proceedings currently material to it or of which any of Sona's properties is the subject matter, and no such proceedings are known by Sona to be contemplated.

### **Auditor, Transfer Agent and Registrar**

The auditor of Sona is Manning Elliott LLP, Chartered Professional Accountants, 11<sup>th</sup> Floor, 1050 West Pender Street, Vancouver, British Columbia, V6E 3S7. Cox & Palmer LLP of Suite 1100 – 1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2, is the records agent for the Sona Shares.



**Material Contracts**

Except for contracts entered into in the ordinary course of business, the only contracts entered into by Sona in the two years immediately prior to the date hereof that can reasonably be regarded as presently material to Sona are as follows:

- (a) the Definitive Agreement; and
- (b) the Amalgamation Agreement.

See *“The Amalgamation - Amalgamation Agreement and Definitive Agreement and Definitive Agreement and Effective Date and Conditions of Amalgamation.”*

Copies of the foregoing agreements may be inspected at the head office of Sona at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, during normal business hours up to the date of the Meetings and for a period of 30 days thereafter.

## SCHEDULE “B”

### INFORMATION CONCERNING STOCKPORT

Capitalized terms used in this Schedule “B” that are not defined herein shall have the meanings ascribed to such terms in the joint information circular (the “**Joint Information Circular**”) of Stockport Exploration Inc. and Sona Nanotech Ltd. to which this Schedule “B” is attached. All references to dollar amounts in this Schedule “B” are to Canadian dollars unless expressly stated otherwise.

The following information is presented on a pre-transaction basis and reflects the current business, financial and share capital position of Stockport. See Schedule “C” – “Information Concerning Amalco” in this Joint Information Circular for current and pro forma, business and financial information relating to Amalco on a post-transaction basis.

#### **Corporate Structure**

Stockport was incorporated pursuant to the provisions of the CBCA on November 17, 2004 under the name “Linear Metals Corporation” Stockport changed its name to its current name, “Stockport Exploration Inc.” on April 24, 2012. The head office and registered and records office of Stockport is located at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7. Stockport has two subsidiaries, 6321593 Canada Inc. and Minera Zapoteca, S.A. de C.V.

#### **General Development of the Business**

Stockport is a junior mineral exploration company. It has not commenced mining operations or generated operating revenues to date. Stockport holds a number of mineral exploration concessions in Canada and holds minimal assets in Mexico. Due to adverse economic conditions and increased costs of conducting exploration operations, Stockport has suspended operations on its mineral properties and there are no current plans for any new work programs to be undertaken. The properties are considered inventory properties that can be joint ventured, sold or advanced by Stockport depending on future economy and market conditions.

The following is a summary of the current mineral property concessions held by Stockport in Ontario, Canada.

CRESCENT LAKE AREA	3001236
CRESCENT LAKE AREA	3001237
CRESCENT LAKE AREA	3007162
CRESCENT LAKE AREA	3007163
CRESCENT LAKE AREA	3007164
CRESCENT LAKE AREA	3007165
CRESCENT LAKE AREA	3007166
CRESCENT LAKE AREA	3014032
CRESCENT LAKE AREA	3014033
CRESCENT LAKE AREA	3014034
CRESCENT LAKE AREA	3014035
CRESCENT LAKE AREA	3016645
CRESCENT LAKE AREA	3016646
CRESCENT LAKE AREA	3016647
CRESCENT LAKE AREA	3016648
CRESCENT LAKE AREA	4218790
CRESCENT LAKE AREA	4218791
CRESCENT LAKE AREA	4218792
CRESCENT LAKE AREA	4218793
CRESCENT LAKE AREA	4218794
CRESCENT LAKE AREA	4218795

CRESCENT LAKE AREA	4221351
CRESCENT LAKE AREA	4221352
CRESCENT LAKE AREA	4221353
CRESCENT LAKE AREA	4221534
CRESCENT LAKE AREA	4221535
CRESCENT LAKE AREA	4221536
CRESCENT LAKE AREA	4221537

### *Three Year History*

Since 2011, Stockport has been focused on its Kenyan Concessions following the completion of an agreement with East African Pure Gold Limited (“EAPG”) and B&M Mining Company Limited (“B&M”) to earn an interest in three mineral exploration licenses in Kenya. During this time, Stockport expanded its Kenyan property portfolio to cover an area of approximately 2,000 square kilometres (“km<sup>2</sup>”), under license or application, located within the Lake Victoria greenstone belt of southwestern Kenya (the “Nyanza Project”). Exploration activities in Kenya were conducted through Stockport’s two Kenyan subsidiaries, Stockport Exploration of Kenya Limited and Stockport Mining Kenya Limited and were focused on the Special License (“SPL”) 214 and SPL 258 concessions. Due to limited results from Stockport’s pilot recovery program, operational concerns relating to availability of quality vendors, the ability to obtain high quality security services, and regional political concerns, Stockport shifted its focus from the Kenyan concessions in 2017 and sold its two Kenyan subsidiaries, Stockport Exploration of Kenya Limited and Stockport Mining Kenya Limited, to an arm’s length party in 2017. This sale included all assets and liabilities of each Kenyan subsidiary. As of the date of this Circular, Stockport has no further operations in Kenya.

As of the date of this Circular, Stockport owns or controls an interest in the KM61/Crescent Lake property in Canada and has not yet determined whether these properties contain ore reserves that are economically recoverable. The KM61 molybdenum-copper-silver project is Stockport’s most advanced project and is considered to be an asset to Stockport. KM61 is host to an indicated molybdenum resource of 66.6 million tonnes at 0.053% Mo, 0.09% Cu, and 2.6 g/t Ag (0.063% molybdenum equivalent) and an inferred resource of 38.9 million tonnes at 0.054% Mo, 0.09% Cu, and 2.7 g/t Ag (0.065% molybdenum equivalent) (National Instrument 43-101 (“NI 43-101”) compliant), and contains lithium targets.

During the year-ended October 31, 2017, Stockport had a net loss before income taxes of \$2.3 million, a difference of \$1.4 million from the net loss of \$3.6 million during the year-ended October 31, 2016. During the current year, Stockport had a gain on the sale of its marketable securities of \$0.3 million, interest income of \$0.2 million as a result of proceeds received pursuant to Stockport’s option agreements, a gain on sale of certain Kenyan equipment of \$0.2 million, offset by the loss on the sale of the Kenyan subsidiaries of \$2.6 million. Stockport also recognized a recovery of resource properties of \$0.1 million related to an impairment reversal on its Seymour Lake property. In the prior year-ended October 31, 2016, Stockport recognized a change in the fair value of its convertible debenture liability of \$1.6 million, offset by a write-down of its pilot project of \$1.7 million and the write-down of resource property of \$2.9 million.

During the year-ended October 31, 2015, Stockport received proceeds from an operating line of credit of \$250,000 by a company owned by certain directors of Stockport. Interest on the operating line of credit was payable monthly at prime plus 1%. As at October 31, 2016, the balance of the outstanding line of credit was \$211,468. The balance of the line of credit, including all accrued interest, was paid in full during the current year.

During the year-ended October 31, 2016, Stockport continued work on its two-phased Nyanza pilot project in Kenya. The intent of the program was to test surface mineralization and contribute to the exploration knowledge of Stockport’s SPL 214 Kenyan concession. During the second quarter of the year-ended October 31, 2016, Stockport suspended the operation of the Nyanza project. As a result, Stockport wrote-down the accumulated costs associated with the pilot project of \$1.8 million. Subsequent to the write-down of the project, Stockport received a deposit for the sale of the project’s plant equipment to an arm’s length party for \$32,665 (US \$25,000), although the sale of the equipment was not completed. During the current year, Stockport completed the sale of certain pilot project equipment and received proceeds of US \$120,000 (CAD \$164,318).

On January 5, 2016, Stockport entered into a cash and share option agreement with Ardiden Limited (“Ardiden”) of Australia to acquire 100% of Stockport’s Seymour Lake concessions for gross proceeds of \$1.0 million. During the year-ended October 31, 2016, Stockport received \$75,000 upon signing of the agreement, received a further \$75,000 in cash and \$250,000 of Ardiden shares at the end of the due diligence period completed within 150 days following the agreement execution date, and received a cash instalment of \$25,000. During the year-ended October 31, 2017, Ardiden completed the option agreement with Stockport, and Stockport received further cash from Ardiden of \$325,000 and received Ardiden shares with a fair value of \$371,939. To reflect the fair value of the Ardiden shares being greater than the \$250,000 of shares pursuant to the original agreement, an impairment reversal was recorded in the amount of \$121,939 during the year. Total payments received from Ardiden pursuant to the option agreement, in cash and shares, totalled \$1.1 million.

On June 22, 2016, Stockport entered into a cash and share option agreement with Sovereign Gold Company Limited (“Sovereign”) of Australia to acquire 100% of Stockport’s KM61 concession claims for gross proceeds of \$1.4 million. The option excluded the mineralized area known as the KM61 Project. Stockport received \$100,000 upon signing of the agreement and a further \$75,000 after 75 days, which were recorded against resource property expenditures. During the quarter-ended October 31, 2016, Sovereign notified Stockport that it would not continue with the option agreement and Stockport retained 100% of the Crescent Lake rights.

### **Narrative Description of the Business**

The principal business carried on by Stockport has been exploration and development, but will change to the business of Sona after the Amalgamation. Detailed information concerning Amalco is contained in Schedule “C” – Information Concerning Amalco.

### ***Stated Business Objectives***

The completion of the Amalgamation with Sona.

### **Selected Financial Information**

The following table sets out certain selected financial information of Stockport for the years ended October 31, 2017, 2016 and 2015. The information has been derived from and should be read in conjunction with Stockport’s audited financial statements for the years ended October 31, 2017, 2016 and 2015, which are incorporated herein by reference, copies of which can be found under Stockport’s company profile on SEDAR at [www.sedar.com](http://www.sedar.com). The financial results are not necessarily indicative of the results that may be expected for any other period. Stockport’s audited financial statements are presented in Canadian dollars and are prepared in accordance with IFRS.

*Annual Data*

	Year ended Oct. 31, 2015	Year ended Oct. 31, 2016	Year ended Oct. 31, 2017
Total Expenses	911,140	5,204,384	239,705
Net Loss	840,048	3,639,850	2,282,222
Loss Per Share – Basic and Diluted	0.01	0.04	0.03
Total Assets	9,428,211	4,851,065	1,735,438
Total Liabilities	3,447,518	2,173,990	1,710,932
Working Capital (Deficit)	(1,852,572)	(1,200,585)	(911,193)
Shareholders' Equity (Deficiency)	5,980,693	2,677,075	24,506
Weighted Average Common Shares Issues and Outstanding (end of year)	81,758,110	88,653,128	88,653,128

*Quarterly Data*

	Fourth Quarter ended Oct. 31, 2017	Third Quarter ended July 31, 2017	Second Quarter ended April 31, 2017	First Quarter ended Jan. 31, 2017	Fourth Quarter ended Oct. 31, 2016	Third Quarter ended July 31, 2016	Second Quarter ended April 30, 2016	First Quarter ended Jan 31, 2016
Total Expenses	86,800	88,641	86,319	99,884	149,496	111,403	121,562	130,783
Net Income (Loss)	(2,792,798)	453,397	(49,147)	106,326	(294,083)	(2,900,058)	(300,557)	(145,152)
Income (Loss) Per Share – Basic and Diluted	(0.032)	0.005	(0.001)	0.001	(0.003)	(0.033)	(0.003)	(0.002)

**Management Discussion and Analysis**

Stockport's management's discussion and analyses ("MD&A") for the years ending October 31, 2017, 2016 and 2015, is incorporated herein by reference, copies of which can be found under Stockport's company profile on SEDAR at [www.sedar.com](http://www.sedar.com). Such MD&A, representing a discussion and analysis of financial position and results of operations of Stockport should be read in conjunction with Stockport's audited financial statements for the years ended October 31, 2017, 2016 and 2015.

Trends and Business Risks

Stockport is in the exploration stage and has no revenue or income from operations. Stockport has limited capital resources and has to rely upon the sale of equity securities in order to secure the cash required for exploration and development purposes, for maintenance of its properties, for acquisitions and to fund the administration of Stockport. Since Stockport does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity securities or joint venture agreements to raise capital. It follows that there can be no assurance that financing, whether debt or equity, will be available to Stockport in the amount required by Stockport at any particular time or for any period and that such financing can be obtained on terms satisfactory to Stockport.

The continuing operations of Stockport are dependent upon its ability to obtain the necessary financing to meet its ongoing commitments and fund its mineral exploration programs. The ability to obtain financing and to recover the expenditures incurred to date in acquiring and exploring Stockport's properties is dependent on the discovery and development of economically recoverable mineral resources on these same properties as well as market conditions beyond the control of Stockport. Please see also "Information Concerning Amalgamation – Amalgamation Risk Factors".

## Description of Securities

### Stockport Shares

Stockport is authorized to issue an unlimited number of Stockport Shares. As of the date of this Circular, 88,653,128 Stockport Shares were issued and outstanding as fully paid and non-assessable shares. The holders of Stockport Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of Stockport and each common share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of Stockport. The holders of Stockport Shares are entitled to dividends if, as and when declared by the directors, to one vote per share at meetings of the shareholders of Stockport and, upon dissolution, to share equally in such assets of Stockport as are distributable to the holders of the Stockport Shares.

### Capitalization

The following table sets forth the consolidated capitalization of Stockport as at the Record Date:

Type of Security	Authorized	Outstanding as at the date of this Circular	Outstanding as at October 31, 2017	Outstanding as at October 31, 2016
Shares <sup>(1)</sup>	Unlimited	88,653,128	88,653,128	88,653,128
Options <sup>(2)</sup>	10% of issued and outstanding share capital <sup>(3)</sup>	3,800,000	4,975,000	6,275,000
Warrants <sup>(4)</sup>	Unlimited	1,196,000	1,196,000	9,039,750

- (1) As at October 31, 2017, Stockport had Retained Earnings of \$24,506.
- (2) The Options have an exercise price ranging from \$0.04 per share to \$0.07 per share and expire on dated between April 12, 2018 and July 11, 2021.
- (3) The number of stock options Stockport may grant is limited by the terms of the Option Plan and the policies of the TSX-V. See "Information Concerning Stockport – Stock Option Plan".
- (4) The Warrants have an exercise price of \$0.10 per share and expire on October 31, 2018.

Stockport has a convertible debenture liability of \$125,705 at October 31, 2017 based on the full settlement obligation to issue 5,028,223 common shares at the maturity date of October 31, 2018. Stockport estimated the fair value of its obligation to issue these shares based on the market trading price of \$0.025 per Stockport share as at October 31, 2017.

Stockport also has a convertible note obligation of \$408,160 as at October 31, 2017, including accrued interest of \$113,160 relating to the convertible notes. The liability associated with the Notes is convertible into common shares of Stockport at the election of the holder at the rate of \$0.05 of principal converted per Stockport share. Although the maturity date of the Notes is March 27, 2018, Stockport proposes to extend the maturity date of the notes by 18 months, until September 27, 2019; however, there is no guarantee that the TSX-V will approve such extension. The Convertible Notes are held by or are controlled by directors and officers of Stockport and directors of Sona and other private investors.

### Stock Option Plan

Stockport has an incentive stock option plan (the “**Stockport Plan**”) in place, which has been approved by the TSX-V and Stockport shareholders, and which currently provides that options may be granted in respect of up to an aggregate of 10% of the issued and outstanding share capital of Stockport. As at the date of this Information Circular, a total of 3,800,000 stock options are issued and outstanding and expire as follows (collectively the “**Surviving Stockport Options**”):

Number of options outstanding	Expiry date
100,000	April 12, 2018
50,000	July 23, 2018
50,000	August 20, 2018
1,200,000	June 5, 2019
250,000	July 4, 2019
200,000	September 11, 2019
200,000	February 16, 2021
1,750,000	July 11, 2021

Further details are set out in the table below:

Category of Holder	No. of Stockport Shares Issuable	Exercise Price	Expiry Date
Directors as a group	50,000	\$0.07	April 12, 2018
	50,000	\$0.04	July 23, 2018
	50,000	\$0.05	August 20, 2018
	950,000	\$0.05	June 5, 2019
	1,050,000	\$0.05	July 11, 2021
Employees and Consultants as a group	50,000	\$0.07	April 12, 2018
	250,000	\$0.05	June 5, 2019
	250,000	\$0.07	July 4, 2019
	200,000	\$0.07	September 11, 2019
	200,000	\$0.05	February 16, 2021
	700,000	\$0.05	July 11, 2021

### Dividends Record and Policy

Stockport has not paid any dividends since incorporation and it has no plans to pay dividends. The current directors of Stockport will determine if and when dividends should be declared and paid in the future based on Stockport’s financial position at the relevant time. All of the Stockport Shares are entitled to an equal share in any dividends declared and paid.

### Prior Sales

During the 12 month period preceding the date of this Information Circular, no Stockport Shares have been issued.

### Trading Range of the Stockport Shares

The following table sets forth information relating to the trading of the Stockport Shares on the TSX-V during the 12 month period preceding the date of this Information Circular:

Month	High	Low	Close	Monthly Volume
March 2018 <sup>(1)</sup>	0.025	0.025	0.025	Nil
February 2018	0.025	0.025	0.025	Nil
January 2018	0.025	0.025	0.025	Nil
December, 2017	0.025	0.025	0.025	Nil
November 2017	0.025	0.025	0.025	Nil
October 2017	0.025	0.025	0.025	Nil
September 2017	0.025	0.025	0.025	106,000
August 2017	0.025	0.02	0.02	247,500
July 2017	0.02	0.015	0.015	336,240
June 2017	0.025	0.02	0.02	37,242
May 2017	0.025	0.02	0.02	145,911
April 2017	0.03	0.03	0.03	307,697

(1) Up to the date of this Circular. The Stockport Shares have been halted from trading since September 28, 2017.

The closing price of the Stockport Shares on the TSX-V on September 18, 2017, being the last trading day before the announcement of the Amalgamation, was \$0.025.

### Principal Shareholders

To the knowledge of the Directors and executive officers of Stockport, no person beneficially owns, directly or indirectly, or exercises control or direction over shares carrying more than 10% of the voting rights attached to all outstanding Shares, as of the date hereof.

### Directors and Officers

The following table sets out the names of Directors and officers, the positions and offices which they presently hold with Stockport, their respective principal occupations within the five preceding years and the number of shares of Stockport which each beneficially owns, directly or indirectly, or over which control or direction is exercised as of the Record Date:

Name, Jurisdiction of Residence <sup>(1)</sup>	Position with Stockport	Principal Occupation during the past 5 years	Period as Director and/or Officer	Number of Stockport Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(2)</sup>
Zephaniah Mbugua Nairobi, Kenya	Director	Chairman, TransCentury, a Kenyan investment company	February 2013 to June 2017	1,222,766



Name, Jurisdiction of Residence <sup>(1)</sup>	Position with Stockport	Principal Occupation during the past 5 years	Period as Director and/or Officer	Number of Stockport Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(2)</sup>
Robert McKay <sup>(3)(4)</sup> Espanola, ON	Director	Entrepreneur	January 2013 to present	1,634,000
Carl Sheppard <sup>(3)(4)</sup> St. John's, NL	Director	President and Managing Partner, Strategic Concepts, Inc., a business consulting firm	April 2006 to present	869,000
James Megann Halifax, NS <sup>(3)</sup>	President, CEO & Director	President & CEO of Stockport 2012 to present; Director of Investor Relations and Marketing for Linear Metals Corporation from 2011 to 2012; Managing Director of Numus Financial Inc., a venture capital company; Ultimate Designated Person, Numus Capital Corp.	April 2012 to present	1,369,000
Robert Randall Halifax, NS	CFO & Corporate Secretary	CFO of Stockport Exploration Inc. since June 2012, Antler Gold Inc. since November 2016, Torrent Capital Ltd. since August 2016, and Duckworth Capital Corp. since May 2017. Previously served as CFO of NSGold Corporation from April, 2012 to November 2014; Ceylon Graphite Corp. from July 2012 to October 2013; kneat.com, inc. from June 2014 to November 2014; Graphene 3D Lab Inc. from August 2014 to July 2016; and Canabo Medical Inc. from November 2016 to June 2017.	July 2012 to present	350,000

- (1) The information as to principal occupation, business or employment and Shares beneficially owned or controlled is not within the knowledge of the management of Stockport and has been furnished by the respective nominees. Each nominee has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years.
- (2) The approximate number of Shares carrying the right to vote in all circumstances beneficially owned directly or indirectly, or over which control or direction is exercised by each proposed nominee as at the date hereof is based on information furnished by the transfer agent of Stockport and by the nominees themselves.
- (3) Member of Audit Committee.
- (4) Member of Compensation Committee.

### **Corporate Cease Trade Orders or Bankruptcies**

To the knowledge of Stockport, no proposed Director is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a Director, Chief Executive Officer (“CEO”) or Chief Financial Officer (“CFO”) of any company (including Stockport) that:

- (a) was the subject, while the proposed Director was acting in the capacity as Director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
- (b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed Director ceased to be a Director, CEO or CFO but which resulted from an event that occurred while the proposed Director was acting in the capacity as Director, CEO or CFO of such company.

### **Personal Bankruptcies**

To the knowledge of management of Stockport, there has been no Director or officer, or any shareholder holding a sufficient number of securities of Stockport to affect materially the control of Stockport, or a personal holding company of any such person that has, within the 10 years before the Record Date, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Director or officer.

### **Penalties or Sanctions**

To the knowledge of management of Stockport, no Director or officer, or any shareholder holding a sufficient number of securities of Stockport to affect materially the control of Stockport, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

There are potential conflicts of interest to which the Directors and officers of Stockport will be subject in connection with the operations of Stockport. In particular, certain of the Directors and officers of Stockport are involved in managerial or Director positions with other companies whose operations may, from time to time, be in direct competition with those of Stockport or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Stockport. Conflicts, if any, will be subject to the procedures and remedies available under the BCBCA. The BCBCA provides that if a Director has a material interest in a contract or proposed contract or agreement that is material to Stockport, the Director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with, the BCBCA.

### **Indebtedness of Directors, Executive Officers and Senior Officers**

No person who is or at any time since the commencement of Stockport’s last completed financial year was a Director, executive officer or senior officer of Stockport, and no associate of any of the foregoing persons has been indebted to Stockport at any time since the commencement of Stockport’s last completed financial year. No guarantee, support agreement, letter of credit or other similar arrangement or understanding has been provided by Stockport at any time since the beginning of the most recently completed financial year with respect to any indebtedness of any such person.

## **Interest of Management and Others in Material Transaction**

Other than as disclosed herein or in Stockport's MD&A for the years ended October 31, 2017, 2016 and 2015 incorporated by reference herein, the Directors, executive officers and principal shareholders of Stockport or any associate or affiliate of the foregoing have had no material interest, direct or indirect, in any transactions in which Stockport has participated within the three year period prior to the Record Date, which has materially affected or will materially affect Stockport.

## **Executive Compensation**

### *Compensation Discussion and Analysis*

The purpose of this Compensation Discussion and Analysis is to provide information about Stockport's executive compensation objectives and processes and to discuss compensation decisions relating to its Named Executive Officers listed in the Summary Compensation Table that follows. During its fiscal years ended October 31, 2017 and 2016, the following individuals were Named Executive Officers of Stockport, namely, James Megann, President and Chief Executive Officer; and Robert Randall, Chief Financial Officer and Corporate Secretary.

Stockport is an exploration stage company engaged in the exploration and development of mineral property interests.

Stockport has, as of yet, no significant revenues from operations and often operates with limited financial resources to ensure that funds are available to complete scheduled programs. As a result, the Directors of Stockport have to consider not only the financial situation of Stockport at the time of the determination of executive compensation, but also the estimated financial situation of Stockport in the mid and long term. An important element of executive compensation is that of stock options, which do not require cash disbursement by Stockport. Additional information about Stockport and its operations is available in the audited consolidated financial statements and MD&A for the years ended October 31, 2017, 2016 and 2015, which are incorporated by reference herein and available for viewing under Stockport's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### Compensation Objectives and Principles

The primary goal of Stockport's executive compensation package is to attract and retain the key executives necessary for Stockport's long term success, to encourage executives to further the development of Stockport and its operations, and to motivate top quality and experienced executives.

### Compensation Process

The process for determining executive compensation relies solely on Board of Directors' discussions with the input from and upon the recommendation of the Compensation Committee. The members of the Compensation Committee are listed under listed under "*Election of Directors*" above and "*Corporate Governance – Compensation Committee*" below.

The Compensation Committee monitors compensation of the directors and executive officers of Stockport. The Compensation Committee periodically reviews the compensation paid to directors and management based on such factors as (i) recruiting and retaining executives critical to the success of Stockport and the enhancement of shareholder value, (ii) providing fair and competitive compensation; (iii) balancing the interests of management and the Shareholders; and (iv) rewarding performance, both on an individual basis and with respect to operations in general. To determine compensation payable, the Compensation Committee reviews compensation paid for directors and CEOs of companies of similar size and stage of development in the mineral exploration/mining industry and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of Stockport.

### Components of Compensation

Stockport's key components of executive compensation are base salary, variable annual cash incentives and option based awards. Stockport does offer other perquisites but such are not material on an annual basis.

#### *Annual base salary*

The objectives of the base salary are to recognize market pay and acknowledge the competencies and skill of individuals. Base salary for the Named Executive Officers is determined by Compensation Committee and

recommended to the Board. The base salary for the most recently completed financial year and the prior financial years have been historically based upon negotiations with the Named Executive Officers and has consisted on a daily rate up to an annual limit based on the time allocated to Stockport.

#### *Annual cash incentives*

The objectives of annual incentives in the form of cash payments are designed to add a variable component of compensation. Given that Stockport is a junior company with no source of cash flow other than financings, the objectives are not necessarily based on corporation performance factors such as stock prices and earnings per share and can be subjective to a certain degree. The objectives are based more on the general improvement of Stockport in terms of successful financings, property acquisitions, property option agreements, and other factors as determined by Compensation Committee. These factors are assessed against the objectives of Stockport in light of the external environment and current business situation.

#### *Option based awards*

Long-term incentives in the form of options to purchase Shares are intended to align the interest of Stockport's directors and its executive officers with those of the Shareholders, to provide a long term incentive that rewards these individuals for their contribution to the creation of shareholder value, and to reduce the cash compensation Stockport would otherwise have to pay. The Option Plan is administered by the directors. In establishing the number of Options to be granted to the Named Executive Officers, reference is made to the number of stock options granted to officers of other publicly traded companies that, similar to Stockport, are involved in the mining industry, as well as those of other publicly traded Canadian companies of a comparable size to that of Stockport in respect of assets. The directors also consider previous grants of options and the overall number of options that are outstanding relative to the number of outstanding Shares in determining whether to make any new grants of options and the size and terms of any such grants, as well as the level of effort, time, responsibility, ability, experience and level of commitment of the director or executive officer in determining the level of incentive stock option compensation. See "*Incentive Plan Awards – Outstanding Option-Based Awards*" below.

#### *Other*

Because Stockport is a junior mining company without revenue and has small market capitalization certain compensation factors were considered and not included within the compensation structure and philosophy. Some of the factors not considered were target share ownership guidelines, pension plans, specific target weightings, and percentage of compensation at risk. In addition the perquisites offered were limited to health plans and excluded other items such as low or interest free loans, company car, club memberships, and other perquisites which may be offered by other companies.

#### *Summary Compensation Table*

The following table (presented in accordance with National Instrument Form 51-102F6 ("**Form 51-102F6**")) sets forth all annual and long term compensation for services in all capacities to Stockport for the most recently completed financial years of Stockport as at October 31, 2017 and 2016 (to the extent required by Form 51-102F6) in respect of each of the Named Executive Officers.

Name and Principal Position	Year Ended October 31	Salary (\$)	Share Based awards (\$)	Option Based awards <sup>(1)</sup> (\$)	Non-equity incentive plan compensation		All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long term incentive plans (\$)		
James Megann, President & CEO	2017	60,000	Nil	Nil	Nil	Nil	1,920	61,920
	2016	150,000	Nil	6,000	Nil	Nil	1,850	157,850
Robert Randall, CFO <sup>(2)</sup>	2017	34,000	Nil	Nil	Nil	Nil	Nil	34,000
	2016	34,000	Nil	4,000	Nil	Nil	Nil	38,000

- (1) This column reflects the estimated grant date fair value of options granted that will be recognized as compensation expense by Stockport for financial reporting purposes, as determined in accordance with international Financial Reporting Standards. The estimated fair value of options is calculated using the Black-Scholes pricing model.
- (2) The CFO services are provided by Randall Consulting Inc. (“RCI”).

#### ***Employment Agreements, Termination and Change of Control Benefits***

As of April 24, 2012, Mr. James Megann became Stockport’s President and Chief Executive Officer. Pursuant to his 2012 employment contract, Mr. Megann was entitled to an annual salary of \$150,000. Should a change in control event occur for Stockport, Mr. Megann may elect to terminate his employment with Stockport, in which event Stockport would be required to pay Mr. Megann a lump sum payment equal to 2.5 times his annual salary. The payment of the change in control settlement would be subject to Stockport maintaining an average market capitalization in excess of CDN \$25 million, based on any 10-day volume weighted trading price within the three-month period following the effective date of the change in control. Effective November 1, 2016, Mr. Megann’s annual salary is \$60,000.

Effective July 1, 2012, Stockport entered into a consulting agreement (the “Consulting Agreement”) with RCI, pursuant to which Mr. Randall serves Stockport as Chief Financial Officer and Corporate Secretary. Mr. Randall is paid a daily rate for the provision of these services. The Consulting Agreement with Mr. Randall can be terminated by either Stockport or Mr. Randall without penalty, subject to 30 days notice.

The advisory services for the Vice-President-Exploration position of Stockport are provided by a consulting company, Mercator Geological Services Limited.

Stockport has a consulting contract with a Technical Consultant which provides that, should a change in control event occur, the Technical Consultant may elect to terminate his arrangement with Stockport, in which event Stockport would be required to pay the Technical Consultant a lump sum payment equal to 2.0 times the annual remuneration. The payment of the change in control settlement would be subject to Stockport maintaining an average market capitalization in excess of CDN \$25 million, based on any 10-day volume weighted trading price within the three-month period following the effective date of the change in control.

Certain employees of Numus Financial Inc., a private company owned by a director and a Technical Consultant of Stockport, provide management services to Stockport pursuant to a Management Services Agreement between Stockport and Numus Financial Inc.

***Incentive Plan Awards*****Outstanding Share-Based Awards and Option-Based Awards**

The following table sets forth information details of incentive stock options granted to the Named Executive Officers and outstanding at the end of the most recently completed financial year, including awards granted before the most recently completed financial year. No share-based awards, with other than option-like features, have been granted to the Named Executive Officers.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value <sup>(1)</sup> of Unexercised In-The-Money Options (\$)	Number of Shares or Units of Shares That Have Not Vested (#)	Market or Payout Value <sup>(1)</sup> of Share-Based Awards That Have Not Vested (\$)
James Megann President & CEO	300,000	0.10	Jan. 17, 2018	Nil	N/A	N/A
	200,000	0.05	June 5, 2019	Nil	N/A	N/A
	300,000	0.05	July 11, 2021	Nil	75,000	Nil
Robert Randall CFO	200,000	0.07	Sept 11, 2019	Nil	N/A	N/A
	200,000	0.05	July 11, 2021	Nil	50,000	Nil

(1) This amount is based on the difference between the market value of the Shares underlying the options as at October 31, 2017, which was \$0.025 (the halt price), and the exercise price of the option.

**Value of Share-Based and Option-Based Awards Vested or Earned During the Year**

The value vested or earned during the most recently completed financial year of incentive plan awards granted to Named Executive Officers are as follows:

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year (\$) <sup>(2)</sup>	Non-equity incentive plan compensation – Value earned during the year (\$)
James Megann, President and CEO	Nil	N/A	Nil
Robert Randall, CFO	Nil	N/A	Nil

- (1) This amount is the dollar value that would have been realized computed by obtaining the difference between the market price of the underlying securities at exercise and the exercise or base price of the options under the option-based award on the vesting date. Awards that vested for each Named Executive Officer in 2017 had exercise prices that were above the market value of the common shares at the time of vesting and therefore had no reportable value.
- (2) This amount is the dollar value realized computed by multiplying the number of shares or units by the market value of the underlying shares on the vesting date.

Option-based Awards Exercised During the Year

There were no option-based awards exercised by the Named Executive Officers during Stockport's most recently completed financial year.

Option-based Awards Granted During the Year

The following table sets forth the particulars of option-based awards granted during Stockport's most recently completed financial year to the NEOs.

Name	Date of Grant	Number of Option-Based Awards Granted	Exercise Price	Expiry Date
James Megann President and CEO	N/A	Nil	N/A	N/A
Robert Randall, CFO	N/A	Nil	N/A	N/A

***Pension Plan Benefit***

Stockport does not have a pension plan that provides for payments to the Named Executive Officers at, following, or in connection with retirement.

***Director Compensation***

Stockport has no arrangements, standard or otherwise, pursuant to which Directors are compensated by Stockport or its subsidiaries for their services in their capacity as Directors, or for committee participation, involvement in special assignments or for services as consultant or expert during the most recently completed financial year or subsequently, up to and including the date of this Circular.

Stockport has adopted the Option Plan for the granting of incentive stock options to the officers, employees and Directors. The purpose of granting such options is to assist Stockport in compensating, attracting, retaining and motivating the Directors of Stockport and to closely align the personal interests of such persons to that of the shareholders.

The following table sets forth all amounts of compensation provided to the directors, who are not Named Executive Officers (each of whose compensation is disclosed above under "Summary Compensation Table") for Stockport's most recently completed financial year:

Name	Fees Earned (\$) <sup>(1)</sup>	Share-Based Awards (\$)	Option-Based Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
Carl Sheppard	Nil	N/A	N/A	Nil	N/A	Nil	Nil
Robert McKay	Nil	N/A	N/A	Nil	N/A	Nil	Nil
Zephaniah Mbugua	Nil	N/A	N/A	Nil	N/A	Nil	Nil

- (1) The value of perquisites and benefits, if any, for each Named Executive Officer was less than the lesser of \$50,000 and 10% of the total annual salary and bonus.
- (2) This amount is based on the difference between the market value of the Shares underlying the options as at October 31, 2017, which was \$0.025, and the exercise price of the option.

#### Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information details of incentive stock options granted to each of the directors who are not Named Executive Officers and outstanding at the end of the most recently completed financial year, including awards granted before the most recently completed financial year. No share-based awards, with other than option-like features, have been granted to the directors.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value <sup>(1)</sup> of Unexercised In-The-Money Options (\$)	Number of Shares or Units of Shares That Have Not Vested (#)	Market or Payout Value <sup>(1)</sup> of Share-Based Awards That Have Not Vested (\$)
Carl Sheppard	50,000	\$0.07	April 12, 2018	Nil	N/A	N/A
	250,000	\$0.05	June 5, 2019	Nil	N/A	N/A
	300,000	\$0.05	July 11, 2021	Nil	75,000	Nil
Robert McKay	50,000	\$0.04	July 23, 2018	Nil	N/A	N/A
	250,000	\$0.05	June 5, 2019	Nil	N/A	N/A
	250,000	\$0.05	July 11, 2021	Nil	62,500	Nil
Zephaniah Mbugua	50,000	\$0.05	Aug 20, 2018	Nil	N/A	N/A
	250,000	\$0.05	June 5, 2019	Nil	N/A	N/A
	200,000	\$0.05	July 11, 2021	Nil	50,000	Nil

- (1) This amount is based on the difference between the market value of the Shares underlying the options as at October 31, 2017, which was \$0.025, and the exercise price of the option.



Value of Share-Based and Option-Based Awards Vested or Earned During the Year

The value vested or earned during the most recently completed financial year of incentive plan awards granted to directors who are not Named Executive Officers are as follows:

<b>Name</b>	<b>Option-based awards – Value vested during the year<sup>(1)</sup></b> <b>(\$)</b>	<b>Share-based awards – Value vested during the year</b> <b>(\$)<sup>(2)</sup></b>	<b>Non-equity incentive plan compensation – Value earned during the year</b> <b>(\$)</b>
Carl Sheppard	Nil	N/A	Nil
Robert McKay	Nil	N/A	Nil
Zephaniah Mbugua	Nil	N/A	Nil

- (1) This amount is the dollar value that would have been realized computed by obtaining the difference between the market price of the underlying securities at exercise and the exercise or base price of the options under the option-based award on the vesting date.
- (2) This amount is the dollar value realized computed by multiplying the number of shares or units by the market value of the underlying shares on the vesting date.

Option-based Awards Exercised During the Year

There were no option-based awards exercised by the directors who are not Named Executive Officers during the most recently completed financial year.

Option-based Awards Granted During the Year

The following table sets forth the particulars of option-based awards granted during Stockport's most recently completed financial year to directors who are not Named Executive Officers.

<b>Name</b>	<b>Date of Grant</b>	<b>Number of Option-Based Awards Granted</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Carl Sheppard	N/A	Nil	N/A	N/A
Robert McKay	N/A	Nil	N/A	N/A
Zephaniah Mbugua	N/A	Nil	N/A	N/A

***Description of Stock Option Plan***

The Board of Directors of Stockport (the "Board") has established an incentive stock option plan (the "Option Plan"). The purpose of the Option Plan is to attract and motivate the directors, officers and employees of Stockport (and any of its subsidiaries), employees of any management company and consultants to Stockport (collectively the "Optionees") and thereby advance Stockport's interests by providing them an opportunity to acquire an equity interest in Stockport through the exercise of stock options granted to them under the Option Plan.

Pursuant to the Option Plan, the Board may, upon recommendations of the Compensation Committee, grant options to Optionees in consideration of them providing their services to Stockport or a subsidiary. The number of shares subject to each option is determined by Compensation Committee within the guidelines established by the Option Plan. The options enable the Optionees to purchase shares of Stockport at a price fixed pursuant to such guidelines.

The options are exercisable by the Optionee giving Stockport notice and payment of the exercise price for the number of shares to be acquired.

The Plan authorizes the Board to grant stock options to the Optionees on the following terms:

1. The number of shares subject to issuance pursuant to outstanding options, in the aggregate, cannot exceed 10% of Stockport's issued shares.
2. The number of shares subject to issuance upon the exercise of options granted under the Option Plan by one Optionee or all Optionees providing investor relations services is subject to the following limitations
  - (a) no Optionee can be granted options during a 12 month period to purchase more than
    - (i) 5% of the issued shares of Stockport unless disinterested shareholder approval has been obtained (such approval has not been sought), or
    - (ii) 2% of the issued shares of Stockport, if the Optionee is a consultant, and
  - (b) the aggregate number of shares subject to options held by all Optionees providing investor relations services cannot exceed 2% in the aggregate.
3. Unless the Option Plan has been approved by disinterested shareholders (such approval has not been obtained), options granted under the Option Plan, together with all of Stockport's previously established and outstanding stock options, stock option plans, employee stock purchase plans or any other compensation or incentive mechanisms involving the issuance or potential issuance of its shares, shall not result, at any time, in
  - (a) the number of shares reserved for issuance pursuant to stock options granted to insiders exceeding 10% of the shares outstanding at the time of granting,
  - (b) the grant to insiders as a group, within a one year period, of options to purchase that number of shares exceeding 10% of the outstanding shares, or
  - (c) the issuance to any one insider and such insider's associates, within a one year period, of shares totalling in excess of 5% of the outstanding shares.
4. The exercise price of the options cannot be set at less than the closing trading price of Stockport's shares on the day before the granting of the stock options.
5. The options may be exercisable for up to five years.
6. There are not any vesting requirements unless the Optionee is a consultant providing investor relations services to Stockport, in which case the options must vest over at least 12 months with no more than one-quarter vesting in any three month period. However, upon recommendations of the Compensation Committee, the Board may impose additional vesting requirements and, subject to obtaining any required approval from the TSX-V, may authorize all unvested options to vest immediately. If there is a 'change of control' of Stockport (due to a take-over bid being made for Stockport or similar events), all unvested options, subject to obtaining any required approval from the TSX-V, shall vest immediately.
7. The options can only be exercised by the Optionee (to the extent they have already vested) for so long as the Optionee is a director, officer or employee of, or consultant to, Stockport or any subsidiary or is an employee of Stockport's management corporation and within a period thereafter not exceeding the earlier of:
  - (a) the original expiry date;
  - (b) 30 days after ceasing to be a director, officer or employee of, or consultant to, Stockport due to early retirement, to termination by Stockport other than for cause, or to voluntary resignation; and
  - (c) if the Optionee dies or becomes disabled, within one year from the Optionee's death or disability.If the Optionee is terminated 'for cause' the options will terminate concurrently.
8. The options are not assignable except to a wholly-owned holding company.
9. Disinterested shareholder approval must be obtained prior to the reduction of the exercise price of options granted to insiders of Stockport.

Any amendments to the Option Plan or outstanding stock options are subject to the approval of the TSX-V and, if required by the TSX-V, of the shareholders of Stockport, possibly with only 'disinterested shareholders' being entitled to vote. The amendment to an outstanding stock option will also require the consent of the Optionee.

No options have been granted under the Option Plan which are subject to shareholder approval. The Plan does not permit stock options to be transformed into stock appreciation rights.

### **Audit Committee**

NI 52-110 of the Canadian securities administrators requires Stockport's audit committee to meet certain requirements. It also requires Stockport to disclose in this Circular certain information regarding the audit committee. That information is disclosed below.

#### ***The Audit Committee's Charter***

The Board has adopted a charter for the Audit Committee which sets out the Committee's mandate, organization, powers and responsibilities. The complete Charter is attached as Schedule "L" to this Circular.

#### ***Composition of the Audit Committee***

The following table sets out the names of the members of the Audit Committee and whether they are 'independent' and 'financially literate'.

<b>Name of Member</b>	<b>Independent<sup>(1)</sup></b>	<b>Financially Literate<sup>(2)</sup></b>
Robert McKay (Chair)	Yes	Yes
Carl Sheppard	Yes	Yes
James Megann	No	Yes

(1) To be considered to be independent, a member of the Committee must not have any direct or indirect 'material relationship' with Stockport. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

(2) To be considered financially literate, a member of the Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Stockport's financial statements.

#### ***Relevant Education and Experience***

The education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as an Audit Committee member and, in particular, any education or experience that would provide the member with:

1. an understanding of the accounting principles used by Stockport to prepare its financial statements;
2. the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
3. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by Stockport's financial statements, or experience actively supervising one or more persons engaged in such activities; and
4. an understanding of internal controls and procedures for financial reporting,

are as follows:

Name of Member	Education	Experience
Robert McKay	Bachelor of Arts degree (Economics) from the University of Western Ontario	Accomplished entrepreneur in the hospitality industry for over 25 years; currently the president of two private companies with commercial and residential property interests in Ontario, Canada and in Mexico.
Carl Sheppard	Bachelor of Arts degree (Economics) from Memorial University of Newfoundland; Bachelor of Arts Honours degree from York University; Masters of Development Economics from Dalhousie University	President and Managing Partner of Strategic Concepts Inc., a private consulting company. Experienced in the areas of economic modeling, employment and industrial benefits monitoring, as well as negotiations related to Impact and Benefits Agreements with First Nations across Canada.
James Megann	Bachelor of Arts from Memorial University of Newfoundland	Managing Director of Numus Financial Inc., a venture capital company; Ultimate Designated Person, Numus Capital Corp.; President and CEO of Stockport; more than 25 years of experience in the communications and marketing industry

### ***Complaints***

The Audit Committee has established a "Whistleblower Policy" which outlines procedures for the confidential, anonymous submission by employees regarding Stockport's accounting, auditing and financial reporting obligations, without fear of retaliation of any kind. If an applicable individual has any concerns about accounting, audit, internal controls or financial reporting matters which they consider to be questionable, incorrect, misleading or fraudulent, the applicable individual is urged to come forward with any such information, complaints or concerns, without regard to the position of the person or persons responsible for the subject matter of the relevant complaint or concern.

The applicable individual may report their concern in writing and forward it to the Chairman of the Audit Committee in a sealed envelope labelled "*To be opened by the Audit Committee only.*" Further, if the applicable individual wishes to discuss any matter with the Audit Committee, this request should be indicated in the submission. Any such envelopes received by Stockport will be forwarded promptly and unopened to the Chairman of the Audit Committee.

Promptly following the receipt of any complaints submitted to it, the Audit Committee will investigate each complaint and take appropriate corrective actions.

### ***Audit Committee Oversight***

At no time since the commencement of Stockport's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

### ***Reliance on Certain Exemptions***

At no time since the commencement of Stockport's most recently completed financial year has Stockport relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

### ***Pre-Approval Policies and Procedures***

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "*External Auditors*".

**External Auditor Service Fees (By Category)**

The following table discloses the fees billed to Stockport by its external auditor during the last two financial years.

<b>Financial Year Ending</b>	<b>Audit Fees<sup>(1)</sup> \$</b>	<b>Audit Related Fees<sup>(2)</sup> \$</b>	<b>Tax Fees<sup>(3)</sup> \$</b>	<b>All Other Fees<sup>(4)</sup> \$</b>
October 31, 2017	16,000	Nil	Nil	Nil
October 31, 2016	19,795	Nil	Nil	Nil

- (1) The aggregate fees billed by Stockport's auditor for audit fees.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of Stockport's financial statements and are not disclosed in the 'Audit Fees' column.
- (3) The aggregate fees billed for professional services rendered by Stockport's auditor for tax compliance, tax advice, and tax planning.
- (4) The aggregate fees billed for professional services other than those listed in the other three columns.

**Reliance on Exemptions in NI 52-110 regarding De Minimis Non-audit Services or on a Regulatory Order Generally**

At no time since the commencement of Stockport's most recently completed financial year has Stockport relied on the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110 (which exempts all non-audit services provided by Stockport's auditor from the requirement to be preapproved by the Audit Committee if such services are less than 5% of the auditor's annual fees charged to Stockport, are not recognized as non-audit services at the time of the engagement of the auditor to perform them and are subsequently approved by the Audit Committee prior to the completion of that year's audit) or an exemption from NI 52-110, in whole or in part, granted by a securities regulator under Part 8 (*Exemptions*) of NI 52-110.

**Reliance on Exemptions in NI 52-110 regarding Audit Committee Composition & Reporting Obligations**

Since Stockport is a 'venture issuer', as defined in NI 52-110, it relies on the exemption contained in section 6.1 of NI 52-110 from the requirements of Part 3 Composition of the Audit Committee (as described in "*Composition of the Audit Committee*" above) and Part 5 Reporting Obligations of NI 52-110 (which requires certain prescribed disclosure about the Audit Committee in Stockport's Annual Information Form, if any, and this Circular).

**Corporate Governance**

National Policy 58-101 *Disclosure of Corporate Governance Practices* of the Canadian securities administrators requires Stockport to annually disclose certain information regarding its corporate governance practices. That information is disclosed below.

**Board of Directors**

The Board of Directors of Stockport facilitates its exercise of independent supervision over Stockport's management through frequent meetings of the Board, both with and without members of Stockport's management (including members of management that are also directors) being in attendance. The independent directors are encouraged to meet at any time they consider necessary without any members of management including the non-independent directors being present.

The Board consists of four Directors. The Board has determined Carl Sheppard, Robert McKay and Zephaniah Mbugua to be "independent", based upon the tests for independence set forth in NI 52-110. The following director is current member of management and thus is not considered to be independent: James Megann, President and CEO.

**Directorships**

Certain of the Directors are presently a Director of one or more other reporting companies, as follows:

Director	Name of Other Reporting Issuer
James Megann	Torrent Capital Ltd. Antler Gold Inc. Duckworth Capital Corp.
Carl Sheppard	eXeBlock Technology Corp. Duckworth Capital Corp.

### ***Orientation and Continuing Education***

While Stockport does not have formal orientation and training programs, new Board members are provided with:

1. access to recent, publicly filed documents of Stockport; and
2. access to management and technical experts and consultants.

Board members are encouraged to communicate with management, auditors and technical consultants; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit Stockport's operations. Board members have full access to Stockport's records.

The Board attempts to provide continuing education for its directors in order that they maintain the skill and knowledge necessary for them to meet their obligations as directors. As an example, technical presentations are made at Board meetings, focusing on either a particular property or a summary of various properties. The question and answer portions of these presentations are a valuable learning resource for the non-technical directors.

### ***Ethical Business Conduct***

The Board has responsibility for the stewardship of Stockport including responsibility for strategic planning, identification of the principal risks of its business and implementation of appropriate systems to manage these risks, succession planning (including appointing, training and monitoring senior management), communications with investors and the financial community and the integrity of Stockport's internal control and management information systems. To facilitate meeting this responsibility, the Board seeks to foster a culture of ethical conduct by striving to ensure Stockport carries out its business in line with high business and moral standards and applicable legal and financial requirements. In that regard, the Board

- has adopted a written Code of Business Conduct and Ethics (the "Code") for its directors, officers, employees and consultants. A copy of the Code is posted on SEDAR at [www.sedar.com](http://www.sedar.com) under Stockport's profile.
- has established a Whistleblower Policy which details complaint procedures for financial concerns.
- encourages management to consult with legal and financial advisors to ensure the requirements are met.
- is cognizant of timely disclosure obligations and reviews material disclosure documents such as financial statements, management's discussion & analysis (MD&A) and press releases prior to their distribution.
- relies on its Audit Committee to annually review the systems of internal financial control and discuss such matters with the external auditor.
- actively monitors compliance with the Board's directives and ensures that all material transactions are thoroughly reviewed and authorized by the Board before being undertaken by management.

The Board must also comply with the conflict of interest provisions of the BCBCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

### ***Nomination of Directors***

The Board has responsibility for identifying potential board candidates. The Board assesses potential board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors.

### ***Compensation***

The Compensation Committee recommends to the Board of Stockport, the directors and officers compensation among other things, on the time commitment, effort and success of each individual contribution towards the success of Stockport and a comparison of the remuneration paid by Stockport to publicly available information of the remuneration paid by other reporting issuers (public companies) that the Compensation Committee feels are similarly placed within the industry.

In addition, the directors and officers are granted stock options under the stock option plan. The Compensation Committee of Stockport determines the terms of each stock option within the parameters set out in Stockport stock option plan and applicable stock exchange rules and policies and makes recommendations to the Board from time to time for stock option grants.

### ***Compensation Committee***

The Compensation Committee, the members of which are Carl Sheppard and Robert McKay, recommends to the Board the directors and officers compensation among other things, on the time commitment, effort and success of each individual contribution towards the success of Stockport and a comparison of the remuneration paid by Stockport to publicly available information of the remuneration paid by other reporting issuers (public companies) that the Committee feels are similarly placed within the industry.

In addition, the directors and officers are granted stock options under the stock option plan. The Compensation Committee determines the terms of each stock option within the parameters set out in Stockport's stock option plan and applicable stock exchange rules and policies.

### ***Other Board Committees***

The Board of Stockport has not established any committees other than the Audit Committee, as described in "Audit Committee" section, and the Compensation Committee, as described in "Compensation Committee" section immediately above.

### ***Assessments***

The Compensation Committee performs annual formal assessments of the management and of board of directors of Stockport.

### **Management Contracts**

No management functions of Stockport are performed to any substantial degree by a person or persons other than the Directors or executive officers of Stockport, other than certain employees of Numus Financial Inc., a private company owned by a director and a Technical Consultant of Stockport, provide management services to Stockport pursuant to a Management Services Agreement between Stockport and Numus.

### **Securities Authorized for Issuance Under Equity Compensation Plans**

The only equity compensation plan which Stockport has in place is the Option Plan. The Option Plan has been established to attract and retain employees, consultants, officers or Directors to Stockport and to motivate them to advance the interests of Stockport by affording them with the opportunity to acquire an equity interest in Stockport. The Option Plan is administered by the Directors of Stockport. The Option Plan provides that the number of Shares issuable under the Option Plan, together with all of Stockport's other previously established or proposed share compensation arrangements may not exceed 10% of the total number of issued and outstanding Shares.

The following table sets forth Stockport's compensation plans under which equity securities are authorized for issuance as at the end of the most recently completed financial year.

**Equity Compensation Plan Information**

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights<sup>(1)</sup></b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (\$)</b>	<b>Number of shares remaining available for issuance under equity compensation plans</b>
Equity compensation plans <b>approved</b> by shareholders	4,996,000	0.06	5,065,313
Equity compensation plans <b>not approved</b> by shareholders	Nil	N/A	N/A
<b>Total</b>	<b>4,996,000</b>	<b>0.06</b>	<b>5,065,313</b>

<sup>(1)</sup> Assuming outstanding options, warrants and rights are fully vested.

**Promoters**

There is no person who is or who has been within the two years immediately preceding the Record Date, a 'promoter' of Stockport as defined under applicable Canadian securities laws.

**Non-Arm's Length Transactions**

The Amalgamation, if completed, is a Non-Arm's Length Qualifying Transaction, as such term is defined under the policies of the TSX-V, due to the common director (James Megann).

**Conditional Listing Approval**

Certain documentation respecting the proposed Transaction has been filed with the TSX-V, but the TSX-V has not yet conditionally accepted the Transaction. Acceptance of the Transaction and the Private Placement by the TSX-V will be subject to Stockport fulfilling all of the requirements of the TSX-V. Stockport will not proceed with the Transaction if TSX-V approval is not obtained.

**Legal Proceedings**

Management of Stockport is not aware of any material legal proceedings outstanding, pending or threatened as at the date hereof, by or against Stockport, which would be material to a purchaser of securities of Stockport.

**Auditors**

The auditors of Stockport are Manning Elliott LLP, Chartered Professional Accountants, 11<sup>th</sup> Floor, 1050 West Pender Street, Vancouver, British Columbia, V6E 3S7.

**Transfer Agent and Registrar**

Computershare Investor Services Inc., located at 1500 Robert-Bourassa Blvd, 7<sup>th</sup> Floor, Montreal QC, H3A 3S8, is the transfer agent and registrar for the Stockport Shares.



**Material Contracts of Stockport**

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by Stockport within two years prior to the date hereof which are currently in effect and considered to be currently material:

- (a) the Definitive Agreement; and
- (b) the Amalgamation Agreement.

See *“The Amalgamation - Amalgamation Agreement and Effective Date and Conditions of Amalgamation.”*

Copies of the foregoing agreements may be inspected at the head office of Stockport at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, during normal business hours up to the date of the Meetings and for a period of 30 days thereafter.

## SCHEDULE “C”

### INFORMATION CONCERNING AMALCO

Capitalized terms used in this Schedule “C” that are not defined herein shall have the meanings ascribed to such terms in the joint information circular (the “**Joint Information Circular**”) of Stockport Exploration Inc. and Sona Nanotech Ltd. to which this Schedule “C” is attached. All references to dollar amounts in this Schedule “C” are to Canadian dollars unless expressly stated otherwise.

#### **Name and Incorporation**

Amalco, following completion of the Amalgamation, will continue to be incorporated under the CBCA with the name “Sona Nanotech Inc.” or such other name as may be acceptable to regulatory authorities.

The head office of Amalco will be located at Suite 2001 – 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7. The registered office of Amalco will be located at Suite 1750 – 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

#### **Narrative Description of the Business**

The business of Amalco following completion of the Amalgamation will be the business of Sona. For more detailed information and descriptions, see Schedule A.

Sona is the holder of intellectual property related to the manufacture of gold nanorods. Sona proprietary manufacturing process results in a number of functional advantages which set their Omni™ and Gemini™ product lines apart from other gold nanorods that are currently used in diagnostic products. Sona’s primary business objective involves the manufacture of gold nanorods that will be used under license in the manufacture of diagnostic test kits (e.g. pregnancy kits, blood tests, etc.). Sona expects to manufacture and provide value-added treatments to gold nanorods that will be used by existing diagnostic manufacture and re-sellers in the development of new test products. Sona plans to only partner with established players in the diagnostic industry in order to take advantage of existing manufacturing facilities, sales channels and established customer relationships. Sona’s primary business objectives will result in earning revenue from the sale of gold nanorods to partners as well as listening fees associated with the sale of end-products.

There are a number of milestones that will need to be achieved as part of Sona’s business objectives:

- **Establishing partnerships with existing manufactures and re-sellers in the diagnostic sector.** Key components of this milestone will be: identifying new diagnostic products to manufacture, completing proof of concept testing to determine if Sona’s gold nanorods are suitable for such test, as well as the negotiating of business terms with partners (i.e. purchase price of gold nanorods, licensing terms and partner financial contributions). Sona expects to identify a minimum of three products to advance through this stage in the first six months following listing.
- **Optimizing the manufacturing process.** This process will include optimizing and finalizing manufacturing protocols, as well as completing independent product testing. Sona expects to advance three products to the optimization process in the period of 6 to 12 months following listing.
- **Obtaining regulatory approval for sale** (in certain jurisdictions). Depending on the product and geographic area of sale, regulatory approvals may be required prior to sale. This process includes application to the regulatory authority, testing of the product accuracy and identification of a controlled manufacturing protocols. Sona anticipates that its manufacturing/sales partners will lead the process of seeking any required regulatory approvals. Sona expects 1-3 products to advance to the regulatory approval milestone in the first 12 to 30 months following listing.

- **Manufacture and sales.** Sona expects this final milestone to be led by our industry partners. Sona does not expect to be involved in final products manufacture, sales or distribution beyond a licensing agreement. Sona expects its first products will be ready for commercial sale between 18 to 30 months from listing date.

Sona is fully funded to complete all of its obligations under each of the above milestones.

### Description of Securities

Amalco will be authorized to issue an unlimited number of common shares without par value. As at the date of completion of the Amalgamation, there will be 44,199,520 common shares issued and outstanding as fully-paid and non-assessable, excluding the common shares to be issued pursuant to the Private Placement. In addition, 925,000 common shares will be reserved for issuance under the Amalco Options issued in exchange for the Stockport Options that remain outstanding upon completion of the Amalgamation and 299,000 common shares will be reserved for issuance under the Amalco Warrants issued in exchange for the Stockport Warrants that remain outstanding upon completion of the Amalgamation.

The holders of Amalco common shares are entitled to dividends, if as and when declared by the board of directors, to one vote per common share at meetings of the shareholders of Amalco and, upon liquidation, to share equally in such assets of Amalco as are distributable to the holders of common shares.

### Pro Forma Loan Consolidated Capitalization

The following table sets out the consolidated loan capitalization of Amalco after giving effect to the Transaction:

Capital	Amount Authorized	Outstanding Amount after giving effect to the Transaction
Long Term Debt	N/A	\$457,246
Amalco Shares <sup>(1)</sup>	Unlimited	44,199,520

(1) Does not include the Amalco Shares issuable upon exercise of the Amalco Options, Amalco Warrants and Stockport Convertible Notes and excluding the common shares to be issued pursuant to the Private Placement and finder's share purchase warrants.

### Fully-Diluted Share Capital

The following table describes the fully-diluted share capital of Amalco after giving effect to the Transaction:

	Amalco Common Shares (diluted) after Giving Effect to the Transaction	Percentage
Issued and outstanding after completion of Amalgamation	44,199,520	72.9%
Shares to be issued upon completion of Private Placement	4,000,000	6.6%
Reserved for issuance upon exercise of Stockport Options <sup>(1)</sup>	925,000	1.5%
Reserved for issuance upon exercise of Stockport Warrants <sup>(2)</sup>	299,000	0.5%
Reserved for issuance upon exercise of finder's warrants <sup>(3)</sup>	Up to 300,000	0.5%
Reserved for issuance upon conversion of Stockport Convertible Debentures and Stockport Convertible Notes <sup>(4)</sup>	Up to approximately 10,928,233	18.0%
<b>Total:</b>	<b>60,651,753</b>	<b>100%</b>

(1) These options are exercisable at various prices of between \$0.16 and \$0.28 until their respective

- expiry dates.
- (2) Each share purchase warrant entitles the holder to purchase one additional common share at \$0.40 until October 31, 2018.
- (3) Each finder's share purchase warrant entitles the holder to purchase one additional common share at \$0.50 for two years from the date of completion of the Private Placement.
- (4) The Convertible Notes are held by or are controlled by directors and officers of Stockport and directors of Sona and other private investors.

### Available Funds

The following table sets forth the estimated working capital and amounts and sources of other funds of the Amalgamating Companies and Amalco as at the dates indicated. See the financial statements of Stockport filed at [www.sedar.com](http://www.sedar.com) and incorporated by reference herein, the financial statements of Sona attached as Schedule "D" hereto, and the Pro-Forma Financial Statements of Amalco attached hereto as Schedule "E".

Source of Funds	Available Funds on Completion of the Transaction
Working capital of Sona as of February 28, 2018 (estimated)	\$7,544 <sup>(1)</sup>
Working capital of Stockport as of February 28, 2018 (estimated)	\$493,736 <sup>(2)</sup>
Net proceeds from Private Placement (estimated)	\$1,825,000 <sup>(3)</sup>
Estimated remaining expenses and costs relating to the Amalgamation and Transaction	(\$100,000)
Remaining portion of first loan from Atlantic Canada Opportunities Agency	\$49,283
Committed second loan from Atlantic Canada Opportunities Agency	\$500,000
<b>Total Funds Available:</b>	<b>\$2,775,563</b>

- (1) Sona has obtained an 18-month payment deferral agreement for its outstanding amount payable to Numus Financial Inc., a private company controlled by Wade Dawe (the Managing Director is James Megann, who also indirectly controls the company), of \$396,000 for accrued management services fees. Sona's net working capital deficiency of \$388,456 has been adjusted for this deferral agreement.
- (2) Stockport has obtained four 18-month payment deferral agreements for outstanding amounts due to related parties totaling \$866,518. The fair value of the Stockport convertible debentures, estimated at \$125,705, will be settled with the issuance of shares. Stockport's net working capital deficiency of \$372,782 has been adjusted for these deferral agreements and the fair value of the convertible debenture.
- (3) A finder's fee of 7.5% cash and the issuance of finder's share purchase warrants to acquire up to 300,000 common shares at an exercise price of \$0.50 for two years from the date of completion of the Private Placement is proposed to be payable to Numus Capital Corp., an Exempt Market Dealer ultimately controlled by Wade Dawe (the Ultimate Designated Person of Numus Capital Corp. is James Megann).

### Principal Purposes of Available Funds

The following table sets forth the proposed use of the available funds by Amalco upon completion of the Transaction:

Use of Available Funds	Amount Assuming Completion of the Transaction
General and administrative costs (12 months) <sup>(1)</sup>	\$481,000
Business development budget for Amalco <sup>(1)</sup>	\$210,000
Product development costs <sup>(1)</sup>	\$1,850,500
Unallocated working capital	\$234,063
<b>Total:</b>	<b>\$2,775,563</b>

<sup>(1)</sup> See "Costs" below.

Amalco will spend the funds available to it upon completion of the Transaction to further its business development, in accordance with its stated business objectives. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for Amalco to achieve its stated business objectives, or in the event it is necessary to modify them. Amalco may require additional funds in order to fulfill all of the Amalco's expenditure requirements and to meet its objectives, in which case Amalco expects to either issue additional securities or incur indebtedness. There is no assurance that additional funding required by Amalco will be available if required.

Proceeds from the exercise of any options, warrants or other rights to purchase shares of Amalco will be used for general corporate purposes.

Upon completion of the Transaction, Amalco is expected to have sufficient cash available to pay its operating and administrative costs for at least the next year.

### Costs

The following chart sets out the estimated aggregate monthly and total general and administration costs that will be incurred in order for Amalco to operate its business over the next 12 months. It is anticipated that approximately \$481,000 for the year will be required to fund the general and administrative costs of Amalco:

Expense	Amount (Estimated)
Professional fees	\$100,000
Management services fees	\$216,000 <sup>(1)</sup>
Listing and regulatory	\$35,000
General and administration	\$35,000
Rent Halifax	\$20,000
Rent lab facility	\$24,000
Interest	\$10,000
Mobile phones	\$10,000
Computers/IT platform costs	\$15,000
Insurance	\$10,000
Industry membership fees	\$4,000
Bank expenses/credit processing fees	\$2,000
<b>Total:</b>	<b>\$481,000</b>

<sup>(1)</sup> Management services fees will be payable to Numus Financial Inc., controlled by Wade Dawe (Managing Director is James Megann, who also indirectly controls the company).

It is anticipated that approximately \$210,000 for the year will be required to fund the business development costs of Amalco:

<b>Expense</b>	<b>Amount (Estimated)</b>
Executive business development	\$75,000
Business development expenses	\$50,000
PR consultant	\$5,000
Office administration	\$15,000
Legal	\$10,000
Website and social media	\$5,000
Marketing collaterals	\$50,000
<b>Total:</b>	<b>\$210,000</b>

It is anticipated that approximately \$1,850,500 for the year will be required to fund the product development costs of Amalco:

<b>Expense</b>	<b>Amount (Estimated)</b>
CAPEX – Lab outfitting	\$900,000
Outsource partner: Product design, development, optimization	\$250,000
Executive product management	\$75,000
Program Manager – Future Diagnostics	\$100,000
Program manager – Life Sciences	\$100,000
Senior Development scientist	\$78,000
Product Development manager	\$84,000
Production scientist	\$50,000
Development scientist	\$31,000
TEM/Lab technician	\$12,500
Lab consumables and pay-per-use equipment	\$170,000
<b>Total:</b>	<b>\$1,850,500</b>

Management of Amalco intends to utilize cash assets of Stockport and Sona to pay the estimated costs of Amalco.

### **Dividend Policy**

No dividends have been paid on any shares of Stockport and Sona since the date of incorporation and, following completion of the Amalgamation, it is not contemplated that any dividends will be paid on the shares of Amalco in the immediate or foreseeable future.

### **Principal Securityholders**

To the knowledge of Stockport and Sona, no persons will own, directly or indirectly, or exercise control or direction over more than 10% of Amalco Shares upon completion of the Amalgamation, except as follows:

<b>Name</b>	<b>Number of Amalco Common Shares</b>	<b>Percentage</b>
Wade Dawe Halifax, NS	6,086,292 <sup>(1)</sup>	13.8% <sup>(2)</sup>

(1) Of Mr. Dawe's Amalco Common Shares, 787,202 shares are held personally, 686,139 are held indirectly through Kelligrew Inc., 3,315,647 shares are held indirectly through Brigus Capital Inc., and 1,297,304 shares are held indirectly by Numus Financial Inc. Kelligrew Inc., Brigus Capital Inc. and Numus Financial Inc. are private companies controlled by Mr. Dawe. The Managing Director of Numus Financial Inc. is James Megann, who also indirectly controls the company.

- (2) Excluding the common shares to be issued pursuant to the Private Placement.
- (3) On a fully-diluted basis, Wade Dawe will hold approximately 15.4% (see “Information Concerning Amalco – Fully-Diluted Share Capital”).

### Directors, Officers, Management and Promoters of Amalco

The Companies have agreed under the Amalgamation Agreement that on the Effective Date the board of directors of Amalco will consist of five (5) directors comprised of James Megann, Daniel Whittaker, Robert McKay, A. Neil Smith and Zephaniah Mbugua. The following table and notes thereto sets forth the names of each person who is to be a director or officer of Amalco, the municipality in which he or she is ordinarily resident, positions to be held by such person, his or her principal occupation and the number of Amalco Shares beneficially to be held following the completion of the Amalgamation.

<b>Name, Municipality and Country of Residence and Position Post-Amalgamation</b>	<b>Principal Occupation during the past five years</b>	<b>No. and Percentage of Amalco Shares to be Held <sup>(1)</sup></b>
Zephaniah Mbugua Nairobi, Kenya Director	Chairman, TransCentury, a publicly listed Kenyan investment company	305,691, 0.7%
Robert McKay <sup>(2)</sup> Espanola, ON Director	Entrepreneur	566,707, 1.3%
James Megann <sup>(2)</sup> Halifax, NS Director	President and CEO, Stockport Exploration Inc., 2012 to present; Managing Director of Numus Financial Inc.; Ultimate Designated Person, Numus Capital Corp.	2,003,432, 4.5%
A. Neil Smith Dartmouth, NS Director	Medical Physician	1,036,873, 2.3%
Daniel Whittaker <sup>(2)</sup> Halifax, NS Director	President and CEO, Chairman and Director of Antler Gold Inc.	1,840,327, 4.2%
Darren Rowles Cardiff, United Kingdom President & CEO	President and CEO, Sona Nanotech Ltd, 2017 to present; former group manager, BBI Solutions	Nil, 0%
Robert Randall Halifax, NS CFO & Corporate Secretary	CFO of Stockport Exploration Inc. since June 2012, Antler Gold Inc. since November 2016, Torrent Capital Ltd. since August 2016, and Duckworth Capital Corp. since May 2017. Previously served as CFO of NSGold Corporation from April, 2012 to November 2014; Ceylon Graphite Corp. from July 2012 to October 2013; kneat.com, inc. from June 2014 to November 2014; Graphene 3D Lab Inc. from August 2014 to July 2016; and Canabo Medical Inc. from November 2016 to June 2017	87,500, 0.2%

<sup>(1)</sup> The approximate number of voting shares of Amalco to be beneficially owned, directly or indirectly, or over which control or direction will be exercised on a post-Amalgamation basis based upon the number of Stockport Shares and Sona Shares owned as at the date of this Joint Information Circular, excluding the common shares to be issued pursuant to the Private Placement.

<sup>(2)</sup> Member of Audit Committee.

The Audit Committee Charter of Amalco will be identical to the Audit Committee Charter of Stockport.

Of the aggregate number of 44,199,520 Amalco Shares after completion of the Amalgamation (assuming no exercise of stock options to be granted by Amalco and excluding the Private Placement) a total of 5,840,530 Amalco Shares or approximately 13.2% (assuming no exercise of Stockport Options or Stockport Warrants and no conversion of the Stockport Convertible Notes and excluding the Private Placement) will be beneficially owned or controlled, directly or indirectly, by the directors and officers of Amalco as a group (including Amalco Shares held by Associates and Affiliates).

### **Backgrounds of Management**

The biographies of senior management of Amalco on completion of the Amalgamation are set out below.

#### **Darren Rowles, President & CEO, Age 39**

Mr. Rowles has almost 15 years of experience in the diagnostic and nanoparticle industry and previously worked for one of the leading providers of technologies to the global diagnostics market, where he specialised in product manufacture and development in the area of noble metal nanoparticles and lateral flow diagnostics. Mr. Rowles is a key opinion leader at industry seminars and conferences and acts as an advisory board member to the World Gold Council. Mr. Rowles holds a BSC in Biomedical Science and Toxicology from the University of Wales Institute Cardiff (2003) and a Master of Business Administration from the University of Bath (2017).

Mr. Rowles is expected to devote 100% of his time to the Issuer.

#### **Robert Randall, Chief Financial Officer and Corporate Secretary, Age 54**

Mr. Randall has served as a CFO for a number of TSX-V listed companies over the past five years and has extensive public company financial experience. Previously, he was the Corporate Controller for Etruscan Resources Inc. and a Principal with PricewaterhouseCoopers. Mr. Randall graduated with a Commerce Degree from St. Mary's University in Halifax and obtained his CA designation in 1987 with Coopers and Lybrand Chartered Accountants where he was appointed as a Principal in 1995. Mr. Randall has been the CFO of Stockport Exploration Inc. since June 2012, Antler Gold Inc. since November 2016, Torrent Capital Ltd. since August 2016, and Duckworth Capital Corp. since May 2017. He previously served as CFO of NSGold Corporation from April, 2012 to November 2014; Ceylon Graphite Corp. from July 2012 to October 2013; kneat.com, inc. from June 2014 to November 2014; Graphene 3D Lab Inc. from August 2014 to July 2016; and Canabo Medical Inc. from November 2016 to June 2017. He is a member of the Chartered Professional Accountants of Canada and Nova Scotia and the Board Chair of the Nova Scotia SportHall of Fame.

Mr. Randall intends to devote approximately 30% of his time to the Issuer.

#### **Daniel Whittaker, Director and Chairman**

Mr. Whittaker is the Chairman, President and Chief Executive Officer of Antler Gold Inc. He has held senior positions in the mineral industry for the last 20 years. Prior to his work with Antler Gold Inc., Mr. Whittaker was a founder of GoGold Resources Inc., a mineral exploration, development and production company. Mr. Whittaker held senior management positions with GoGold from January 2008 to January 2016 and also served as a director of GoGold from inception to January 2013. He founded Ucore Rare Metals Inc. in 2006 and served as an officer and director to March 2008.

Mr. Whittaker holds a Bachelor of Arts in Economics Degree and a Masters of Business Administration from the Richard Ivey School of Business at the University of Western Ontario. He also has held the Chartered Financial Analyst designation from the CFA Institute since 1995.

#### **Robert McKay, Director**

Mr. McKay is an accomplished entrepreneur having successfully owned and operated businesses in the hospitality



industry for over 25 years. Mr. McKay is currently the president of two private companies that have commercial and residential property interests in Northern and Southern Ontario and in Cabo San Lucas, Mexico. Mr. McKay received a Bachelor of Arts Degree (Economics) from the University of Western Ontario and currently resides in Espanola, Ontario.

**Zephaniah Mbugua, Director**

Mr. Mbugua is a resident of Nairobi, Kenya and is a former Chairman of TransCentury, a leading Kenyan investment company traded on the Nairobi Securities Exchange. Mr. Mbugua is also a founder and currently the Chief Executive Officer of Abcon Group of Companies, a diversified group of companies involved in chemicals and the manufacturing of breakfast cereals. He is also a director of Proctor & Allan EA Ltd., Flashcom Ltd. and Zeniki Investment Ltd. Mr. Mbugua has a BSc in Chemistry and Mathematics from Makerere University.

**James Megann, Director**

Mr. Megann has been President and CEO of Stockport since early 2012 and is a mining executive and a business leader. James is also the Managing Director of Numus Financial Inc., a private company, and the Ultimate Designated Person of Numus Capital Corp. He is also a director of Antler Gold Inc., Duckworth Capital Corp. and Torrent Capital Ltd, all publicly traded companies. Prior to this, he served as a Director for NWest Energy, and was the Director of Investor Relations and Marketing for Linear Metals Corporation. He has more than 25 years of experience in the communications and marketing industry.

**Dr. Andrew Neil Smith, Director**

Dr. Smith is a physician and a member of the College of Physicians and Surgeons of Nova Scotia, as well as the Royal College of Physicians and Surgeons of Canada. He is a leading Otolaryngologist Head and Neck Surgeon currently working in the Halifax area. Dr. Smith, in addition to running his surgical practice, is also a Founder, President, and CEO of The Snore Shop, a sleep apnea company with 15 clinic locations throughout Atlantic Canada. Dr. Smith also served as Executive Chairman of Canabo Medical Inc., a publicly traded company. Dr. Smith obtained a B.Ed., B.Sc. and MD from Dalhousie University and completed his Otolaryngology Head and Neck Surgical Residency at the QE2 Hospital in Halifax.

No persons have entered into management agreements with Amalco. No persons intend to enter into non-competition agreements or non-disclosure agreements with Amalco, or had entered into the same with Stockport or Sona.

**Promoter Consideration**

James Megann, a proposed director of Amalco, may be considered to be a promoter of Amalco. It is expected upon completion of the Amalgamation that Mr. Megann will own 2,003,432 Amalco Shares, directly or indirectly, representing approximately 4.5% of the issued and outstanding Amalco Shares. Mr. Megann will also have stock options of Amalco.

**Corporate Cease Trade Orders or Bankruptcies**

To the knowledge of Stockport and Sona, no proposed director, officer, promoter of Amalco, or a security holder anticipated to hold sufficient securities of Amalco to affect materially the control of Amalco, within 10 years before the date of the Joint Information Circular, has been, a director, officer or promoter of any person or company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemptions under the applicable securities law, for a period of more than 30 consecutive days; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver,

receiver manager, or trustee appointed to hold its assets. See “Penalties or Sanctions” below.

### **Penalties or Sanctions**

To the knowledge of Stockport and Sona, no proposed directors, officers of promoters of Amalco has, within 10 years prior to the date of this Joint Information Circular, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, information or management of a publicly traded issuer or involving theft or fraud.

### **Personal Bankruptcies**

To the knowledge of Stockport and Sona, no director, officer or shareholder holding a sufficient number of securities of Amalco to affect materially the control of Amalco or a personal holding company of any such person has, within the past ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

### **Conflicts of Interest**

There are potential conflicts of interest to which the directors, proposed directors, officers and promoters of Amalco will be subject with respect to the operations of Amalco. Certain of the directors, proposed directors and/or officers serve as directors and/or officers of other companies or may be significant shareholders in other companies. Situations may arise where the directors, officers and promoters of Amalco will be engaged in direct competition with Amalco.

Any conflicts of interest will be subject to and governed by the law applicable to directors’ and senior officers’ conflicts of interest, including the procedures prescribed by the CBCA. The CBCA requires that directors and senior officers of Amalco, who are also directors or senior officers of a party which enters into a material contract with Amalco, must disclose their interest and, in certain instances, refrain from voting on any resolution of the Amalco’s directors to approve the contract.

Other than as described above and elsewhere in the Joint Information Circular, there are no existing or potential conflicts of interest between Amalco or a subsidiary of Amalco, if any, and a proposed director, senior officer or promoter of Amalco or a subsidiary of Amalco.

### **Other Reporting Issuer Experience**

The following table sets out the proposed directors, officers and promoters of Amalco that are, or have been within the past five years, directors, officers, or promoters or other reporting issuers:

<b>Name</b>	<b>Name of Reporting Issuer</b>	<b>Exchange or Market</b>	<b>Position Held</b>	<b>Term of Office</b>
Zephaniah Mbugua	TransCentury	Nairobi	Chairman	1997 to 2017
Robert McKay	None			
James Megann	Torrent Capital Ltd.	TSX-V	Director	Aug. 2013 to present
	Antler Gold Inc.	TSX-V	Director	March 2016 to present
	Ceylon Graphite Corp. (formerly NWest Energy Corp.)	TSX-V	Chairman	July 2012 to July 2014
	Duckworth Capital Corp.	TSX-V	Director	May 2017 to present
A. Neil Smith	Canabo Medical Inc.	TSX-V	Director	Nov. 2016 to present

Name	Name of Reporting Issuer	Exchange or Market	Position Held	Term of Office
Daniel Whittaker	Antler Gold Inc.	TSX-V	Chairman, President, CEO and Director	March 2016 to present
	GoGold Resources Inc.	TSX	Executive Vice-President and Secretary; and former Chief Financial Officer until Oct. 2012	Jan. 2008 to Jan. 2016
Darren Rowles	None			
Robert Randall	NSGold Corp.	TSX-V	CFO	Apr. 2012 to Nov. 2014
	Fortune Bay Corp.	TSX	CFO	June 2014 to present
	Ceylon Graphite Corp. (formerly NWest Energy Corp.)	TSX-V	CFO	July 2012 to Oct. 2013
	Antler Gold Inc.	TSX-V	CFO	Nov. 2016 to present
	Torrent Capital Ltd.	TSX-V	CFO	Aug. 2016 to present
	Duckworth Capital Corp.	TSX-V	CFO	May 2017 to present
	Ceylon Graphite Corp.	TSX-V	CFO	July 2012 to Oct. 2013
	kneat.com, inc.	TSX-V	CFO	June 2014 to Nov. 2014
	Graphene 3D Lab Inc.	TSX-V	CFO	Aug. 2014 to July 2016
	Canabo Medical Inc.	TSX-V	CFO	Nov. 2016 to June 2017

### Executive Compensation

For the purposes of this Joint Information Circular, a “**Named Executive Officer**”, or “**NEO**”, means each of the following individuals:

- (a) a chief executive officer (“**CEO**”) of Amalco;
- (b) a chief financial officer (“**CFO**”) of Amalco,
- (c) each of Amalco’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer, nor acting in a similar capacity at the end of the most recent financial year.

### Compensation Discussion and Analysis

#### Compensation, Philosophy and Objectives

Amalco will not have a formal compensation program. The board of directors (the “Board”) will meet to discuss and determine management compensation, without reference to formal objectives, criteria or analysis. The general objectives of Amalco’s compensation strategy will be to (a) compensate management in a manner that encourages

and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management's interests with the long-term interests of shareholders; (c) provide a compensation package that is commensurate with other comparable life sciences companies to enable Amalco to attract and retain talent; and (d) ensure that the total compensation package is designed in a manner that takes into account the constraints that Amalco is under by virtue of the fact that it is an early stage life science company without a history of earnings.

The Board, as a whole, will ensure that total compensation paid to all Named Executive Officers (“NEOs”), as hereinafter defined, is fair and reasonable. The Board will rely on the experience of its members as officers and directors with other junior mining companies in assessing compensation levels.

#### Analysis of Elements

Base salary will be used to provide the Named Executive Officers a set amount of money during the year with the expectation that each Named Executive Officer will perform his responsibilities to the best of his ability and in the best interests of Amalco.

Amalco will consider the granting of incentive stock options to be a significant component of executive compensation as it will allow Amalco to reward each NEO's efforts to increase value for shareholders without requiring Amalco to use cash from its treasury. Stock options are generally awarded to executive officers at the commencement of employment and periodically thereafter. The terms and conditions of Amalco's stock option grants, including vesting provisions and exercise prices, will be governed by the terms of Amalco's proposed stock option plan (the “**Amalco Plan**”). See “Other Matters to be Acted Upon at the Meetings” for more information with respect to the Amalco Plan.

#### Long Term Compensation and Option-Based Awards

Amalco is not expected to have any long-term incentive plans other than the Amalco Plan. Amalco's directors and officers and certain consultants will be entitled to participate in the Amalco Plan. The Amalco Plan is designed to encourage share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the Amalco Plan aligns the interests of the NEOs and the Board with shareholders by linking a component of executive compensation to the longer term performance of Amalco's common shares.

Options will be granted by the Board of Amalco. In monitoring or adjusting the option allotments, the Board will take into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the NEOs and the Board. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility.

In addition to determining the number of options to be granted pursuant to the methodology outlined above, the Board will also make the following determinations:

- (a) parties who are entitled to participate in the Amalco Plan;
- (b) the exercise price for each stock option granted, subject to the provision that the exercise price cannot be lower than the market price on the date of grant;
- (c) the date on which each option is granted;
- (d) the vesting period, if any, for each stock option;
- (e) the other material terms and conditions of each stock option grant; and
- (f) any re-pricing or amendment to a stock option grant.

The Board will make these determinations subject to and in accordance with the provisions of the Amalco Plan. The Board will review and approves grants of options periodically during a financial year.

**Summary Compensation Table**

It is proposed that for the 12 months after giving effect to the Transaction, Amalco's NEOs will be paid the following annual salaries:

<b>Name and Principal Position</b>	<b>Salary</b>
Darren Rowles Proposed President & Chief Executive Officer	\$150,000
Robert Randall Proposed Chief Financial Officer & Corporate Secretary	\$40,000

**Incentive Plan Awards**

Stock options or other incentive plan awards are proposed to be granted to Amalco's NEOs for the 12 months following the completion of the Amalgamation in accordance with the new stock option plan to be adopted by Amalco. See "Options and Other Rights to Purchase Securities" below for a description of the stock options that will be outstanding following the completion of the Amalgamation.

A description of the significant terms of the Amalco Plan is found under the heading "Other Matters to be Acted Upon at the Meetings" in the Joint Information Circular.

**Termination and Change of Control Benefits**

Effective October 2017, Mr. Darren Rowles became Sona's President and Chief Executive Officer. Pursuant to his employment contract, Mr. Rowles is entitled to an annual salary of \$150,000. Should a change in control event occur for Sona, Mr. Rowles may elect to terminate his employment with Sona, in which event Sona would be required to pay Mr. Rowles a lump sum payment equal to 6 months of his then current salary. Following the two-year anniversary of his employment contract, Mr. Rowles will be entitled to a one (1) year lump sum payment in the event of a change of control.

Effective late 2017, Sona entered into a consulting agreement with RCI for the services of Sona's Chief Financial Officer. RCI is paid a daily rate for the provision of these services. The agreement with RCI can be terminated by either Stockport or RCI without penalty, subject to 30 days notice.

Effective April 24, 2012, Mr. James Megann became Stockport's President and Chief Executive Officer. Pursuant to his 2012 employment contract, Mr. Megann was entitled to an annual salary of \$150,000. Should a change in control event occur for Stockport, Mr. Megann may elect to terminate his employment with Stockport, in which event Stockport would be required to pay Mr. Megann a lump sum payment equal to 2.5 times his annual salary. The payment of the change in control settlement would be subject to Stockport maintaining an average market capitalization in excess of CDN \$25 million, based on any 10-day volume weighted trading price within the three-month period following the effective date of the change in control. Effective November 1, 2016, Mr. Megann's annual salary is \$60,000.

Effective July 1, 2012, Stockport entered into a consulting agreement (the "Consulting Agreement") with RCI, pursuant to which Mr. Randall serves Stockport as Chief Financial Officer and Corporate Secretary. Mr. Randall is paid a daily rate for the provision of these services. The Consulting Agreement with Mr. Randall can be terminated by either Stockport or Mr. Randall without penalty, subject to 30 days notice.

Stockport has a consulting contract with a Technical Consultant which provides that, should a change in control event occur, the Technical Consultant may elect to terminate his arrangement with Stockport, in which event Stockport would be required to pay the Technical Consultant a lump sum payment equal to 2.0 times the annual remuneration. The payment of the change in control settlement would be subject to Stockport maintaining an average market capitalization in excess of CDN \$25 million, based on any 10-day volume weighted trading price within the three-month period following the effective date of the change in control.

### ***Director Compensation***

It is proposed that Amalco stock options may be granted to any of the directors of Amalco following the completion of the Transaction and the resumption of trading for at least 10 business days. The purpose of granting such options is to assist Amalco in compensating, attracting, retaining, and motivating the directors of Amalco and to closely align the personal interests of such persons to that of the shareholders.

### **Indebtedness of Directors, Officers and Other Management**

No proposed director, senior officer, executive officer, promoter, employee or principal shareholder of Stockport, Sona, or Amalco or any Associates or Affiliates thereof, will be indebted to Amalco immediately after Closing. In addition, none of such persons' indebtedness to any other entity will be the subject of a guarantee, support agreement or letter of credit or similar arrangement or understanding.

### **Investor Relations Arrangements**

No written or oral agreement or understanding has been reached with any person to provide promotional or investor relations services for Amalco.

### **Options and Other Rights to Purchase Securities**

#### *Options*

<b>Optionees</b>	<b>No. of Securities under Option</b>	<b>Purchase Price</b>	<b>Expiry Date</b>
<b>Proposed Officers of Amalco:</b>			
Proposed Officers as a group	50,000	\$0.28	September 11, 2019
	50,000	\$0.20	July 11, 2021
<b>Proposed Directors of Amalco (excluding Proposed Officers)</b>			
Proposed Directors as a group	12,500	\$0.20	August 20, 2018
	62,500	\$0.20	June 5, 2019
	50,000	\$0.20	July 11, 2021
	12,500	\$0.16	July 23, 2018
	62,500	\$0.20	June 5, 2019
	62,500	\$0.20	July 11, 2021
	50,000	\$0.20	June 5, 2019
	75,000	\$0.20	July 11, 2021

1. In addition, a current director of Stockport who will not be a director of Amalco, will have 137,500 stock options of Amalco exercisable at \$0.20 and expiring from June 5, 2019 to July 11, 2021.
2. In addition, a current director of Sona who will not be a director of Amalco, will have 137,500 stock options of Amalco exercisable at \$0.20 and expiring from June 5, 2019 to July 11, 2021.
3. Consultants will have an aggregate 162,500 stock options of Amalco exercisable from \$0.20 to \$0.28 and expiring from June 5, 2019 to July 11, 2021.

### Warrants

Amalco will have 299,000 share purchase warrants outstanding which entitle the holders to purchase up to 299,000 common shares of Amalco at a price of \$0.40 per share until October 31, 2018 and up to 300,000 finder's share purchase warrants outstanding which entitle the holders to purchase up to 300,000 common shares of Amalco at a price of \$0.50 for two years from the date of completion of the Private Placement.

### Stock Option Plan

Amalco will adopt the Amalco Plan in the form attached to the Joint Information Circular as Schedule "K". See "Other Matters to be Acted Upon at the Meetings".

### Escrowed Securities

The following table sets out, as at the date hereof, and to the knowledge of Stockport and Sona, the number of Amalco Shares of the Resulting Issuer which will be held in escrow following completion of the Transaction:

Name and Municipality of Residence of Shareholder	Designation of class	Prior to Giving Effect to The Transaction <sup>(1)</sup>		After Giving Effect to The Transaction <sup>(2)</sup>	
		Number of Securities held in Escrow	Percentage of Class	Number of Securities to be held in Escrow <sup>(3)</sup>	Percentage of Class
James Megann Fall River, NS	Common Shares	Nil	Nil	279,750	0.6%
John St. Capital Inc. <sup>(4)</sup> Fall River, NS	Common Shares	Nil	Nil	1,723,682	3.9%
Kelligrew Inc. <sup>(5)</sup> Halifax, NS	Common Shares	Nil	Nil	686,139	1.6%
Wade Dawe Halifax, NS	Common Shares	Nil	Nil	787,202	1.8%
Numus Financial Inc. <sup>(5)</sup> Halifax, NS	Common Shares	Nil	Nil	1,297,304	2.9%
Brigus Capital Inc. <sup>(5)</sup> Halifax, NS	Common Shares	Nil	Nil	3,315,647	7.5%
Robert McKay Espanola, ON	Common Shares	Nil	Nil	566,707	1.3%
Zephaniah Mbugua Nairobi, Kenya	Common Shares	Nil	Nil	305,691	0.7%
Andrew Neil Smith Halifax, NS	Common Shares	Nil	Nil	549,873	1.2%
Dr. Neil Smith Inc. <sup>(6)</sup> Halifax, NS	Common Shares	Nil	Nil	487,000	1.1%
Daniel Whittaker Halifax, NS	Common Shares	Nil	Nil	416,457	0.9%
Birchpoint Holdings Incorporated <sup>(7)</sup> Halifax, NS	Common Shares	Nil	Nil	1,423,870	3.2%
Robert Randall Halifax, NS	Common Shares	Nil	Nil	87,500	0.2%
Lois Randall Halifax, NS	Common Shares	Nil	Nil	126,566	0.3%
Daniel Gerrard Marangoni Antigonish, NS	Common Shares	Nil	Nil	1,898,493	4.3%

Name and Municipality of Residence of Shareholder	Designation of class	Prior to Giving Effect to The Transaction <sup>(1)</sup>		After Giving Effect to The Transaction <sup>(2)</sup>	
		Number of Securities held in Escrow	Percentage of Class	Number of Securities to be held in Escrow <sup>(3)</sup>	Percentage of Class
Kulbir Singh Antigonish, NS	Common Shares	Nil	Nil	1,898,493	4.3%
3231796 Nova Scotia Limited River Ryan, NS	Common Shares	Nil	Nil	1,265,662	2.9%
Michael McAlduff Antigonish, NS	Common Shares	Nil	Nil	1,518,795	3.4%
Alan MacDonald Antigonish, NS	Common Shares	Nil	Nil	1,265,662	2.9%
Alistair Grant MacDonald Antigonish, NS	Common Shares	Nil	Nil	1,265,662	2.9%
James MacLean St. Margaret's Bay, NS	Common Shares	Nil	Nil	118,953	0.3%
Claire MacLean St. Margaret's Bay, NS	Common Shares	Nil	Nil	118,953	0.3%
Joanne Curry Antigonish, NS	Common Shares	Nil	Nil	237,906	0.5%
Alistair MacDonald Antigonish, NS	Common Shares	Nil	Nil	118,953	0.3%
Velma MacDonald Antigonish, NS	Common Shares	Nil	Nil	118,953	0.3%
David McAlduff Calgary, AB	Common Shares	Nil	Nil	1,111,467	2.5%
Daniel Marangoni Glace Bay, NS	Common Shares	Nil	Nil	158,207	0.4%
<b>TOTAL:</b>	<b>Common Shares</b>	<b>Nil</b>	<b>Nil</b>	<b>23,149,547</b>	<b>52.4%</b>

(1) Excluding any shares that may be issued pursuant to Stockport Options, Stockport Warrants and Stockport Convertible Notes.

(2) Excluding any shares that may be issued pursuant to Stockport Options, Stockport Warrants and Stockport Convertible Notes and excludes any common shares issued pursuant to the Private Placement.

(3) The Amalco Shares will be held under either a Form 5D Surplus Securities Escrow Agreement or a Form 5D Value Securities Escrow Agreement. Under a surplus escrow agreement, 5% of the escrowed shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 5% will be released on the date 6 months following the Initial Release, and an additional 10% will be released on the date 12 months and 18 months following the Initial Release, and an additional 15% will be released on the date 24 months and 30 months following the Initial Release, and a final instalment of 40% of the original number of escrowed shares will be released 36 months following the Initial Release. Under a value escrow agreement, 10% of the escrowed shares will be released from escrow on the Initial Release and an additional 15% will be released on the date 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. The release from escrow may be accelerated if Amalco is classified as a Tier 1 issuer on the TSX-V. An accelerated escrow release will not commence until Amalco has made application to the TSX-V for listing as a Tier 1 issuer and the TSX-V has issued a bulletin that announces the acceptance for listing of Amalco on Tier 1 of the TSX-V.

(4) A company controlled by James Megann.

(5) A company controlled by Wade Dawe. The Managing Director of Numus Financial Inc. is James Megann, who also indirectly controls the company.

(6) A company controlled by Andrew Neil Smith.

(7) A company controlled by Daniel Whittaker.



The escrowed shares may not be transferred without the approval of the TSX-V for release or transfer other than in specified circumstances set out in the escrow agreement.

**Auditors**

The auditors of Amalco will be Manning Elliott LLP, Chartered Professional Accountants, 11<sup>th</sup> Floor, 1050 West Pender Street, Vancouver, British Columbia, V6E 3S7.

**Transfer Agent and Registrar**

Computershare Investor Services Inc., located at 1500 Robert-Bourassa Blvd, 7<sup>th</sup> Floor, Montreal QC, H3A 3S8, will be the transfer agent and registrar for the Amalco Shares.

**SCHEDULE "D"**

**SONA FINANCIAL STATEMENTS**

*Financial Statements of*

**SONA NANOTECH LTD.**

October 31, 2017 and December 31, 2016

(Expressed in Canadian Dollars)

December 22, 2017

## **Management's Report**

The accompanying financial statements of **Sona Nanotech Ltd.** (the "Company") have been prepared by the Company's management. The financial statements have been prepared in accordance with International Financial Reporting 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 financial statements and the management discussion and analysis.

The Board of Directors 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 approval.

(signed) "*Darren Rowles*"  
Chief Executive Officer  
Wales, United Kingdom

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



## **INDEPENDENT AUDITORS' REPORT**

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To the Directors of  
Sona Nanotech Ltd.

We have audited the accompanying financial statements of Sona Nanotech Ltd. which comprise the statements of financial position as at October 31, 2017 and December 31, 2016, and the statements of comprehensive loss, changes in deficiency and cash flows for the ten month period ended October 31, 2017 and the year ended December 31, 2016, and the related notes comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sona Nanotech Ltd. as at October 31, 2017 and December 31, 2016, and its financial performance and cash flows for the 10 month period ended October 31, 2016 and the year ended December 31, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Sona Nanotech Ltd. to continue as a going concern.

*/s/ Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
December 22, 2017

**Sona Nanotech Ltd.**  
**Statements of Financial Position**  
**As at October 31, 2017 and December 31, 2016**

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*Expressed in Canadian dollars*

	October 31, 2017	December 31, 2016
	\$	\$
<b>Assets</b>		
Current assets		
Cash	173,323	35,406
Amounts receivables and other (note 3)	142,506	107,470
	<u>315,829</u>	142,876
Capital assets (note 4)	<u>20,316</u>	590
<b>Total assets</b>	<u>336,145</u>	143,466
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	799,646	557,718
Current portion of long-term debt (note 6)	162,378	107,093
	<u>962,024</u>	664,811
Long-term debt (note 6)	<u>172,246</u>	86,507
<b>Total liabilities</b>	1,134,270	751,319
<b>Deficiency</b>		
Shareholders' deficiency	<u>(798,125)</u>	(607,852)
<b>Total liabilities and deficiency</b>	<u>336,145</u>	143,466

Nature of operations and going concern (note 1)  
 Commitments and contingencies (note 11)

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

Approved on behalf of the Board of Directors on December 22, 2017.

“Gerrard Marangoni”  
 Director

“James Megann”  
 Director

**Sona Nanotech Ltd.**  
**Statements of Loss and Comprehensive Loss**  
**For the ten month period ended October 31, 2017 & year ended December 31, 2016**

*Expressed in Canadian dollars*

	<b>Ten-month period ended October 31, 2017 \$</b>	<b>Year ended December 31, 2016 \$</b>
<b>Expenses</b>		
Consulting and wages	171,576	282,003
Rent and related costs (note 9)	9,717	11,385
Administrative costs	10,255	17,299
Depreciation expense (note 4)	3,735	61
Financing fee (note 9)	-	75,000
Interest on long-term debt (note 6)	10,325	7,093
Accreted interest on repayable government loans (note 6)	5,521	-
Accreted interest on convertible loans (note 6)	-	10,800
Travel costs	20,425	18,740
Sales and marketing costs	1,573	2,431
Professional fees	29,550	75,899
Management services (note 9)	180,000	218,000
Research and development costs	6,449	29,156
	<u>(449,126)</u>	<u>(747,867)</u>
<b>Other income</b>		
Repayable government loans fair value adjustment	21,115	41,660
Scientific research and experimental development tax credits	-	63,447
	<u>21,115</u>	<u>105,107</u>
<b>Net loss and comprehensive loss for the period</b>	<u>(428,011)</u>	<u>(642,760)</u>
Loss per share – basic and diluted	<u>(0.02)</u>	<u>(0.02)</u>
Weighted-average number of common shares outstanding		
Basic and diluted	<u>27,928,923</u>	<u>27,190,155</u>

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

**Sona Nanotech Ltd.**  
**Statements of Changes in Deficiency**  
**As at October 31, 2017 and December 31, 2016**

*Expressed in Canadian dollars*

	Number of Common Shares	Common Shares	Equity Portion of Convertible Loans	Deficit	Total
		\$	\$	\$	\$
<b>Balance, January 1, 2016</b>	<b>26,321,662</b>	<b>360,500</b>	-	<b>(561,392)</b>	<b>(200,892)</b>
Net loss and comprehensive loss for the period	-	-	-	(642,760)	(642,760)
Equity portion of convertible loans	-	-	10,800	-	10,800
Shares issued pursuant to private placement (note 7)	1,500,000	225,000	-	-	225,000
<b>Balance, December 31, 2016</b>	<b>27,821,662</b>	<b>585,500</b>	<b>10,800</b>	<b>(1,204,152)</b>	<b>(607,852)</b>
Net loss and comprehensive loss for the period	-	-	-	(428,011)	(428,011)
Shares issued pursuant to private placement (note 7)	2,600,000	260,000	-	-	260,000
Share issuance costs (note 7)	-	(22,262)	-	-	(22,262)
<b>Balance, October 31, 2017</b>	<b>30,421,662</b>	<b>823,238</b>	<b>10,800</b>	<b>(1,632,163)</b>	<b>(798,125)</b>

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



**Sona Nanotech Ltd.**  
**Statement of Changes in Cash Flows**  
**For the ten month period ended October 31, 2017 and year ended December 31, 2016**

*Expressed in Canadian dollars*

	<b>Ten month period ended October 31, 2017 \$</b>	Year ended December 31, 2016 \$
<b>Operating activities</b>		
Net loss for the period	(428,011)	(642,760)
Changes to loss not involving cash:		
Depreciation	3,735	61
Accreted interest (note 6)	5,521	10,800
Interest expense (note 6)	10,325	7,093
Non-cash professional fees (note 7)	-	75,000
Increase in accounts receivable and other	(35,036)	(67,645)
Increase in accounts payable and accrued liabilities	241,928	289,341
<b>Net cash used in operating activities</b>	<b>(201,538)</b>	<b>(328,110)</b>
<b>Financing activities</b>		
Proceeds from long-term debt (note 6)	125,219	246,507
Repayment of long-term debt (note 6)	(41)	(60,000)
Proceeds received upon the completion of private placement (note 7)	260,000	150,000
Share issuance costs associated with private placement (note 7)	(22,262)	-
<b>Net cash provided by financing activities</b>	<b>362,916</b>	<b>336,507</b>
<b>Investing activities</b>		
Additions to fixed assets (note 4)	(23,461)	(651)
<b>Net cash used in financing activities</b>	<b>(23,461)</b>	<b>(651)</b>
Increase in cash	137,917	7,746
Cash, beginning of period	35,406	27,660
Cash, end of period	173,323	35,406
<b>Non-cash financing activities</b>		
Common shares issued for financing fee	-	75,000

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

# **Sona Nanotech Ltd.**

## **Notes to the Financial Statements**

### **Periods ended October 31, 2017 and December 31, 2016**

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#### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Sona Nanotech Ltd. (the “Company” or “Sona”) was incorporated on January 21, 2014 under the laws of the Canada Business Corporations Act. The Company is in the business of researching and developing gold nano-rod products. Sona’s head office is located at Suite 2001, 1969 Upper Water Street, Halifax, Nova Scotia, Canada, B3J 3R7. The registered office of Sona is located at Suite 1100, 1959 Upper Water Street, Halifax, Nova Scotia, Canada, B3J 3N2.

The Company’s operations have been financed through the sale of common shares and the debt described in Note 6. The Company has incurred significant operating losses since inception and has an accumulated deficit of \$1,632,163 as at October 31, 2017 (December 31, 2016 - \$1,204,152).

These 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 ten month period-ended October 31, 2017, the Company incurred a net loss of \$428,011 (year ended December 31, 2016 - \$642,760). The Company has limited revenue from customers and negative cash flow from operations. In addition to its working capital requirements, the Company must secure sufficient funding to further develop its gold nano-rod 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 meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, 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 financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and balance sheet classifications that would be necessary were the going concern assumption determined to be inappropriate and these adjustments could be material.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently in these financial statements, except as discussed below.

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

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Board of Directors approved these financial statements for issue on December 22, 2017.

##### **b) Basis of presentation**

These annual financial statements are presented in Canadian dollars, the Company’s functional currency and have been prepared on the historical costs basis.

# **Sona Nanotech Ltd.**

## **Notes to the Financial Statements**

### **Periods ended October 31, 2017 and December 31, 2016**

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#### **c) Critical accounting judgments and estimates**

The preparation of the 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 critical accounting judgments and estimates in applying accounting policies that have the most significant impact on the amounts recognized in the financial statements are outlined below.

#### *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 require a number of assumptions. The difference between the face value and the initial fair value of the ACOA loans is recorded in the statement of loss and comprehensive loss as government assistance. 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 in the research stage for researching and developing gold nano-rod 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 Corporation 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 rates ranging from 8.1% to 12.0% to discount the ACOA loan.

If the weighted average discount rate used in determining the initial fair value and the carrying value at each reporting date of all ACOA loans, with repayment terms based on future revenue, had been determined to be higher by 10% (resulting in a discount rates ranging from 8.9% to 13.2%), or lower by 10% (resulting in a discount rates ranging from 7.3% to 10.8%), the carrying value of the long-term debt at October 31, 2017 would have been an estimated \$4,600 lower or \$4,800 higher, respectively. If the total forecasted revenue was reduced by 10% or increased by 10%, the carrying value of the long-term debt at October 31, 2017 would not have been materially impacted.

#### **d) Cash**

Cash is comprised of cash on hand and current operating bank accounts.

# **Sona Nanotech Ltd.**

## **Notes to the Financial Statements**

### **Periods ended October 31, 2017 and December 31, 2016**

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#### **e) 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. 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.

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.

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.

**Sona Nanotech Ltd.**  
**Notes to the Financial Statements**  
**Periods ended October 31, 2017 and December 31, 2016**

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**f) 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: fair value through profit or loss (“FVTPL”), held-to-maturity, available-for-sale (“AFS”) and loans and receivables. 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.

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

<b>Asset / liability</b>	<b>Classification</b>	<b>Subsequent measurement</b>
Cash	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

Financial Assets

Subsequent to initial recognition, loans and receivables are measured at amortized cost.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated fair value of the financial asset has declined.

Financial Liabilities

Financial liabilities are classified as other financial liabilities 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.

**g) Loss per share**

Loss per share is calculated based on the weighted average number of shares outstanding during the year.

**h) 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 financial statements as at October 31, 2017.

# **Sona Nanotech Ltd.**

## **Notes to the Financial Statements**

### **Periods ended October 31, 2017 and December 31, 2016**

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#### **i) Government assistance**

Non-repayable government assistance is recorded in the period earned as other income or netted against expenses. During the ten month period- ended October 31, 2017, the Company recorded \$91,648 (December 31, 2016 – \$190,429) of non-repayable government grants as an offset against consulting and wages. Repayable government loans are recorded initially at fair value, with the difference between book value and fair value recorded as other income. During the ten month period-ended October 31, 2017, the Company recorded \$21,115 as other income (December 31, 2016 – \$41,660). At October 31, 2017, \$139,374 (December 31, 2016 – \$92,096) of government assistance, including government loans, is included in amounts receivable.

#### **j) 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 Corporation's consolidated financial statements.

#### **k) Standards, interpretations and amendments to published standards that are not yet effective**

##### *IFRS 9, Financial Instruments ("IFRS 9")*

IFRS 9, issued on July 24, 2014, is the IASB's replacement of IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting of financial instruments. IFRS 9 is mandatorily effective for periods beginning on or after January 1, 2018 with early adoption permitted. Management is currently assessing the impact of the adoption of IFRS 9 on the financial statements of the Company and does not intend to early adopt this standard.

##### *IFRS 15, Revenue from contracts with customers ("IFRS 15")*

In May 2014, the IASB issued IFRS 15. IFRS 15 replaces IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and some revenue related Interpretations. IFRS 15 establishes a new control-based revenue recognition model and provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. The new standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 allows for early adoption, but the Company does not intend to do so at this time. Management does not expect the adaptation of IFRS 15 to impact the financial statements of the Company.

##### *IFRS 16, Leases ("IFRS 16")*

IFRS 16 was issued on January 13, 2016 and replaces the current guidance in IAS 17, *Leases* ("IAS 17"). IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. Management is currently assessing the impact of the adoption of IFRS 16 on the financial statements of the Company and the Company does not intend to early adopt this standard.

**Sona Nanotech Ltd.**  
**Notes to the Financial Statements**  
**Periods ended October 31, 2017 and December 31, 2016**

**3. ACCOUNTS RECEIVABLES AND OTHER**

	<b>October 31, 2017</b>	<b>December 31, 2016</b>
	\$	\$
Sales tax receivable	1,598	3,563
Government assistance receivable	139,374	92,096
Prepaid expenses	1,534	10,560
Deposits	-	1,251
	<u>142,506</u>	<u>107,470</u>

**4. CAPITAL ASSETS**

<b>COST</b>	<b>Office Equipment</b>	<b>Laboratory equipment</b>	<b>Total</b>
	\$	\$	\$
As at January 1, 2016	-	-	-
Additions	651	-	651
As at December 31, 2016	651	-	651
Additions	2,249	21,212	23,461
As at October 31, 2017	<u>2,900</u>	<u>21,212</u>	<u>24,112</u>
<b>Accumulated depreciation</b>			
As at January 1, 2016	-	-	-
Depreciation charge	61	-	61
As at December 31, 2016	61	-	61
Depreciation charge	329	3,406	3,735
As at October 31, 2017	<u>390</u>	<u>3,406</u>	<u>3,796</u>
<b>Carrying amount</b>			
Balance, December 31, 2016	590	-	590
Balance, October 31, 2017	<u>2,510</u>	<u>17,806</u>	<u>20,316</u>

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>October 31, 2017</b>	<b>December 31, 2016</b>
	\$	\$
Trade payables and accruals	799,646	551,274
Government remittances payable	-	6,444
	<u>799,646</u>	<u>557,718</u>

**Sona Nanotech Ltd.**  
**Notes to the Financial Statements**  
**Periods ended October 31, 2017 and December 31, 2016**

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**6. LONG-TERM DEBT**

	<b>October 31, 2017</b>	<b>December 31, 2016</b>
	\$	\$
Atlantic Canada Opportunities Agency (“ACOA”) under the Business Development Program interest-free loan with a maximum contribution of \$479,476. Annual repayment are calculated at 5% of gross product revenue. As at October 31, 2017, the amount drawn down on the loan was \$229,500 (December 31, 2016 – \$128,167).	172,246	86,507
Brigus Capital Inc. (“Brigus”) loan with an interest rate of 1% per month, repayable on demand (see below)	117,093	107,093
Numus Financial Inc. (“Numus”) loan with an interest rate of prime +1% per annum, repayable on demand	45,285	-
	<u>334,624</u>	<u>193,600</u>
Less: current portion	<u>(162,378)</u>	<u>(107,093)</u>
	<u>172,246</u>	<u>86,507</u>
	<b>October 31, 2017</b>	<b>December 31, 2016</b>
	\$	\$
Balance – beginning of period	193,600	-
Borrowings, net of \$21,115 (2016 - \$41,660) allocated to other income	125,219	246,507
Loan repayment	(41)	(60,000)
Equity portion of convertible loan	-	(10,800)
Accreted interest on repayable government loans	5,521	-
Accreted interest on convertible loans	-	10,800
Accrued interest	<u>10,325</u>	<u>7,093</u>
Balance – end of period	334,624	193,600
Less: current portion	<u>(162,378)</u>	<u>(107,093)</u>
Non-current portion	<u>172,246</u>	<u>86,507</u>

The Brigus loan is convertible into common shares of the Company at a deemed value of \$0.10 per share for all outstanding principal and interest at Brigus’s discretion. The loan has been initially recorded at a value of \$149,200, and the equity component of the loan has been valued at \$10,800. The initial recorded value of the loan, in the amount of \$149,200 has been accreted to the face value of the loan over the initial term of 6 months. As at December 31, 2016 the loan has been fully accreted. In preparing the allocation of value between the loan and the equity component of the loan, the Company estimated an interest rate of 15% for a similar debt instrument with no conversion option.

The minimum annual principal repayments of long-term debt over the next five years, excluding the ACOA loan repayments which are not determinable at this time, are as follows:

Year ending October 31, 2018	\$144,959
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**Sona Nanotech Ltd.**  
**Notes to the Financial Statements**  
**Periods ended October 31, 2017 and December 31, 2016**

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**7. SHARE CAPITAL**

**a) Common shares**

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

	<u>Number of shares</u>	<u>Amount</u>
		\$
Outstanding, January 1, 2016	26,321,662	360,500
Shares issued pursuant to private placement	1,000,000	150,000
Shares issued for services	500,000	75,000
Outstanding, December 31, 2016	27,821,662	585,500
Shares issued pursuant to private placement	2,600,000	260,000
Share issuance costs	-	(22,262)
Outstanding, October 31, 2017	<u>30,421,662</u>	<u>823,238</u>

Private Placement Financing

During the year ended December 31, 2016, the Company completed non-brokered private placement financings for 1,000,000 shares at a price of \$0.15 per share for gross proceeds of \$150,000. The Company also issued 500,000 shares to a director of the Company as a financing fee. The shares were issued at a price of \$0.15 per share for a value of \$75,000.

During the period ended October 31, 2017, the Company completed non-brokered private placement financings for aggregate gross proceeds of \$260,000. The Company issued 2,600,000 common shares at a price of \$0.10 per share. Total costs associated with the private placement, consisting of finders fees paid to a related party and professional fees, were \$22,262.

**8. 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:

	<u>Ten month period ended October 31, 2017</u>	<u>Year ended December 31, 2016</u>
	\$	\$
Loss before income taxes	428,011	621,960
Statutory rate	31.0%	31.0%
Tax recovery at statutory rate	132,683	192,808
Tax effect of permanent differences	11,379	12,716
Tax recovery on losses and deductible temporary differences not recognized in the current or prior period	(144,062)	(205,524)
Income tax recovery	<u>-</u>	<u>-</u>

**Sona Nanotech Ltd.**  
**Notes to the Financial Statements**  
**Periods ended October 31, 2017 and December 31, 2016**

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Deferred income tax assets and liabilities of the Company as at October 31, 2017 and December 31, 2016 are as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Deferred income tax assets:		
Losses carried forward	516,299	378,915
Capital assets	1,177	20
Share issuance costs	5,521	-
	<u>522,997</u>	<u>378,935</u>
Deferred income tax liabilities	<u>-</u>	<u>-</u>
	522,997	378,935
Unrecognized deferred income tax assets	<u>(522,997)</u>	<u>(378,935)</u>
Net deferred income tax assets	<u>-</u>	<u>-</u>

***Non-capital losses***

As at October 31, 2017, the Company had approximately \$1,665,480 in losses available to reduce future taxable income. The benefit of these losses has not been recorded in the accounts as realization is not considered probable. These losses may be claimed no later than:

	\$
During the year ended 2033	450
2034	25,485
2035	533,455
2036	662,918
2037	443,172
	<u>1,665,480</u>

# **Sona Nanotech Ltd.**

## **Notes to the Financial Statements**

### **Periods ended October 31, 2017 and December 31, 2016**

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#### **9. RELATED PARTY TRANSACTIONS**

During the ten month period-ended October 31 2017, the Company incurred costs for management services from a related party, Numus Financial Inc. (“Numus”), a company controlled by certain directors of Sona, in the amount of \$180,000 (December 31, 2016 – \$218,000), incurred rent and office costs from Numus in the amount of \$12,150 (December 31, 2016 – \$14,850), recognized other cost reimbursements from Numus of \$12,390 (December 31, 2016 – \$46,744), received a loan in the amount of \$45,000 (December 31, 2016 – \$nil) and accrued interest on the loan of \$325 (December 31, 2016 – nil). As at October 31, 2017, the amount owing to Numus was \$589,669 (December 31, 2016 – \$345,738).

During the ten month period-ended October 31, 2017, Numus Capital Corp. (“Numus Capital”), a company controlled by certain directors of Sona, assisted the Company in securing subscribers in the private placements during the ten month period-ended October 31, 2017. The Company incurred Numus Capital finders' fees of 8%, or \$20,800 (December 31, 2016 – \$nil).

During the year ended December 31, 2016, the Company received a loan of \$160,000 from Brigus Capital Inc. (“Brigus”), a company controlled by a director of Sona. During ten month period-ended October 31, 2017, the Company accrued interest of \$10,000 (December 31, 2016 – \$7,093) and made loan repayments of \$nil (December 31, 2016 - \$60,000). As at October 31, 2017, the amount owing to Brigus was \$117,094 (December 31, 2016 – \$107,094).

During the period ended December 31, 2016, the Company issued 500,000 common shares as a financing fee at a price \$0.15 per share for an aggregate value of \$75,000.

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

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

The Company manages its capital to ensure that it will be able to continue as a going-concern while maximizing the return to stakeholders through the optimization of debt and equity balances.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue equity or return capital to shareholders.

##### **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, accounts receivable and accounts payable and accrued liabilities approximate their fair values based on the immediate or short-term maturities of these financial instruments.

##### **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.

# Sona Nanotech Ltd.

## Notes to the Financial Statements

### Periods ended October 31, 2017 and December 31, 2016

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#### 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 these banks, 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 1 for further details related to the ability of the Company to continue as a going concern.

The Company is currently pursuing financing alternatives. 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 and accrued liabilities 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, 2017, excluding the ACOA loan repayments which are not determinable at this time, are as follows :

	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	799,646	-	-	-	799,646
Loan payable	162,378	-	-	-	162,378
	<u>962,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>962,024</u>

#### 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.

The Company is not exposed to material currency risk on its cash, accounts payable and accrued liabilities that are held in currencies that are not in the transacting entity's functional currency.

**Sona Nanotech Ltd.**  
**Notes to the Financial Statements**  
**Periods ended October 31, 2017 and December 31, 2016**

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**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 majority of the loans are at a nil or fixed interest 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, 2017, the Company had no financial instruments that were measured and recognized on the statement of financial position at fair value. In addition, there were no transfers between levels during the period.

**11. COMMITMENTS AND CONTINGENCIES**

As at October 31, 2017, the Company has a management services agreement with Numus for the provision of management services at a fee of \$18,000 per month, continuing until both parties mutually agree to terminate.

**12. PROPOSED TRANSACTION WITH STOCKPORT EXPLORATION INC.**

During the year-ended October 31, 2017, the Company entered into a letter of intent with Stockport Exploration Inc. ("Stockport") relating to the proposed acquisition of the Company by Stockport, a public company incorporated and domiciled in Canada. The proposed transaction with Stockport will be effected through an exchange of securities with all of the security holders of the Company (the "Transaction").

Pursuant to the proposed Transaction with Stockport, Stockport intends to complete a share consolidation on the basis of four (4) old common shares of Stockport for one (1) new common share of Stockport (the "Consolidation"). Post-Consolidation, Stockport will acquire all of the issued securities and control of the Company, and in consideration, subject to the acceptance of the TSX Venture Exchange, will issue approximately 22,163,282 common shares (post-Consolidation) to the security holders of Sona. This will represent approximately 50% of the issued and outstanding common shares after completion of the Consolidation. The proposed Transaction is subject to regulatory and shareholder approvals prior to completion.

**13. SUBSEQUENT EVENT**

On December 20, 2017, the Company completed a non-brokered private placement for aggregate gross proceeds of \$360,000 at a price per share of \$0.10, resulting in the issuance of 3,600,000 common shares.

**SCHEDULE "E"**

**AMALCO PRO FORMA FINANCIAL STATEMENTS**

**SONA NANOTECH INC.**  
**(formerly, Stockport Exploration Inc.)**

**UNAUDITED PRO-FORMA**  
**Consolidated Statement of Financial Position**  
**(Prepared by Management)**  
**(Expressed in Canadian dollars)**

**October 31, 2017**

**SONA NANOTECH INC.**  
**UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT OCTOBER 31, 2017**

	Sona NanoTech Inc. as at October 31, 2017	Sona NanoTech Ltd. as at October 31, 2017	Notes	Pro-forma Adjustments	Pro-forma Consolidated as at October 31, 2017
	\$	\$		\$	\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	428,917	173,323	3(a) 3(d) 3(e)	400,000 1,825,000 (100,000)	2,727,240
Receivables	4,267	142,506		-	146,773
Prepaid expenses and deposits	10,971	-		-	10,971
Investments	355,584	-		-	355,584
	<u>799,739</u>	<u>315,829</u>		<u>2,125,000</u>	<u>3,240,568</u>
Capital assets	-	20,316		-	20,316
Resource properties	935,699	-		-	935,699
	<u>1,735,438</u>	<u>336,145</u>		<u>2,125,000</u>	<u>4,196,583</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	1,300,227	799,646		-	2,099,873
Current portion of long-term debt	-	162,378		-	162,378
Current portion of convertible debentures	125,705	-		-	125,705
	<u>1,425,932</u>	<u>962,024</u>		<u>-</u>	<u>2,387,956</u>
<b>Convertible notes</b>	285,000	-		-	285,000
<b>Long-term debt</b>	-	172,246		-	172,246
	<u>1,710,932</u>	<u>1,134,270</u>		<u>-</u>	<u>2,845,202</u>
<b>SHAREHOLDERS' EQUITY (note 4)</b>					
Share capital	22,597,563	823,238	3(c) 3(a) 3(b) 3(d) 3(d)	(22,597,563) 400,000 3,207,027 1,825,000 (127,250) <u>(17,292,786)</u>	6,128,015
Equity portion of convertible notes	90,000	10,800	3(c) 3(c)	(90,000) <u>151,813</u> <u>61,813</u>	162,613
Contributed surplus	4,772,000	-	3(c) 3(b) 3(b) 3(d)	(4,772,000) 25,110 124,799 <u>127,250</u> <u>(4,494,841)</u>	277,159
Accumulated other Comprehensive Income	(85,680)	-	3(c)	<u>85,680</u>	
Deficit	(27,349,377)	(1,632,163)	3(c) 3(b) 3(b) 3(b) 3(b) 3(b) 3(e)	27,349,377 <u>(3,207,027)</u> 24,506 (151,813) (25,110) (124,799) <u>(100,000)</u> <u>23,765,134</u>	(5,216,406)
	<u>24,506</u>	<u>(798,125)</u>		<u>2,125,000</u>	<u>1,351,381</u>
	<u>1,735,438</u>	<u>336,145</u>		<u>2,125,000</u>	<u>4,196,583</u>

The accompanying notes are an integral part of this unaudited pro-forma consolidated statement of financial position.



## **SONA NANOTECH INC.**

### **NOTES TO THE UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT OCTOBER 31, 2017**

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#### **1. PROPOSED TRANSACTION**

Sona Nanotech Inc., formerly Stockport Exploration Inc., (the “Company”) and Sona Nanotech Ltd. (“Sona Nanotech”), a private company involved in the nano technology life sciences industry, entered into a letter of intent dated September 15, 2017. The Company and Sona Nanotech proposed to enter into an amalgamation agreement (the “Proposed Agreement”) under which the proposed transaction will be completed and the two companies will be amalgamated to form “Sona Nanotech Inc.”. Under the terms of the Proposed Agreement, the shareholders of the Company will receive one common share of the amalgamated company for every four shares of the Company and the shareholders of Sona Nanotech will receive one common share for every 1.5802 of Sona Nanotech shares (collectively referred to as the “Transaction”).

Sona Nanotech recently completed a private placement financing for gross proceeds of \$440,000 (the “Subsequent Financing”) by the issuance of 4,400,000 common shares at \$0.10 per share.

The boards of directors of the Company and Sona Nanotech have each unanimously approved the terms of the Transaction, as outlined in the letter of intent. As a result, the shareholders of the Sona Nanotech will receive a total of 22,036,238 common shares based on an amalgamation ratio of one common share for every 1.5802 common shares held and the shareholders of the Company will receive a total of 22,163,282 common shares based on an amalgamation ratio of one common share for every 4 common shares held.

In association with the Transaction, the Company intends to complete a concurrent private placement financing to raise gross proceeds of \$2,000,000 by the issuance of 4,000,000 common shares at \$0.50 per share.

The Transaction will be subject to certain customary conditions including approval by the shareholders of both the Company and Sona Nanotech and various regulatory approvals.

The Company intends to adopt a financial year end of October 31<sup>st</sup> effective on the closing of the Transaction.

#### **2. BASIS OF PRESENTATION**

The unaudited pro-forma consolidated statement of financial position of the Company gives effect to the Transaction as described above. In substance, the Transaction involves Sona Nanotech shareholders obtaining control of the Company and accordingly the Transaction will be considered a reverse takeover transaction (“RTO”) with Sona Nanotech acquiring the Company. As the Company does not meet the definition of a business under International Financial Reporting Standards (“IFRS”), the consolidated financial statements of the combined entity will represent the continuation of Sona Nanotech. The Transaction has been accounted for as a share-based payment, in accordance with IFRS 2, by which Sona Nanotech acquired the net assets and listing status of the Company. Accordingly, the accompanying unaudited pro-forma consolidated statement of financial position of the Company has been prepared by management using the same accounting policies as described in Sona Nanotech’s audited financial statements for the period ended October 31, 2017. There are no differing accounting policies between the Company and Sona Nanotech.

The unaudited pro-forma consolidated statement of financial position is not necessarily indicative of the Company’s consolidated financial position on closing of the Transaction had the Transaction closed on the dates assumed herein.

The unaudited pro-forma consolidated statement of financial position has been compiled from information derived from and should be read in conjunction with the following information, prepared in accordance with IFRS:

- the Company’s audited annual financial statements as at and for the year ended October 31, 2017;
- Sona Nanotech’s audited financial statements as at October 31, 2017 and for ten month period ended October 31, 2017; and
- the additional information set out in Note 3 of this unaudited pro-forma consolidated statement of financial position that are directly attributable to the Transaction or factually supportable.

**SONA NANOTECH INC.****NOTES TO THE UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT OCTOBER 31, 2017****3. UNAUDITED PRO-FORMA ASSUMPTIONS AND ADJUSTMENTS**

The unaudited pro-forma consolidated statement of financial position gives effect to the completion of the Transaction, incorporating the assumptions within Note 1, as if it had occurred on the date presented, October 31, 2017. Consequential adjustments to the accumulated deficit are based on the Transaction equation described in Note 3(b).

The unaudited pro-forma consolidated statement of financial position has been prepared based on the following assumptions:

- a) Subsequent to October 31, 2017, Sona Nanotech completed a private placement financing of \$440,000 (the "Subsequent Financing") through the issuance of 4,400,000 common shares at a price of \$0.10 per share. A 8% finder's fee of \$35,200 will be payable on the financing and the Company has accrued an additional \$4,800 for other share issue costs.
- b) As a result of the amalgamation, the former shareholders of Sona Nanotech will acquire control of the Company and the Transaction will be treated as an RTO. The shareholders of Sona Nanotech will receive 22,036,238 common shares of the amalgamated company. The Transaction will be accounted for as an acquisition of the net assets and listing status of the Company by Sona Nanotech via a share based payment. The excess of the estimated fair value of the equity instruments that Sona Nanotech is deemed to have issued to acquire the Company, plus the transaction costs (both the "Consideration") and the estimated fair value of the Company's net assets, will be recorded as a charge to the accumulated deficit as a cost of obtaining the Company listing status.

For the purposes of the pro-forma consolidated statement of financial position, management has estimated the fair value of the equity instruments deemed to be issued in regards to the Company. The fair value of the 22,163,282 post consolidation common shares amounted to \$3,207,027, based on the recent Sona Nanotech private placement financing of \$0.158 per share post consolidation. The fair value of the 299,000 post-consolidation warrants, exercisable at \$0.40 per share for one year, amounted to \$25,110. The fair value of the 1,243,750 post-consolidation options exercisable at various prices ranging from \$0.16 to \$0.40 per option, amounted to \$124,799. The fair value of the equity portion of the convertible note notes, exchangeable at \$0.20 per share, amounted to \$151,813. The fair value of these equity instruments were estimated using the Black-Scholes option pricing model applying a market price of \$0.158 per share, exercise price as noted above, a risk free rate of 1%, an expected volatility of 202% and an expected dividend yield of 0%. The fair value of the Company's common shares and equity instruments is recorded as a listing fee expense.

The allocation of the Consideration for the purposes of the pro-forma consolidated statement of financial position is as follows:

**Net assets acquired**

Cash	\$	428,917
Other current assets		15,238
Investments		355,584
Resource properties		935,699
Accounts payable and accrued liabilities		(1,300,227)
Current portion of convertible notes		(285,000)
Current portion of convertible debentures		(125,705)
		<hr/>
Net assets acquired		24,506
Consideration		(3,608,749)
		<hr/>
Cost of Company's status as a Reporting Issuer charged to deficit	\$	<u>3,584,243</u>

**Consideration:**

Common shares deemed to be issued	\$	3,207,027
Warrants deemed to be issued		25,110
Options deemed to be issued		124,799
Equity portion of convertible notes		151,813
Legal and other transaction costs		100,000
		<hr/>
	\$	<u>3,608,749</u>

**SONA NANOTECH INC.****NOTES TO THE UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT OCTOBER 31, 2017****3. UNAUDITED PRO-FORMA ASSUMPTIONS AND ADJUSTMENTS (continued)**

- c) As a result of the acquisition, there will be an elimination of the Company's pre-acquisition share capital of \$22,597,563, contributed surplus of \$4,772,000, the equity portion of the convertible notes of \$90,000 and the accumulated deficit of \$27,349,377.
- d) The pro-forma statement of financial position assumes the Company completes a concurrent private placement financing for gross proceeds of \$2,000,000 at a price of \$0.50 per common share, resulting in the issuance of 4,000,000 common shares. An 7.5% finder's fee of \$150,000 will be payable on the financing and the Company has accrued an additional \$25,000 for other share issue costs. The Company will also issue broker's warrants to acquire 300,000 common shares at an exercise price of \$0.50 for two years with a fair value of \$127,250. The fair value was estimated using the Black-Scholes option pricing model applying a market price of \$0.50, an exercise price of \$0.50, a risk free rate of 1%, an expected volatility of 202% and an expected dividend yield of 0%. The finder's fee and fair value of the brokers' warrants will be recorded as a share issue cost.
- e) The Company and Sona Nanotech's legal, business valuator and other transaction costs are estimated to be \$100,000 which will be recorded as an additional listing expense.

**4. PRO-FORMA SHAREHOLDERS' EQUITY**

As a result of the Transaction and the pro-forma assumptions and adjustments, the Shareholders' Equity of the combined entity as at October 31, 2017 is comprised of the following:

		<u>Share Capital</u>		Equity	Contributed		
	Notes	# of Shares	Capital Stock	Portion of Convertible Stocks	Surplus	Deficit	Total
Sona Nanotech balances prior to transactions below		30,421,662	\$ 823,238	\$ 10,800	\$ -	\$ (1,632,163)	\$ (798,125)
Common shares of the Sona Nanotech exchanged	3(a)	(30,421,662)	-	-	-	-	-
for common shares of the Company	3(a)	19,251,780	-	-	-	-	-
Shares issued in financing	3(a)	4,400,000	440,000	-	-	-	440,000
Share issue costs	3(a)	-	(40,000)	-	-	-	(40,000)
Common shares of the Sona Nanotech exchanged	3(b)	(4,400,000)	-	-	-	-	-
for common shares of the Company	3(b)	2,784,458	-	-	-	-	-
Shares deemed to be issued re the Company	3(b)	22,163,282	3,207,027	-	-	(3,207,027)	-
Warrants deemed to be issued re the Company	3(b)	-	-	-	25,110	(25,110)	-
Options deemed to be issued re the Company	3(b)	-	-	-	124,799	(124,799)	-
Equity portion of convertible notes	3(b)	-	-	151,813	-	(151,813)	-
Net asset position assumed re the Company	3(b)	-	-	-	-	24,506	24,506
Shares issued in financing	3(d)	4,000,000	2,000,000	-	-	-	2,000,000
Share issue costs – Finder's fees	3(d)	-	(175,000)	-	-	-	(175,000)
Share issue costs – Broker warrants	3(d)	-	(127,250)	-	127,250	-	-
Transaction costs - cash	3(e)	-	-	-	-	(100,000)	(100,000)
		<u>48,199,520</u>	<u>\$ 6,128,015</u>	<u>\$ 162,613</u>	<u>\$ 277,159</u>	<u>\$ (5,216,406)</u>	<u>\$ 1,351,381</u>

**SONA NANOTECH INC.**

**NOTES TO THE UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT OCTOBER 31, 2017**

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**4. PRO-FORMA SHAREHOLDERS' EQUITY**

As a result of the transaction 299,000 warrants are deemed to be issued (Note 3 (b)), 1,243,750 warrants are deemed to be issued (Note 3 (b)), and 300,000 Broker Warrants are deemed to be issued (Note 3 (d)).

**5. INCOME TAXES**

The effective income tax rate applicable to the consolidated operations is estimated to be 31%.

**SCHEDULE "F"**

**EVANS VALUATION REPORT SUMMARY**

**COMPREHENSIVE VALUATION  
REPORT**

**ON**

**SONA NANOTECH LTD.**

**HALIFAX, NOVA SCOTIA**

**February 8, 2018**

**EVANS & EVANS, INC.**

**SONA NANOTECH LTD.**  
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## **1.0 ASSIGNMENT AND BACKGROUND**

### **1.1 Assignment**

Evans & Evans, Inc. (“Evans & Evans” or the “authors of the Report”) was engaged by Stockport Exploration Inc. (“Stockport”) to prepare a Comprehensive Valuation Report with respect to the fair market value of 100% of the issued and outstanding shares of Sona Nanotech Ltd. (“Sona” or the “Company”) as at December 31, 2017 (the “Valuation Date”).

Stockport is a reporting issuer whose shares are listed on the TSX Venture Exchange (the “Exchange”) under the symbol “SPT”. Stockport is planning a restructuring and has also entered into an agreement to acquire 100% of the issued and outstanding shares of Sona in exchange for new Stockport shares (the “Proposed Transaction”). Sona is a nano technology life sciences corporation that has developed two proprietary methods for manufacturing gold nano particles. Given the planned completion of the Proposed Transaction, Evans & Evans has been requested by the Company to undertake the completion of the Report in order to provide an independent opinion as to the fair market value of Sona as at the Valuation Date.

As Evans & Evans will be relying on information, materials and representations provided to us by the Company’s management and associated representatives, the authors of the Report will require that the Company’s management confirm to Evans & Evans in writing that the information and management’s representations contained in the Report are accurate, correct and complete, and that there are no material omissions of information that would affect the conclusions contained in the Report.

Evans & Evans, or its staff and associates, will not assume any responsibility or liability for losses incurred by Sona, Stockport and/or their respective shareholders, management or any other parties as a result of the circulation, publication, reproduction, or use of the Report, or any excerpts thereto contrary to the provisions of this section of the Report. Evans & Evans also reserves the right to review all calculations included or referred to in the Report and, if Evans & Evans considers it necessary, to revise the Report in light of any information existing at the Valuation Date which becomes known to Evans & Evans after the date of the Report.

*Unless otherwise indicated, all monetary amounts are stated in Canadian dollars.*

### **1.2 Glossary**

The following terms are used throughout the Report.



Lateral flow assay (“LFA”) tests, also known as lateral flow immunochromatographic assays, are simple devices intended to detect the presence (or absence) of a target analyte<sup>1</sup> in sample (matrix) without the need for specialized and costly equipment, though many lab based applications exist that are supported by reading equipment.

A nanorod is a rod of material with a thickness or diameter of only a few nanometers.

A nanometer is a unit of spatial measurement that is one billionth of a meter.

Point-of-care (“POC”) testing, or bedside testing, is defined as medical diagnostic testing at or near the point of care—that is, at the time and place of patient care. The dominant model of laboratory testing throughout the world remains the centralized laboratory in which more and more of the analytical processes are automated to enable the analysis of large numbers of samples at relatively low cost. The volume of POC testing has steadily increased over the 40 or so years since its widespread introduction. That growth is likely to continue, driven by changes in healthcare delivery which are aimed at delivering less costly care closer to the patient’s home. One of the most popular examples of POC lateral flow assay testing is the pregnancy test.

### **1.3 Background of Sona Nanotech Ltd.**

Sona was incorporated on January 21, 2014 under the laws of the *Canada Business Corporations Act*. The Company is the manufacturer of the patent-pending Gemini™ and Omni™ Gold Nanorod (“GNR”) product lines. Sona has developed the ability to synthesize high volumes of gold nanorods without the use of the cytotoxin, cetyltrimethylammonium bromide (“CTAB”), a common surfactant<sup>2</sup> used in nanoparticle synthesis.

Sona has invented two U.S. patent-pending methods of making stable high-quality gold nanorods without CTAB. Sona’s GNRs are bio-friendly nanoparticles that are designed to meet the needs of in-vitro and in-vivo applications. Sona’s patent-pending surface chemistry results in gold nanorod products with a shelf life of over one year; as compared to approximately three months for gold nanospheres, and six months for CTAB formulated GNRs.

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<sup>1</sup> A substance whose chemical constituents are being identified and measured.

<sup>2</sup> Surfactants are compounds that lower the surface tension between two liquids, between a gas and a liquid, or between a liquid and a solid. Surfactants may act as detergents, wetting agents, emulsifiers, foaming agents, and dispersants

Sona's management is planning on investing approximately \$10.6 million over the next three years to establish a development and production center for GNRs in Nova Scotia to increase production to commercial levels. Currently, the Company is limited to bench scale production of GNRs in its existing facility.

Over the past several years, the Company has entered into material transfer agreements to further testing of its GNRs. Sona is now in the process of finalizing its first commercialization agreement to work with a partner to develop the first LFA which will incorporate Sona GNRs.

The commercialization of products and services to be undertaken by Sona will be concentrated in two areas: diagnostics and life sciences. The primary offering to the diagnostics market will be technology licenses to use Sona's gold nanorods in lateral flow assays. To aid in the sale of such licenses, Sona will offer a contract development service to develop commercially viable diagnostic assays, the next generation multiplexed POC tests. A secondary offering of a custom conjugation service and the supply of gold nanorods for customers to use in their own development will also be available through direct sales channels.

Sona currently has eight products available to the market via a direct sales channel and United Kingdom distributor. The Company has not yet generated any commercial revenues from the sale of GNRs. Funding to date of Sona has been a combination of government grants, government loan programs, related party debt and equity.

#### **1.4 The Proposed Transaction**

On September 15, 2017 Stockport entered into a letter of intent ("LOI") relating to the acquisition of Sona.

Pursuant to the terms of the LOI, Stockport will acquire all of the issued securities of Sona, and in consideration, subject to the acceptance of the Exchange, Stockport will issue approximately 22,163,282 common shares (post-consolidation as outlined below) to the securityholders of Sona, representing approximately 50% of the issued and outstanding common shares of Stockport after completion of the consolidation (as described below) and private placement (as described below).

Stockport currently has 88,653,128 common shares issued and outstanding, or 113,599,151 common shares on a fully-diluted basis. As a condition of the Proposed Transaction, Stockport proposes to complete a share consolidation on the basis of four (4) old common shares of Stockport for one (1) new common share of Stockport (the "Consolidation").

Concurrently with the Proposed Transaction, Sona intends to complete a private placement of up to a maximum of 7.0 million Sona shares at a price of \$0.10 per

share, to raise aggregate gross proceeds of up to \$700,000 (the “Private Placement”).

## **2.0 VALUATION OPINION**

It is the opinion of Evans & Evans, Inc., given the scope of its engagement and with reference to its engagement letter that the fair market value of the Company as at the Valuation Date is in the range of \$2,660,000 to \$3,040,000.

A Comprehensive Valuation Report provides the highest level of assurance regarding the valuation conclusion.

This Valuation Opinion as well as the entire Report is subject to the scope of the work conducted (refer to section 4.0) as well as the assumptions made (refer to section 6.0) and to all of the other sections of the Report.

## **3.0 DEFINITION OF FAIR MARKET VALUE**

For the purposes of our Report, fair market value is the highest price available in an open and unrestricted market between informed and prudent parties, acting at arms’ length and under no compulsion to act, expressed in terms of cash.

With respect to the market for the shares of a company viewed “en bloc” there are, in essence, as many “prices” for any business interest as there are purchasers and each purchaser for a particular “pool of assets”, be it represented by overlying shares or the assets themselves, can likely pay a price unique to it because of its ability to utilize the assets in a manner peculiar to it.

In any open market transaction, a purchaser will review a potential acquisition in relation to what economies of scale (e.g., reduced or eliminated competition, ensured source of material supply or sales, cost savings arising on business combinations following acquisitions, and so on), or “synergies” that may result from such an acquisition.

Theoretically, each corporate purchaser can be presumed to be able to enjoy such economies of scale in differing degrees and therefore each purchaser could pay a different price for a particular pool of assets than can each other purchaser.

Based on our experience, it is only in negotiations with such a special purchaser that potential synergies can be quantified and even then, the purchaser is generally in a better position to quantify the value of any special benefits than is the vendor.

In this engagement Evans & Evans was not able to expose Sona for sale in the open market and were therefore unable to determine the existence of any special interest purchasers who might be prepared to pay a price equal or greater than the fair

market value (assuming the existence of special interest purchasers) outlined in the Report. As noted above, special interest purchasers might be prepared to pay a price higher than fair market value for the synergies noted above. The shares of Sona have been valued *en bloc*.

#### **4.0 SCOPE OF THE REPORT**

The authors of the Report have reached the assessments contained herein by relying on the following:

- Interviewed management of the Company on numerous occasions in order to gain an understanding of the development of the technology and the plans going forward.
- Reviewed the press release outlining the terms of the Proposed Transaction.
- Reviewed “A proposal to assist in the commercialization of innovative Life Science and Diagnostic products developed by SONA Nanotech Inc.” as submitted to Atlantic Canada Opportunities Agency (“ACOA”) Programs and dated November 2017 as prepared by Sona management.
- Reviewed the Company’s website [www.sonanano.com](http://www.sonanano.com) and PowerPoint Presentation.
- Reviewed the Company’s management-prepared financial forecast for the years ended December 31, 2018 to 2025. Evans & Evans found the forecast to be highly detailed.
- Reviewed the management-prepared financial statements for the Company for the year ended December 31, 2016 and the ten months ended October 31, 2017.
- Reviewed the Company’s Management Discussion and Analysis report for the 10 months ended October 31, 2017.
- Reviewed the Material Transfer Agreement between the Company and Clemson University dated January 11, 2018. The agreement allows for the Company to provide gold nanorods to Clemson University for research purposes.
- Reviewed the Material Transfer Agreement between the Company and Mologic Limited (“Mologic”) dated January 10, 2018. The agreement allows for the Company to provide gold nanorods for use by Mologic in multi-parameter lateral flow assay development projects.

- Reviewed publicly available information on Mologic. Formed in 2003, Mologic is a private company involved in providing contract research and development involving molecular engineering and assay development. The firm has also developed its own proprietary point-of-care diagnostic tests.
- Reviewed “*The Source Of Toxicity In CTAB And CTAB-Stabilized Gold Nanorods*” by David Schachter, a thesis submitted to the Graduate School-New Brunswick Rutgers, The State University of New Jersey and The Graduate School of Biomedical Sciences University of Medicine and Dentistry of New Jersey.
- Reviewed the article “*BSA modification to reduce CTAB induced nonspecificity and cytotoxicity of aptamer-conjugated gold nanorods*” by El Yasun, C. Li, I. Barut, D. Janvier, L. Qiu, C. Cui, and W. Tan.
- Reviewed information on the cytotoxicity of nanomaterials from the *Handbook of Materials for Nanomedicine* edited by Vladimir Torchilin and Mansoor M. Amiji.
- Reviewed information on the cytotoxicity of nanomaterials from the book *Gold Nanoparticles in Biomedical Applications* by Lev Dykman and Nikolai Khlebtsov.
- Reviewed the research article “*Effect of Size, Shape, and Surface Modification on Cytotoxicity of Gold Nanoparticles to Human HEp-2 and Canine MDCK Cells*” by Yinan Zhang, Dan Xu, Wenqin Li, Jun Yu, and Yu Chen.
- Reviewed information on direct and indirect competitors such as BB International, nanoComposix, Tanaka, Johnson Matthey, Nanopartz Inc. and Sigma- Aldrich.
- Reviewed information on the Company’s market from such sources as: MarketsandMarkets; Persistence Market Research; ScienceDirect; Grand View Research, Inc.; and the Journal of Nanomaterials.

## **5.0 CONDITIONS OF THE REPORT**

- The Report is intended for placement on Stockport’s file and may be submitted to the Exchange and made available to Stockport’s and the Company’s shareholders. The final Report may be referenced in any materials provided to Stockport shareholders. The final Report may be filed on SEDAR.
- The Report may not be submitted to any international stock exchange or securities commission.

- The Report is not intended for use in any court proceedings unrelated to the approval of the Proposed Transaction or for submission to any tax authorities.
- Any use beyond that defined above is done so without the consent of Evans & Evans and readers are advised of such restricted use as set out above.
- Evans & Evans did rely only on the information, materials and representations provided to it by the Company. Evans & Evans did apply generally accepted valuation principles to the financial information it did receive from the Company.
- We have assumed that the information which is contained in the Report, is accurate, correct and complete, and that there are no material omissions of information that would affect the conclusions contained in the Report that the Company is aware of. Evans & Evans did attempt to verify the accuracy or completeness of the data and information available.
- Should the assumptions used in the Report be found to be incorrect, then the valuation conclusion may be rendered invalid and would likely have to be reviewed in light of correct and/or additional information.
- Evans & Evans denies any responsibility, financial or legal or other, for any use and/or improper use of the Report however occasioned.
- Evans & Evans's assessments and conclusion is based on the information that has been made available to it. Evans & Evans reserves the right to review all information and calculations included or referred to in the Report and, if it considers it necessary, to revise part and/or its entire Report in light of any information which becomes known to Evans & Evans during or after the date of this Report.
- The Report, and more specifically the assessments and views contained therein, is meant as independent review of the Company as at December 31, 2017. The authors of the Report make no representations, conclusions, or assessments, expressed or implied, regarding the Company or events after the date of which final information was provided to Evans & Evans. The information and assessments contained in the Report pertain only to the conditions prevailing at the time the Valuation Report was substantially completed between December of 2017 and the date of the Report.
- Evans & Evans as well as all of its Principal's, Partner's, staff or associates' total liability for any errors, omissions or negligent acts, whether they are in contract or in tort or in breach of fiduciary duty or otherwise, arising from any professional services performed or not performed by Evans & Evans, its

Principal, Partner, any of its directors, officers, shareholders or employees, shall be limited to the fees charged and paid for the Report. No claim shall be brought against any of the above parties, in contract or in tort, more than two years after the date of the Report.

## **6.0 ASSUMPTIONS OF THE REPORT**

In arriving at its conclusions, Evans & Evans have made the following assumptions:

- 1) An audit of the management-prepared financial statements for the year ended December 31, 2016 and the 10 months ended October 31, 2017 would not result in any material changes.
- 2) There was no material change in the financial position of the Company between the date of the most recent financial statements (October 31, 2017) and the Valuation Date (December 31, 2017) unless noted in the Report.
- 3) The fair market value of the Company's assets and liabilities are equal to their book value unless otherwise noted in the Report.
- 4) The financial forecast for the Company as provided by management of Sona, represents management's best estimate of the future economic performance of Sona as at the Valuation Date.
- 5) Evans & Evans has assumed that Sona and all of its related parties and their principals have no current and/or other contingent liabilities, unusual contractual arrangements, or substantial commitments, other than in the ordinary course of business, nor litigation pending or threatened, nor judgments rendered against, other than those disclosed by management and included in the Report, (the Report is not a formal fairness opinion) that would affect Evans & Evans' evaluation or comments.
- 6) Sona has complied with all government taxation, import and export and regulatory practices as well as all aspects of its contractual agreements that would have an effect on the Report, and there are no other material agreements entered into by Sona that are not disclosed in the Report or the Company's disclosure documents.
- 7) At the Valuation Date, no specific special purchaser(s) was/were identified that would pay a premium to purchase 100% of Sona.

This Report is based upon information made available to Evans & Evans and on the assumptions that have been made. Evans & Evans reserves the right to review all information and calculations included or referred to in this Report and, if we

consider it necessary, to revise our views in the light of any information which becomes known to us during or after the date of this Report.

## **7.0 FINANCIAL HISTORY**

The authors of the Report reviewed the Company's management-prepared financial statements for the year ended December 31, 2016 and the ten months ended October 31, 2017. The reader is advised to refer to Schedule 1.0 – Historical Financial Statements.

## **8.0 FINANCIAL PROJECTIONS**

Evans & Evans reviewed the Company's financial forecast for the years ended December 31, 2018 to 2025 as summarized in Schedule 2.0 – Financial Forecasts. More detailed projections are contained in Evans & Evans working paper files.

## **9.0 TANGIBLE ASSET BACKING**

In determining the underlying book value of a company or business, it is useful to view the tangible asset backing ("TAB") as at the Valuation Date.

The value of a firm's tangible assets affects a purchaser's analysis of the risk inherent in investing in that firm. TAB is defined as the aggregate fair market value of all tangible and identifiable intangible assets of a business, where the latter have values that can be separately determined under a going-concern assumption, minus all liabilities. Tangible assets represent the assets required in operations such as fixed assets and working capital net of operating liabilities such as bank debt. Identifiable intangible assets are assets such as patents, trademarks, customer relationships and licenses.

TAB provides insight into the risk associated with the particular investment because, in a worst case scenario, the net tangible assets of the company could be sold. The proceeds realized could then be used to relieve the liabilities of the company and recoup shareholder investment. The TAB also provides an indication of the capital investment required to enter the market. In this case, the TAB provides an indication of the potential financial barrier to entry for new competitors.

The authors of the Report reviewed the balance sheet of the Company as at October 31, 2017 and made certain adjustments to arrive at the TAB as at the Valuation Date. As outlined in Schedule 3.0 – Tangible Asset Backing the TAB as at the Valuation Date is -\$910,000.



## **10.0 REDUNDANT ASSETS**

Redundant assets are defined as those assets that are not required in the day-to-day operation of a business, and accordingly can be liquidated or put to some alternative use without risk to the business. The fair market value of a corporation's redundant assets increases the fair market value of its shares otherwise determined under an income-based and/or asset based approach. Alternatively, at the Valuation Date, a firm's capital structure may be over-levered when compared to industry norms. The degree of over-leverage is considered a negative redundancy and must be adjusted for in determining the firm's fair market value.

In reviewing the Company's financial position, Evans & Evans is of the view that the Company is over-levered by the amount of the outstanding debt (approximately \$334,000).

## **11.0 BUSINESS AND MARKET SUMMARY ASSESSMENTS**

In arriving at the valuation conclusions contained herein, the authors of the Report have considered the following assessments.

1. The Company does have a strong technology team with over 50 years of combined experience in surfactant and colloidal chemistry. The Sona technology team is named on several patents.
2. Sona does have an intellectual property plan that begins with the two current patent applications. The Company does have plans to patent, where possible, each product developed using its GNRs in collaboration with partners.
3. The Company does not currently have any independent data which support claims with respect to the lack of toxicity, increased yields and the stability of the shelf life of their GNRs. To date, Sona only has initial experimental data that the team has conducted to determine if the GNRs can be conjugated to a biological and can then run up a lateral flow strip and create a visual signal.
4. Related to the point above, Sona has commissioned an independent feasibility study with a reputable third party to provide evidence of its claims to potential partners and customers. The Company also continues to conduct in-house studies to build a database of information to provide customers.
5. Management of Sona estimates the cost to develop the technology to-date is in the range of \$1.5 to \$2.0 million.
6. The Company has signed non-disclosure agreements ("NDAs") with several potential collaboration partners and customers. As at the Valuation Date, Sona

was in the process of negotiating two key collaboration agreements that would focus on developing the first commercial assays.

7. Sona currently sells five products, bare GNRs, through a distributor in the United Kingdom. The Company also sells direct through its website. As at the Valuation Date, no revenues had been recognized to-date.
8. In its research, Evans & Evans did find evidence that gold nanoparticles have been demonstrated to have significant potential in biomedical applications including biological imaging, sensing, thermal therapy, and drug and gene delivery. Compared to gold nanospheres, gold nanorods are especially beneficial in biological imaging and sensing due to their unique optical properties.
9. Evans & Evans did confirm in its research that one of the issues commonly encountered when using nanoparticles, including GNRs, in bioapplications is their toxicity. Besides causing nonspecific electrostatic interactions with the cell surfaces, CTAB can also be cytotoxic, leading to uncontrolled cell death. When CTAB interacts with the cell membrane, it forms blebs<sup>3</sup> and defects on the membrane, eventually leading to cell death.
10. In its research, the authors of the Report found for the creation of most GNRs, CTAB is important in controlling the particle size and shape to achieve designed localized surface. The challenge most manufacturers have is that removal of CTAB causes instability.
11. Currently, the issues with respect to CTAB and GNRs are dealt with through washing or the application of various coatings as the toxicity of CTAB-encapsulated GNRs is mainly caused by CTAB on GNRs' surface.

Thiol-terminated poly (ethylene glycol) is a commonly used ligand<sup>4</sup> to remove the CTAB from the gold surface and maintain the stability of gold nanorods in aqueous solutions. However, when this additional surface modification step is carried out alone, it not only involves further longer incubation times (usually overnight incubations) and washing steps to remove as much CTAB as possible, but it can also reduce the potential surface density of the recognition elements to be immobilized on the gold nanorod surface – which can impact performance.

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<sup>3</sup> A rounded outgrowth on the surface of a cell.

<sup>4</sup> A molecule that binds to another (usually larger) molecule.

As noted above, several techniques have been applied to partially exchange or remove the CTAB, including recurrent solvent washing and treatments with surface active materials like PEGylated thiols and other polymers. However during the surfactant exchange, CTAB-coated GNR dispersions are destabilized. This leads to particle aggregation, and a reduced recovery yields of GNRs.

12. Washing or coating increases the cost of the GNR and can cause instability, reducing its shelf life. Further the yields can be impacted, which increase the costs of production. The advantage of the Company's technology is the lack of toxicity combined with an extended shelf life and higher yields as compared to existing manufacturing processes.
13. There is significant demand for LFAs for diagnostic applications. LFAs have increased in demand as they are cheap to produce, easy to use and, importantly, widely accepted by users and regulatory authorities.<sup>5</sup> Further, LFAs are easy to perform without the use of laboratory investigation, or individuals trained in chemical analysis.
14. Evans & Evans found in its research that with the development of LFAs, testing has been brought away from the laboratory and closer to the patient. One of the major benefits of later flow assay testing is that it leads to early diagnosis, treatment and monitoring of health conditions. Further, complex and costly equipment is not used in the lateral flow assays.
15. An increasing number of applications for GNRs in the biomedical sector is expected to propel the global gold nanorods market over the next five years. The properties of GNRs make them useful in wide range of biomedical applications which includes imaging, cancer therapy and diagnostics.
16. A number of rapid tests have been approved for use in the United States and several European countries. The sensitivity of these tests is less than that of confirmatory tests and false-positive results are also occasionally seen, but these tests are useful for rapid patient triage and informing decisions as to antiviral treatment.
17. The medical lateral flow test segment is generally seen as the most lucrative because worldwide there is a huge demand for decentralized availability of diagnostic tests. Lateral flow tests are well suited to replace laboratory-based immunoassays in decentralized POC testing locations.

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<sup>5</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4986465/>

18. According to data from MarketsandMarkets, the global lateral flow assay market was estimated US\$5.14 billion for 2016. The market is expected to grow a compound annual growth rate (“CAGR”) of 8.2% from 2017 to 2022. A number of factors, such as high prevalence of infectious diseases worldwide, rapidly growing geriatric population, growing demand for POC testing, and rising use of home-based lateral flow assay devices are driving the growth of the lateral flow assay market.
19. According to a recent report from Persistence Market Research, the global lateral flow assays market is forecast to reach approximately US\$7.9 billion by year 2022.
20. On the basis of product, the lateral flow assay market is segmented into kits & reagents and lateral flow readers. The lateral flow readers segment is expected to register the highest CAGR during the forecast period. The Company’s products are used in kits.
21. Lateral flow assays are used in industries beyond human health care and POC testing - veterinary diagnostics, food safety and environmental testing, and drug development & quality control testing. According to market research from Persistence Market Research applications in the food safety and environmental testing market are expected to see the highest growth rates over the next five years.
22. The market for the Company’s products is global, with North America holding the largest share of the global lateral flow assay market in 2016. However, the Asia-Pacific region is expected to witness the highest CAGR from 2017 to 2022. Growth in the Asia Pacific region is forecast due to the rapidly developing healthcare industry in China and India, growth in aging population, rising life expectancy, rising per capita income, increasing investments in the region by key market players, the expansion of private-sector hospitals and clinics to rural areas, the availability of low-cost labor for manufacturing, presence of a favorable regulatory environment, and growing demand for home and POC testing.

## **12.0 METHODOLOGIES**

### **12.1 Overview of Methodologies**

In valuing an asset and/or a business, there is no single or specific mathematical formula. The particular approach and the factors to consider will vary in each case. Where there is evidence of open market transactions having occurred involving the shares, or operating assets, of a business interest, those transactions may often form the basis for establishing the value of the company. In the absence of open market

transactions, the three basic, generally-accepted approaches for valuing a business interest are:

- (a) The Income / Cash Flow Approach;
- (b) The Market Approach; and
- (c) The Cost or Asset-Based Approach.

A summary of these generally-accepted valuation approaches is provided below.

The Income/Cash Flow Approach is a general way of determining a value indication of a business (or its underlying assets), using one or more methods wherein a value is determined by capitalizing or discounting anticipated future benefits. This approach contemplates the continuation of the operations, as if the business is a “going concern”.

The Market Approach to valuation is a general way of determining a value indication of a business or an equity interest therein using one or more methods that compare the subject entity to similar businesses, business ownership interests and securities (investments) that have been sold. Examples of methods applied under this approach include, as appropriate: (a) the “Guideline Public Company Method”, (b) the “Merger and Acquisition Method”; and (c) analyses of prior transactions of ownership interests in the subject entity.

The Cost Approach is based upon the economic principle of substitution. This basic economic principle asserts that an informed, prudent purchaser will pay no more for an asset than the cost to obtain an opportunity of equal utility (that is, either purchase or construct a similar asset). From an economic perspective, a purchaser will consider the costs that they will avoid and use this as a basis for value. The Cost Approach typically includes a comprehensive and all- inclusive definition of the cost to recreate an asset. Typically the definition of cost includes the direct material, labor and overhead costs, indirect administrative costs, and all forms of obsolescence applicable to the asset.

The Asset-Based Approach is adopted where either: (a) liquidation is contemplated because the business is not viable as an ongoing operation; (b) the nature of the business is such that asset values constitute the prime determinant of corporate worth (e.g., vacant land, a portfolio of real estate, marketable securities, or investment holding company, etc.); or (c) there are no indicated earnings/cash flows to be capitalized. If consideration of all relevant facts establishes that the Asset-Based Approach is applicable, the method to be employed will be either a going-concern scenario (“Net Asset Method”) or a liquidation scenario (on either a forced or an orderly basis), depending on the facts.

Lastly, a combination of the above approaches may be necessary to consider the various elements that are often found within specialized companies and/or are associated with various forms of intellectual property.

### **13.0 VALUATION APPROACHES**

#### **13.1 Overall Valuation Approach**

With respect to the Company, Evans & Evans believed it was appropriate to value the Company on a going concern basis. The reasons for choosing a going concern method are: (1) the ability of the Company to secure and debt and equity funding for operations to-date; and, (2) a going concern approach yields a higher value than a liquidation approach.

Evans & Evans determined that an Income Approach, specifically the Probability Adjusted Discounted Cash Flow (“DCF”) Method was the most appropriate method to arrive at the fair market value of Sona. The Probability Adjusted DCF Method was determined the most appropriate given the future license, product sales and royalty revenues of Sona are contingent upon future actions undertaken by the Company that cannot be forecast with any certainty as at the Valuation Date.

A modified version of the traditional DCF Method is often used to value biotechnology products, technologies and licenses. Under the Probability Adjusted DCF Method, Evans & Evans applied a probability to securing a license for each of the first identified five products. Thereafter probabilities were also assigned to the forecast product sales and product royalties that follow each license. The cumulative probability of the product and royalty revenues was then calculated based on the license probability.

The major risk to be quantified in the valuation of biotechnology is the risk of successfully entering into license agreements and then receiving regulatory approval for each product. Valuers have found that the Probability Adjusted DCF Method is an intuitively understandable method to quantify this risk. This method formalizes how the managers and investors in biotechnology companies assess their investments and manage their business. It also enables the valuator to take some of the subjectivity out of the discount rate selection and place it in a separate estimate of the probabilities of clinical success.

#### **13.2 Methods Considered but Not Utilized**

Evans & Evans also attempted to use a variety of other confirmation approaches. In this regard, Evans & Evans examined and considered the following traditional valuation approaches, but were unable to use any of them:

- (1) Income Approach - Capitalized Earnings / Cash Flow / Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”) Method. The Company does not have a history of positive income or cash flow. Given the lack of historical, positive earnings / cash flows, and that it is expected to be several years before cash flows normalize, these approaches could not be utilized.
- (2) Market Approach - Comparable Licensing Transactions. Under this method implied technology valuations are calculated based on the net present value of the up-front payments, milestone payments and expected royalties was considered and reviewed by Evans & Evans. The challenge with respect to this approach is that licensing transactions in the life sciences industry are very asset specific and depend on the type of compound, the end target market, proprietary protection and the competitiveness of the market. Evans & Evans did not believe this to be a reliable method for the Sona technology given the lack of independent support for the Company’s claims.
- (3) Market Approach – Historical Transactions. The Historical Transaction Method determines the fair market value of the subject company based on the value implied by historical equity financings. As can be seen from the following tables, the Company completed small private placements in both 2016 and 2017. The 2017 private placement implied a value for 100% of Sona in the range of \$3.0 million. Given the size of the private placement (less than 10% of the issued and outstanding shares), Evans & Evans did not believe the private placement was indicative of the current fair market value.

<b>Sona</b>	
<b>2017 Private Placement</b>	
Shares Issued	2,600,000
Price Per Share	\$0.100
Gross Proceeds	\$260,000
Shares Outstanding Prior to Financing	27,821,662
Shares Outstanding After Financing	30,421,662
% of Outstanding Shares Issued in Financing	8.5%
<b>Implied Value of 100%</b>	<b>\$3,040,000</b>

<b>Sona</b>	
<b>2016 Private Placement</b>	
Shares Issued	1,000,000
Price Per Share	\$0.150
Gross Proceeds	\$150,000
Shares Outstanding Prior to Financing	26,821,662
Shares Outstanding After Financing	27,821,662
% of Outstanding Shares Issued in Financing	3.6%
<b>Implied Value of 100%</b>	<b>\$4,170,000</b>

(4) Market Approach - Mergers & Acquisitions Method. Under this method implied technology valuations are calculated by analyzing the price paid and assets owned of acquired companies. This method is generally used for companies which have an active portfolio of intellectual property at the later stages of development, which is not the case for Sona.

(5) Market Approach – Guideline Public Company Method. While the Market Approach is generally considered to be the most intuitively obvious approach to valuation, it is often the most difficult to apply when valuing a privately-held company. Issues with respect to applying the Market Approach arise from: (a) the lack of comparable company financial information, particularly that of privately-held companies; (b) the difficulty in objectively identifying and quantifying differences between companies; and, (c) the relative illiquidity of privately-held companies versus that of publicly-listed companies. The challenge in using such an approach was the lack of comparable information given the lack of revenues for Sona.

#### **14.0 VALUATION OF SONA NANOTECH LTD.**

##### **14.1 Probability Discounted Cash Flow Method**

As a starting point for the Probability Adjusted DCF Method, Evans & Evans reviewed the Company’s financial projections for the years ended December 31, 2018 to 2025 as outlined in Schedule 2.0. Given the early stage of the Company with respect to commercial collaboration agreements, Evans & Evans believed there to be risk associated with Sona generating the level of revenues as forecast by management over the long-term and accordingly the period 2018 to 2022 was used in the analysis.

The net present value of the cash flows was determined by discounting for business risk and time value of money. In undertaking the Probability Adjusted DCF Method Evans & Evans considered three scenarios to reflect the risk associated with the Company securing the identified licensing agreements.



Three separate discounted cash flow analyses were performed to reflect the differing probabilities associated with achieving the financial projections. The reader is advised to refer to Schedule 4.0 – Probability Adjusted Discounted Cash Flow Method.

The purpose of the probability weighting is to address the uncertainty associated with the projected results for Sona while utilizing traditional valuation approaches. Thus, the three scenarios included in Schedule 4.0 represent the potential range of results that Sona may achieve from the included revenue opportunities in the future from a best case to worst case.

Uncertainty of future results is always the most difficult part of determining a reasonable price for a business and the use of probability-weighted scenarios is a way to manage such uncertainty and provide a reasonable valuation conclusion. A sensitivity analysis was also performed by weighting the scenarios for a best case and worst-case result as well. Such sensitivity analysis is contained in Schedule 4.0.

#### Derivation of a Discount Rate

In assessing discount rates to management’s projections, Evans & Evans selected discount rates in the range of 26.62% to 29.32%.

A discount rate is used to convert a future stream of cash flows into value, whereas a capitalization rate (equal to the discount rate minus the cash flow growth rate) is utilized to convert a single period’s cash flow into value. When utilizing debt-free cash flow, the most appropriate discount rate is the Company’s weighted average cost of capital (“WACC”), which provides an expected rate of return based on the Company’s capital structure, the required yield on the Company’s equity, and the required yield on interest-bearing debt.

The basic formula for computing WACC can be expressed as follows:

$$WACC = (k_e \times W_e) + (k_d \times [1-t] \times W_d)$$

Where:

WACC	=	Weighted average cost of capital
$k_e$	=	Corporation’s cost of equity capital
$k_d$	=	Corporation’s cost of debt capital
$W_e$	=	Percentage of equity capital in the capital structure
$W_d$	=	Percentage of debt capital in the capital structure
$t$	=	Corporation’s effective income tax rate

Based on our independent analysis we estimated the market cost of debt for the Sona to be 8.0%. The market cost of debt was higher than the current related party debt outstanding in the Company. This pre-tax cost of debt was used in our DCF Method.

The remaining component of WACC, the cost of equity, was derived using the “build-up” method. The method constructs a discount rate by “building up” the components of such a rate. Starting with the risk-free rate prevalent at the Valuation Date, a generic equity risk premium, as well as a company-specific risk premium is then added.

Credit Suisse’s Global Investment Returns Yearbook 2017 analyzes returns of Canadian stocks, bonds, bills, and inflation from 1900 to 2016. Data from the study found an annualized real equity risk premium (“ERP”) of 4.2% relative to treasury bills from 1900 to 2016.

The build-up method also incorporates a small stock premium that an investment in the smallest decile of stocks traded on stock exchanges provides yet another 3.5% return.

Combining the current long-term government bond yield and the equity-risk and small stock premia provides an estimate of the potential return that investors, in the December 2017 interest rate environment, require for investing in a diversified portfolio of equities. With Canadian long-term government bond yields at 2.26% as the Valuation Date, the implied return requirement for investing in a market basket of publicly traded equities is 9.96%.

This estimated required return captures only systematic or market risk, and does not address the risk specific to Sona. For this reason, a notional purchaser of Sona would require a premium to induce investment. A number of factors indicate that an investment in Sona is riskier than an investment in the market. These factors include the Company’s early stage of operations, and the competitive nature of the market. It is our view that an investor would require at least 1,900 to 2,200 basis points to compensate for the additional risk to attract investors to the Company’s common stock. The wide range in basis points is due to the uncertainty regarding the Company’s revenue projections.

Combining the variables discussed (long-term government bond yield, equity risk premium, and an allowance for size and the risks unique to Sona) indicates that discount rates of 28.96% to 31.96% are required.

Having estimated rates of return for both the debt and equity components of the Company’s capital structure, the next step is to weight, at market value, each component based upon the proportion each represents of total capitalization. A capital structure of 10% debt and 90% equity was utilized for Sona. Applying these

weightings results in WACCs in the range of 26.62% to 29.32%, as outlined in Schedule 4.0. A discount was applied to the terminal value to reflect the risk associated with achieving future levels of cash flow.

The equity required to achieve the financial results and the current debt was deducted to arrive at the fair market value of Sona. The results of using the three different scenarios above as well as applying appropriate discount rates in carrying out a Probability Adjusted DCF Method results in a fair market value of Sona in the range of \$2.66 million to \$3.04 million.

## **15.0 QUALIFICATIONS AND CERTIFICATION**

### **15.1 Qualifications**

The Report preparation, and related fieldwork and due diligence investigations, were carried out by Jennifer Lucas and hereafter reviewed by Michael Evans.

Mr. Michael A. Evans, MBA, CFA, CBV, ASA, Principal, founded Evans & Evans, Inc. in 1989. For the past 31 years, he has been extensively involved in the financial services and management consulting fields in Vancouver, where he was a Vice-President of two firms, The Genesis Group (1986-1989) and Western Venture Development Corporation (1989-1990). Over this period he has been involved in the preparation of over 2,500 technical and assessment reports, business plans, business valuations, and feasibility studies for submission to various Canadian stock exchanges and securities commissions as well as for private purposes. Formerly, he spent three years in the computer industry in Western Canada with Wang Canada Limited (1983-1986) where he worked in the areas of marketing and sales.

Mr. Michael A. Evans holds: a Bachelor of Business Administration degree from Simon Fraser University, British Columbia (1981); a Master's degree in Business Administration from the University of Portland, Oregon (1983) where he graduated with honors; the professional designations of Chartered Financial Analyst (CFA), Chartered Business Valuator (CBV) and Accredited Senior Appraiser. Mr. Evans is a member of the CFA Institute, the Canadian Institute of Chartered Business Valuators ("CICBV") and the American Society of Appraisers ("ASA").

Ms. Jennifer Lucas, MBA, CBV, ASA, Managing Partner, joined Evans & Evans in 1997. Ms. Lucas possesses several years of relevant experience as an analyst in the public and private sector in British Columbia and Saskatchewan. Her background includes working for the Office of the Superintendent of Financial Institutions of British Columbia as a Financial Analyst. Ms. Lucas has also gained experience in the Personal Security and Telecommunications industries. Since joining Evans & Evans Ms. Lucas has been involved in writing and reviewing over 1,500 valuation and due diligence reports for public and private transactions.

Ms. Lucas holds: a Bachelor of Commerce degree from the University of Saskatchewan (1993), a Masters in Business Administration degree from the University of British Columbia (1995). Ms. Lucas holds the professional designations of Chartered Business Valuator and Accredited Senior Appraiser. She is a member of the CICBV and the ASA.

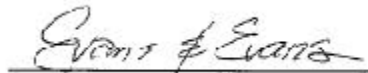
## **16.2 Certification**

The analyses, opinions, calculations and conclusions were developed, and this Report has been prepared in accordance with the standards set forth by the Canadian Institute of Chartered Business Valuators.

The fee established for the Report has not been contingent upon the value or other opinions presented. The authors of the Report have no present or prospective interest in Sona or Stockport, and we have no personal interest with respect to the parties involved.

For the purposes of the Report, Evans & Evans is independent to Sona, Stockport and all other interested parties in the Proposed Transaction.

Yours very truly,



**EVANS & EVANS, INC.**

## **17.0 RESTRICTIONS AND CONDITIONS**

This Report is intended for the purpose stated in section 1.0 hereof and, in particular, is based on the scope of work and assumptions as to results that could reasonably be expected at the Valuation Date.

The authors of the Report advise the reader to carefully review sections on the Conditions of the Report and the Assumptions of the Report to understand the critical assumptions that the Report is based on. It is not to be the basis of any subsequent valuation and is not to be reproduced or used other than for the purpose of this Report without prior written permission in each specific instance.

Evans & Evans reserves the right to review all information and calculations included or referred to in this Report and, if it consider necessary, to revise its views in the light of any information which becomes known to it during or after the date of this Report. The authors of the Report disclaim any responsibility or liability for losses occasioned to the Company, Stockport, their respective investors, shareholders and all other related and other parties including potential investors as

a result of the circulation, publication, reproduction or use of this Report or its use contrary to the provisions of this paragraph.

**18.0 SCHEDULES**

**Schedule 1.0 – Historical Financial Statements**

**Schedule 2.0 – Financial Forecasts**

**Schedule 3.0 – Tangible Asset Backing**

**Schedule 4.0 – Probability Adjusted Discounted Cash Flow Method**

**SCHEDULE 1.0 – HISTORICAL FINANCIAL STATEMENTS**

**Sona Nanotech Ltd.**  
**Balance Sheet**

As At C\$	Management October 31, 2017	Common Sized	Management December 31, 2016	Common Sized
<b>Assets</b>				
<b>Current assets</b>				
Cash	\$173,323	51.6%	\$35,450	24.7%
Sales tax receivable	\$1,598	0.5%	\$3,563	2.5%
Government assistance receivable	\$139,374	41.5%	\$92,096	64.2%
Prepaid expenses	\$1,534	0.5%	\$10,560	7.4%
Deposit	\$0	0.0%	\$1,251	0.9%
	<b>\$315,829</b>	<b>94.0%</b>	<b>\$142,920</b>	<b>99.6%</b>
<b>Capital assets</b>				
Office equipment	\$2,510	0.7%	\$590	0.4%
Laboratory equipment	\$17,806	5.3%	\$0	0.0%
	<b>\$20,316</b>	<b>6.0%</b>	<b>\$590</b>	<b>0.4%</b>
<b>Total assets</b>	<b>\$336,145</b>	<b>100.0%</b>	<b>\$143,510</b>	<b>100.0%</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade payables and accruals	\$799,646	237.9%	\$551,275	384.1%
Government remittances payable	\$0	0.0%	\$6,444	4.5%
Current portion of long-term debt	\$162,378	48.3%	\$107,093	74.6%
	<b>\$962,024</b>	<b>286.2%</b>	<b>\$664,812</b>	<b>463.3%</b>
Long-term debt	\$172,246	51.2%	\$86,507	60.3%
<b>Total liabilities</b>	<b>\$1,134,270</b>	<b>337.4%</b>	<b>\$751,319</b>	<b>523.5%</b>
<b>Equity</b>				
Shareholders' equity	-\$798,125	-237.4%	-\$607,809	-423.5%
<b>Total liabilities and equity</b>	<b>\$336,145</b>	<b>-237.4%</b>	<b>\$143,510</b>	<b>100.0%</b>

# Sona Nanotech Ltd.

## Income Statement

C\$	Management 10 Months Ended October 31, 2017	Management Year Ended December 31, 2016	Management Year Ended December 31, 2015
<b>Revenue</b>	<b>\$0</b>	<b>\$5,739</b>	<b>\$0</b>
<b>Expenses</b>			
Consulting and wages	\$263,223	\$473,402	\$326,826
Rent and related costs	\$9,717	\$11,385	\$0
Administrative costs	\$10,299	\$16,315	\$69,788
Depreciation expense	\$3,735	\$61	\$0
Financing fee	\$0	\$75,000	\$0
Interest on long-term debt	\$10,325	\$7,093	\$0
Accreted interest on repayable government loans	\$5,521	\$0	\$0
Travel costs	\$20,425	\$18,711	\$0
Sales and marketing costs	\$1,573	\$2,431	\$0
Professional fees	\$29,550	\$75,899	\$35,391
Management services	\$180,000	\$218,000	\$140,000
Research and development costs	\$6,449	\$34,895	\$38,639
	<b>-\$540,817</b>	<b>-\$933,192</b>	<b>-\$610,644</b>
<b>Other income</b>			
Atlantic Canada Opportunities Agency loans	\$21,115	\$41,660	\$0
Industrial Research and Assistance Program grants	\$91,648	\$190,429	\$52,197
Scientific Research and Experimental Development tax credit	\$0	\$63,447	\$0
Other government	\$0	\$0	\$23,083
	<b>\$112,763</b>	<b>\$295,536</b>	<b>\$75,280</b>
<b>Loss before income taxes</b>	<b>-\$428,054</b>	<b>-\$631,917</b>	<b>-\$535,365</b>
Income taxes	\$0	\$0	\$0
<b>Net loss and comprehensive loss for the period</b>	<b>-\$428,054</b>	<b>-\$631,917</b>	<b>-\$535,365</b>



**SCHEDULE 2.0 – FINANCIAL FORECASTS**

# Sona Nanotech Ltd.

## Income Statement

For the Years Ended December 31

CS	2018	2019	2020	2021	2022	2023	2024	2025
Test Product #1 - OTC Consumer Health - Flu								
License Fee	\$0	\$500,000	\$0	\$0	\$0	\$0	\$0	\$0
Product sales	\$0	\$187,500	\$3,750,000	\$4,500,000	\$5,400,000	\$6,480,000	\$7,776,000	\$9,331,200
Sales Royalties	\$0	\$37,500	\$750,000	\$900,000	\$1,080,000	\$1,296,000	\$1,555,200	\$1,866,240
Test Product #2 - OTC consumer health - allergies								
License Fee	\$0	\$0	\$500,000	\$0	\$0	\$0	\$0	\$0
Product sales	\$0	\$0	\$937,500	\$3,750,000	\$4,500,000	\$5,400,000	\$6,480,000	\$7,776,000
Sales Royalties	\$0	\$0	\$0	\$287,500	\$1,150,000	\$1,380,000	\$1,656,000	\$1,987,200
Test Product #3 - Cardiometabolic - Heart attack								
License Fee	\$0	\$0	\$500,000	\$0	\$0	\$0	\$0	\$0
Product sales	\$0	\$0	\$750,000	\$3,750,000	\$3,975,000	\$4,213,500	\$4,466,310	\$4,734,289
Sales Royalties	\$0	\$0	\$0	\$200,000	\$1,000,000	\$1,060,000	\$1,123,600	\$1,191,016
Test Product #4 - Animal Dx								
License Fee	\$0	\$0	\$0	\$250,000	\$0	\$0	\$0	\$0
Product sales	\$0	\$0	\$0	\$2,100,000	\$2,226,000	\$2,359,560	\$2,501,134	\$2,651,202
Sales Royalties	\$0	\$0	\$0	\$0	\$375,000	\$397,500	\$421,350	\$446,631
Test Product #5 - Infectious disease								
License Fee	\$0	\$0	\$0	\$500,000	\$0	\$0	\$0	\$0
Product sales	\$0	\$0	\$0	\$2,100,000	\$2,226,000	\$2,359,560	\$2,501,134	\$2,651,202
Sales Royalties	\$0	\$0	\$0	\$0	\$675,000	\$715,500	\$758,430	\$803,936
<b>Total License Fees</b>	\$0	\$500,000	\$1,000,000	\$750,000	\$0	\$0	\$0	\$0
<b>Total Product Sales</b>	\$0	\$187,500	\$5,437,500	\$16,200,000	\$18,327,000	\$20,812,620	\$23,724,577	\$27,143,892
<b>Total Royalties</b>	\$0	\$37,500	\$750,000	\$1,387,500	\$4,280,000	\$4,849,000	\$5,514,580	\$6,295,023
<b>Total Revenues</b>	<b>\$0</b>	<b>\$725,000</b>	<b>\$7,187,500</b>	<b>\$18,337,500</b>	<b>\$22,607,000</b>	<b>\$25,661,620</b>	<b>\$29,239,157</b>	<b>\$33,438,915</b>
ALCOA Royalty	\$0	\$750	\$15,000	\$27,750	\$85,600	\$96,980	\$110,292	\$125,900
<b>Expenses</b>								
Product Development Costs	\$1,850,500	\$1,655,700	\$2,753,470	\$2,445,817	\$2,563,399	\$2,692,739	\$2,835,012	\$2,991,514
Business Development, Sales and Marketing Costs	\$210,000	\$262,500	\$310,750	\$344,825	\$399,808	\$460,000	\$470,000	\$480,000
General & Administrative Expenses	\$481,000	\$72,000	\$74,000	\$88,000	\$89,000	\$90,000	\$96,000	\$102,000
	\$2,541,500	\$1,990,200	\$3,138,220	\$2,878,642	\$3,052,206	\$3,242,739	\$3,401,012	\$3,573,514
<b>Net Income before Taxes</b>	<b>-\$2,541,500</b>	<b>-\$1,265,950</b>	<b>\$4,034,280</b>	<b>\$15,431,108</b>	<b>\$19,469,194</b>	<b>\$22,321,901</b>	<b>\$25,727,853</b>	<b>\$29,739,501</b>

**Sona Nanotech Ltd.****Income Statement****For the Years Ended December 31**

<b>Common Sized</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Test Product #1 - OTC Consumer Health - Flu		100.0%	62.6%	29.4%	28.7%	30.3%	31.9%	33.5%
Test Product #2 - OTC consumer health - allergies			20.0%	22.0%	25.0%	26.4%	27.8%	29.2%
Test Product #3 - Cardiometabolic - Heart attack			17.4%	21.5%	22.0%	20.6%	19.1%	17.7%
Test Product #4 - Animal Dx				12.8%	11.5%	10.7%	10.0%	9.3%
Test Product #5 - Infectious disease				14.2%	12.8%	12.0%	11.1%	10.3%
	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Total License Fees		69.0%	13.9%	4.1%	0.0%	0.0%	0.0%	0.0%
Total Product Sales		25.9%	75.7%	88.3%	81.1%	81.1%	81.1%	81.2%
Total Royalties		5.2%	10.4%	7.6%	18.9%	18.9%	18.9%	18.8%
<b>Total Revenues</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
ALCOA Royalty								
		0.1%	0.2%	0.2%	0.4%	0.4%	0.4%	0.4%
<b>Expenses</b>								
Product Development Costs		228.4%	38.3%	13.3%	11.3%	10.5%	9.7%	8.9%
Business Development, Sales and Marketing Costs		36.2%	4.3%	1.9%	1.8%	1.8%	1.6%	1.4%
General & Administrative Expenses		9.9%	1.0%	0.5%	0.4%	0.4%	0.3%	0.3%
		274.5%	43.7%	15.7%	13.5%	12.6%	11.6%	10.7%
<b>Net Income before Taxes</b>		<b>-174.6%</b>	<b>56.1%</b>	<b>84.2%</b>	<b>86.1%</b>	<b>87.0%</b>	<b>88.0%</b>	<b>88.9%</b>

**SCHEDULE 3.0 – TANGIBLE ASSET BACKING**

# Sona Nanotech Ltd.

## Tangible Asset Backing

As At December 31, 2017 Based on October 31, 2017 Financial Statements

	October 31, 2017	Adjustment	Adjusted Tangible Asset Backing	Notes
<b>Assets</b>				
<b>Current Assets</b>				
Cash	\$173,323		\$173,323	1
Sales tax receivable	\$1,598		\$1,598	
Government assistance receivable	\$139,374		\$139,374	2
Prepaid expenses	\$1,534		\$1,534	
Deposit	\$0		\$0	
	<hr/>		<hr/>	
	\$315,829		\$315,829	
Office Equipment	\$2,510		\$2,510	3
Laboratory Equipment	\$17,806		\$17,806	3
	<hr/>		<hr/>	
	\$20,316		\$20,316	
<b>Total Assets</b>	<b>\$336,145</b>		<b>\$336,145</b>	
<b>Liabilities and Shareholders' Equity</b>				
<b>Current Liabilities</b>				
Trade payables and accruals	\$799,646		\$799,646	
Government remittances payable	\$0		\$0	
Current portion of long-term debt	\$162,378		\$162,378	4
	<hr/>		<hr/>	
	\$962,024		\$962,024	
Long-Term Debt	\$172,246		\$172,246	4
<b>Assets Less Liabilities</b>	<b>-\$798,125</b>		<b>-\$798,125</b>	
Stub Period Net Loss			-\$108,163	5
Leverage Adjustment			\$0	6
<b>Tangible Asset Backing, say</b>			<b>-\$910,000</b>	

### Notes

1 Cash is required to fund day-to-day operations.

2 Assumed to be collectible.

3 Assumed the fair market value of assets is equal to their book value.

4 Consists of loans due to Atlantic Canada Opportunities Agency, Brigus Capital Inc. and Numus Financial Inc. All of these amounts require repayment.

5 Adjustment to account for the timing difference between the date of the most recent financial statements and the Valuation Date.

Stub Period Net Loss - 10 Months October 2017

-\$540,817 Excluding Government Grants and Loans

Loss per Month

-\$54,082

Number of Months to Adjust

2

6 The Company is over-levered, but given the planned equity raise, no adjustment was required.

**SCHEDULE 4.0 – PROBABILITY ADJUSTED DISCOUNTED CASH FLOW  
METHOD**

# Sona Nanotech Ltd.

## Discounted Cash Flow Method - Scenario Based Analysis

Canadian Dollars	<b>LOW CASE</b>		Expected Value
	Discounted Cash Flow	Probability	
Scenario A	\$7,340,000	5.0%	\$367,000
Scenario B	\$3,220,000	30.0%	\$966,000
Scenario C	\$2,040,000	65.0%	\$1,326,000
<b>Fair Market Value, say</b>			<b>\$2,660,000</b>

Canadian Dollars	<b>HIGH CASE</b>		Expected Value
	Discounted Cash Flow	Probability	
Scenario A	\$7,340,000	10.0%	\$734,000
Scenario B	\$3,220,000	40.0%	\$1,288,000
Scenario C	\$2,040,000	50.0%	\$1,020,000
<b>Fair Market Value, say</b>			<b>\$3,040,000</b>

# Sona Nanotech Ltd.

## Discounted Cash Flow Method

For the Years Ended December 31

## Scenario A

C \$	12 Months						Notes
	2018	2019	2020	2021	2022	2023	
<b>Total Revenue</b>	\$0	\$503,813	\$4,269,219	\$10,174,109	\$13,131,338	\$15,455,035	1
Less: Cost of Sales	\$0	\$2,109	\$62,016	\$177,750	\$208,951	\$246,208	2
Less: Product Development Costs	\$1,850,500	\$1,655,700	\$569,419	\$1,153,638	\$1,377,904	\$1,498,512	3
Less: Operating Expenses	\$682,000	\$758,550	\$209,915	\$443,051	\$549,522	\$589,140	4
<b>Earnings Before Tax</b>	<b>-\$2,532,500</b>	<b>-\$1,912,547</b>	<b>\$3,427,869</b>	<b>\$8,399,670</b>	<b>\$10,994,960</b>	<b>\$13,121,175</b>	
Tax Loss Carry Forwards	\$0	\$0	-\$3,427,869	-\$1,017,178	\$0	\$0	5
Tax Due On	-\$2,532,500	-\$1,912,547	\$0	\$7,382,492	\$10,994,960	\$13,121,175	
Tax	\$0	\$0	\$0	\$2,288,573	\$3,408,438	\$4,067,564	
<b>Net Income</b>	<b>-\$2,532,500</b>	<b>-\$1,912,547</b>	<b>\$3,427,869</b>	<b>\$6,111,097</b>	<b>\$7,586,522</b>	<b>\$9,053,611</b>	
Add: Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	6
Deduct: Capital Expenditures	-\$1,200,000	-\$50,000	-\$500,000	\$0	\$0	\$0	7
Working Capital Adjustment	\$0	-\$50,381	-\$376,541	-\$590,489	-\$295,723	-\$232,370	8
<b>Cash Flow After Tax</b>	<b>-\$3,732,500</b>	<b>-\$2,012,928</b>	<b>\$2,551,328</b>	<b>\$5,520,608</b>	<b>\$7,290,800</b>	<b>\$8,821,241</b>	
Sustaining Capital Reinvestment							
Less: Tax Shield Related Thereto:	\$0	\$0	\$18,337	\$18,337	\$18,337	\$18,337	
Sustaining Capital Reinvestment, Net of Related Tax Shield	\$0	\$0	\$81,663	\$81,663	\$81,663	\$81,663	
<b>Net Cash Flow</b>	<b>-\$3,732,500</b>	<b>-\$2,012,928</b>	<b>\$2,469,666</b>	<b>\$5,438,945</b>	<b>\$7,209,137</b>	<b>\$8,739,578</b>	
Discounted Cash Flow@ 27%	-\$3,317,077	-\$1,412,848	\$1,369,042	\$2,381,248	\$2,492,784	\$2,386,730	
Discounted Cash Flow@ 29%	-\$3,282,265	-\$1,368,831	\$1,298,696	\$2,211,728	\$2,266,982	\$2,125,216	
Add: Residual Value (Multiple x 2018) and apply Discount Rate of 27%						\$6,981,184	
Add: Residual Value (Multiple x 2018) and apply Discount Rate of 29%						\$6,216,256	
<b>Total Discounted Cash Flow (High)</b>						<b>\$10,881,063</b>	
<b>Total Discounted Cash Flow (Low)</b>						<b>\$9,467,782</b>	
Deduct: Outstanding Debt						-\$334,624	
Deduct: Equity Required to Fund Growth						-\$2,500,000	
<b>Fair Market Value - Low</b>						<b>\$6,630,000</b>	
<b>Fair Market Value - High</b>						<b>\$8,050,000</b>	
<b>Assumed ASCR</b>	<b>0</b>	<b>0</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	
<b>Discount Rate High - Note 9</b>	<b>26.6%</b>						
<b>Discount Rate Low - Note 9</b>	<b>29.3%</b>						
<b>Tax Rate</b>	<b>31.00%</b>	<b>31.00%</b>	<b>31.00%</b>	<b>31.00%</b>	<b>31.00%</b>	<b>31.00%</b>	
<b>Residual Multiple - Note 10</b>	<b>2.93</b>						

1 Forecast for 2018 - 2020 was provided by management. Thereafter Evans & Evans extrapolated for an additional year.

	2018	2019	2020	2021	2022	2023
<b>Product 1</b>						
License Fee	\$0	\$500,000	\$0	\$0	\$0	\$0
Probability		75.0%				
Product sales	\$0	\$187,500	\$3,750,000	\$4,500,000	\$5,400,000	\$6,480,000
Probability		75.0%	77.5%	80.0%	82.5%	85.0%
Cumulative Probability		56.25%	58.1250%	60.0000%	61.8750%	63.7500%
Sales Royalties	\$0	\$37,500	\$750,000	\$900,000	\$1,080,000	\$1,296,000
Probability		83%	85.5%	88.0%	90.5%	93.0%
Cumulative Probability		62.25%	64.13%	66.00%	67.88%	69.75%
<b>Product 1 - Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$503,813</b>	<b>\$2,660,625</b>	<b>\$3,294,000</b>	<b>\$4,074,300</b>	<b>\$5,034,960</b>



# Sona Nanotech Ltd.

## Discounted Cash Flow Method

For the Years Ended December 31

## Scenario A

<b>Product 2</b>						
License Fee	\$0	\$0	\$500,000	\$0	\$0	\$0
Probability			77.5%			
Product sales	\$0	\$0	\$937,500	\$3,750,000	\$4,500,000	\$5,400,000
Probability			75.0%	77.5%	80.0%	82.5%
Cumulative Probability			56.2500%	58.1250%	60.0000%	61.8750%
Sales Royalties	\$0	\$0	\$0	\$287,500	\$1,150,000	\$1,380,000
Probability			83%	85.5%	88.0%	90.5%
Cumulative Probability			62.25%	64.13%	66.00%	67.88%
<b>Product 2 - Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$914,844</b>	<b>\$2,364,047</b>	<b>\$3,459,000</b>	<b>\$4,277,925</b>

<b>Product 3</b>						
License Fee	\$0	\$0	\$500,000	\$0	\$0	\$0
Probability			60.0%			
Product sales	\$0	\$0	\$750,000	\$3,750,000	\$3,975,000	\$4,213,500
Probability			70.0%	72.5%	75.0%	77.5%
Cumulative Probability			52.5000%	54.3750%	56.2500%	58.1250%
Sales Royalties	\$0	\$0	\$0	\$200,000	\$1,000,000	\$1,060,000
Probability			78%	80.5%	83.0%	85.5%
Cumulative Probability			58.50%	60.38%	62.25%	64.13%
<b>Product 3 - Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$693,750</b>	<b>\$2,159,813</b>	<b>\$2,858,438</b>	<b>\$3,128,822</b>

<b>Product 4</b>						
License Fee	\$0	\$0	\$0	\$250,000	\$0	\$0
Probability				55.0%		
Product sales	\$0	\$0	\$0	\$2,100,000	\$2,226,000	\$2,359,560
Probability				65.0%	67.5%	70.0%
Cumulative Probability				48.750%	50.625%	52.500%
Sales Royalties	\$0	\$0	\$0	\$0	\$375,000	\$397,500
Probability				73%	75.5%	78.0%
Cumulative Probability				54.75%	56.63%	58.50%
<b>Product 4 - Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,161,250</b>	<b>\$1,339,256</b>	<b>\$1,471,307</b>

<b>Product 5</b>						
License Fee	\$0	\$0	\$0	\$500,000	\$0	\$0
Probability				50.0%		
Product sales	\$0	\$0	\$0	\$2,100,000	\$2,226,000	\$2,359,560
Probability				60.0%	62.5%	65.0%
Cumulative Probability				45.000%	46.875%	48.750%
Sales Royalties	\$0	\$0	\$0	\$0	\$675,000	\$715,500
Probability					71%	73.0%
Cumulative Probability					52.88%	54.75%
<b>Product 5- Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,195,000</b>	<b>\$1,400,344</b>	<b>\$1,542,022</b>

<b>Total Revenues</b>	<b>\$0</b>	<b>\$503,813</b>	<b>\$4,269,219</b>	<b>\$10,174,109</b>	<b>\$13,131,338</b>	<b>\$15,455,035</b>
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	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
2 ALCO Product Royalty						
Product Sales	\$0	\$105,469	\$3,100,781	\$8,887,500	\$10,447,538	\$12,310,401
ALCOA Royalty %	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Royalty</b>	<b>\$0</b>	<b>\$2,109</b>	<b>\$62,016</b>	<b>\$177,750</b>	<b>\$208,951</b>	<b>\$246,208</b>

3 Development Costs - Management Forecast						
As a Percentage of Revenues			13.3%	11.3%	10.5%	9.7%
Assume Year 1 & 2 is as per Forecast	\$1,850,500	\$1,655,700	\$569,419	\$1,153,638	\$1,377,904	\$1,498,512

4 Operating Expenses						
As a Percentage of Revenues			4.9%	4.4%	4.2%	3.8%
Assume Year 1 & 2 is as per Forecast (Excluding Interest Expense)	\$682,000	\$758,550	\$209,915	\$443,051	\$549,522	\$589,140

# Sona Nanotech Ltd.

## Discounted Cash Flow Method

## Scenario A

For the Years Ended December 31

### 5 Tax Loss Carryforward

Tax Loss Available (As At 11/30/2017)	\$0	-\$2,532,500	-\$4,445,047	-\$1,017,178	\$0	\$0
Net Earnings Before Tax	-\$2,532,500	-\$1,912,547	\$3,427,869	\$8,399,670	\$10,994,960	\$13,121,175
Tax Loss Created (Used)	\$2,532,500	\$1,912,547	-\$3,427,869	-\$1,017,178	\$0	\$0
Ending Tax Loss Available	-\$2,532,500	-\$4,445,047	-\$1,017,178	\$0	\$0	\$0

6 The Company's forecast does not include depreciation.

7 Capital expenditures per Management Forecast \$1,200,000 \$50,000 \$500,000 \$0 \$0 \$0

8 Change in Working Capital - Assumed as a % of Revenue Increase 10.0% 10.0% 10.0% 10.0% 10.0% 10.0%

9 Cost of Debt 8.00%

### Cost of Equity

Long term government bond yields	2.26%	2.26%
Adjusted large cap equity risk premia	4.20%	4.20%
Small cap equity risk premia	3.50%	3.50%
Company specific risk / growth premium	19.00%	22.00%
Required equity return to induce investment in the Company	28.96%	31.96%

### Total Debt to Equity

Debt	10%
Equity	90%

### Weighted Average Cost of Capital

WACC=Cost of Debt (1-tax rate) (Debt /Total Capital) + Cost of Equity (Equity/Total Capital)

WACC - Low 26.62%

WACC=Cost of Debt (1-tax rate) (Debt /Total Capital) + Cost of Equity (Equity/Total Capital)

WACC - High 29.32%

### 7 Multiple for Terminal Value

Average WACC	28.0%
Long Term Growth	2.00%
Cap Rate	26.0%
Multiple for Terminal Value	3.90
Discount for Risk	2.925

# Sona Nanotech Ltd.

## Discounted Cash Flow Method

For the Years Ended December 31

## Scenario B

C \$	12 Months						Notes
	2018	2019	2020	2021	2022	2023	
<b>Total Revenue</b>	\$0	\$405,078	\$3,158,984	\$7,342,773	\$9,449,594	\$11,184,426	1
Less: Cost of Sales	\$0	\$1,523	\$44,883	\$127,875	\$151,217	\$179,158	2
Less: Product Development Costs	\$1,850,500	\$1,655,700	\$421,339	\$832,594	\$991,570	\$1,084,436	3
Less: Operating Expenses	\$682,000	\$758,550	\$155,325	\$319,755	\$395,448	\$426,346	4
<b>Earnings Before Tax</b>	<b>-\$2,532,500</b>	<b>-\$2,010,695</b>	<b>\$2,537,438</b>	<b>\$6,062,549</b>	<b>\$7,911,359</b>	<b>\$9,494,486</b>	
Tax Loss Carry Forwards	\$0	\$0	-\$2,537,438	-\$2,005,758	\$0	\$0	5
Tax Due On	-\$2,532,500	-\$2,010,695	\$0	\$4,056,791	\$7,911,359	\$9,494,486	
Tax	\$0	\$0	\$0	\$1,257,605	\$2,452,521	\$2,943,291	
<b>Net Income</b>	<b>-\$2,532,500</b>	<b>-\$2,010,695</b>	<b>\$2,537,438</b>	<b>\$4,804,944</b>	<b>\$5,458,838</b>	<b>\$6,551,196</b>	
Add: Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	6
Deduct: Capital Expenditures	-\$1,200,000	-\$50,000	-\$500,000	\$0	\$0	\$0	7
Working Capital Adjustment	\$0	-\$40,508	-\$275,391	-\$418,379	-\$210,682	-\$173,483	8
<b>Cash Flow After Tax</b>	<b>-\$3,732,500</b>	<b>-\$2,101,203</b>	<b>\$1,762,047</b>	<b>\$4,386,565</b>	<b>\$5,248,156</b>	<b>\$6,377,712</b>	
Sustaining Capital Reinvestment							
Less: Tax Shield Related Thereto:	\$0	\$0	\$18,337	\$18,337	\$18,337	\$18,337	
Sustaining Capital Reinvestment, Net of Related Tax Shield	\$0	\$0	\$81,663	\$81,663	\$81,663	\$81,663	
<b>Net Cash Flow</b>	<b>-\$3,732,500</b>	<b>-\$2,101,203</b>	<b>\$1,680,384</b>	<b>\$4,304,902</b>	<b>\$5,166,493</b>	<b>\$6,296,049</b>	
Discounted Cash Flow@ 27%	-\$3,317,077	-\$1,474,807	\$931,509	\$1,884,748	\$1,786,476	\$1,719,416	
Discounted Cash Flow@ 29%	-\$3,282,265	-\$1,428,860	\$883,645	\$1,750,573	\$1,624,653	\$1,531,019	
Add: Residual Value (Multiple x 2018) and apply Discount Rate of 27%						\$5,029,291	
Add: Residual Value (Multiple x 2018) and apply Discount Rate of 29%						\$4,478,232	
Total Discounted Cash Flow (High)						\$6,559,556	
Total Discounted Cash Flow (Low)						\$5,556,998	
Deduct: Outstanding Debt						-\$334,624	
Deduct: Equity Required to Fund Growth						-\$2,500,000	
<b>Fair Market Value - Low</b>						<b>\$2,720,000</b>	
<b>Fair Market Value - High</b>						<b>\$3,720,000</b>	
<b>Assumed ASCR</b>	<b>0</b>	<b>0</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	
<b>Discount Rate High - Note 9</b>	<b>26.6%</b>						
<b>Discount Rate Low - Note 9</b>	<b>29.3%</b>						
<b>Tax Rate</b>	<b>31.00%</b>	<b>31.00%</b>	<b>31.00%</b>	<b>31.00%</b>	<b>31.00%</b>	<b>31.00%</b>	
<b>Residual Multiple - Note 9</b>	<b>2.93</b>						

1 Forecast for 2018 - 2020 was provided by management. Thereafter Evans & Evans extrapolated for an additional year.

	2018	2019	2020	2021	2022	2023
<b>Product 1</b>						
License Fee	\$0	\$500,000	\$0	\$0	\$0	\$0
Probability		62.5%				
Product sales	\$0	\$187,500	\$3,750,000	\$4,500,000	\$5,400,000	\$6,480,000
Probability		65.0%	67.5%	70.0%	72.5%	75.0%
Cumulative Probability		40.63%	42.1875%	43.7500%	45.3125%	46.8750%
Sales Royalties	\$0	\$37,500	\$750,000	\$900,000	\$1,080,000	\$1,296,000
Probability		70%	72.5%	75.0%	77.5%	80.0%
Cumulative Probability		43.75%	45.31%	46.88%	48.44%	50.00%
<b>Product 1 - Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$405,078</b>	<b>\$1,921,875</b>	<b>\$2,390,625</b>	<b>\$2,970,000</b>	<b>\$3,685,500</b>

# Sona Nanotech Ltd.

## Discounted Cash Flow Method

For the Years Ended December 31

## Scenario B

<b>Product 2</b>						
License Fee	\$0	\$0	\$500,000	\$0	\$0	\$0
Probability			65.0%			
Product sales	\$0	\$0	\$937,500	\$3,750,000	\$4,500,000	\$5,400,000
Probability			65.0%	67.5%	70.0%	72.5%
Cumulative Probability			40.6250%	42.1875%	43.7500%	45.3125%
Sales Royalties	\$0	\$0	\$0	\$287,500	\$1,150,000	\$1,380,000
Probability			70%	72.5%	75.0%	77.5%
Cumulative Probability			43.75%	45.31%	46.88%	48.44%
<b>Product 2 - Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$705,859</b>	<b>\$1,712,305</b>	<b>\$2,507,813</b>	<b>\$3,115,313</b>

<b>Product 3</b>						
License Fee	\$0	\$0	\$500,000	\$0	\$0	\$0
Probability			50.0%			
Product sales	\$0	\$0	\$750,000	\$3,750,000	\$3,975,000	\$4,213,500
Probability			60.0%	62.5%	65.0%	67.5%
Cumulative Probability			37.500%	39.063%	40.625%	42.188%
Sales Royalties	\$0	\$0	\$0	\$200,000	\$1,000,000	\$1,060,000
Probability			65%	67.5%	70.0%	72.5%
Cumulative Probability			40.63%	42.19%	43.75%	45.31%
<b>Product 3 - Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$531,250</b>	<b>\$1,549,219</b>	<b>\$2,052,344</b>	<b>\$2,257,883</b>

<b>Product 4</b>						
License Fee	\$0	\$0	\$0	\$250,000	\$0	\$0
Probability				45.0%		
Product sales	\$0	\$0	\$0	\$2,100,000	\$2,226,000	\$2,359,560
Probability				55.0%	57.5%	60.0%
Cumulative Probability				34.375%	35.938%	37.500%
Sales Royalties	\$0	\$0	\$0	\$0	\$375,000	\$397,500
Probability				60%	62.5%	65.0%
Cumulative Probability				37.50%	39.06%	40.63%
<b>Product 4 - Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$834,375</b>	<b>\$946,453</b>	<b>\$1,046,319</b>

<b>Product 5</b>						
License Fee	\$0	\$0	\$0	\$500,000	\$0	\$0
Probability				40.0%		
Product sales	\$0	\$0	\$0	\$2,100,000	\$2,226,000	\$2,359,560
Probability				50.0%	52.5%	55.0%
Cumulative Probability				31.250%	32.813%	34.375%
Sales Royalties	\$0	\$0	\$0	\$0	\$675,000	\$715,500
Probability					58%	60.0%
Cumulative Probability					35.94%	37.50%
<b>Product 5- Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$856,250</b>	<b>\$972,984</b>	<b>\$1,079,411</b>

<b>Total Revenues</b>	<b>\$0</b>	<b>\$405,078</b>	<b>\$3,158,984</b>	<b>\$7,342,773</b>	<b>\$9,449,594</b>	<b>\$11,184,426</b>
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	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
2 ALCO Product Royalty						
Product Sales	\$0	\$76,172	\$2,244,141	\$6,393,750	\$7,560,844	\$8,957,879
ALCOA Royalty %	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Royalty</b>	<b>\$0</b>	<b>\$1,523</b>	<b>\$44,883</b>	<b>\$127,875</b>	<b>\$151,217</b>	<b>\$179,158</b>

3 Development Costs - Management Forecast						
As a Percentage of Revenues			13.3%	11.3%	10.5%	9.7%
Assume Year 1 & 2 is as per Forecast	\$1,850,500	\$1,655,700	\$421,339	\$832,594	\$991,570	\$1,084,436

4 Operating Expenses						
As a Percentage of Revenues			4.9%	4.4%	4.2%	3.8%
Assume Year 1 & 2 is as per Forecast (Excluding Interest Expense)	\$682,000	\$758,550	\$155,325	\$319,755	\$395,448	\$426,346

# Sona Nanotech Ltd.

## Discounted Cash Flow Method

For the Years Ended December 31

## Scenario B

### 5 Tax Loss Carryforward

Tax Loss Available (As At 11/30/2017)	\$0	-\$2,532,500	-\$4,543,195	-\$2,005,758	\$0	\$0
Net Earnings Before Tax	-\$2,532,500	-\$2,010,695	\$2,537,438	\$6,062,549	\$7,911,359	\$9,494,486
Tax Loss Created (Used)	\$2,532,500	\$2,010,695	-\$2,537,438	-\$2,005,758	\$0	\$0
Ending Tax Loss Available	-\$2,532,500	-\$4,543,195	-\$2,005,758	\$0	\$0	\$0

### 6 The Company's forecast does not include depreciation.

7 Capital expenditures per Management Forecast	\$1,200,000	\$50,000	\$500,000	\$0	\$0	\$0
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8 Change in Working Capital - Assumed as a % of Revenue Increase	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
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9 Refer to Scenario A.	8.00%
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# Sona Nanotech Ltd.

## Discounted Cash Flow Method

For the Years Ended December 31

## Scenario C

C \$	12 Months						Notes
	2018	2019	2020	2021	2022	2023	
<b>Total Revenue</b>	\$0	\$382,125	\$2,832,500	\$6,496,438	\$8,393,400	\$9,967,200	1
Less: Cost of Sales	\$0	\$1,350	\$39,825	\$113,040	\$134,172	\$159,504	2
Less: Product Development Costs	\$1,850,500	\$1,655,700	\$377,793	\$736,628	\$880,741	\$966,414	3
Less: Operating Expenses	\$682,000	\$758,550	\$139,272	\$282,900	\$351,248	\$379,946	4
<b>Earnings Before Tax</b>	<b>-\$2,532,500</b>	<b>-\$2,033,475</b>	<b>\$2,275,610</b>	<b>\$5,363,869</b>	<b>\$7,027,239</b>	<b>\$8,461,336</b>	
Tax Loss Carry Forwards	\$0	\$0	-\$2,275,610	-\$2,290,365	\$0	\$0	5
Tax Due On	-\$2,532,500	-\$2,033,475	\$0	\$3,073,504	\$7,027,239	\$8,461,336	
Tax	\$0	\$0	\$0	\$952,786	\$2,178,444	\$2,623,014	
<b>Net Income</b>	<b>-\$2,532,500</b>	<b>-\$2,033,475</b>	<b>\$2,275,610</b>	<b>\$4,411,083</b>	<b>\$4,848,795</b>	<b>\$5,838,322</b>	
Add: Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	6
Deduct: Capital Expenditures	-\$1,200,000	-\$50,000	-\$500,000	\$0	\$0	\$0	7
Working Capital Adjustment	\$0	-\$38,213	-\$245,038	-\$366,394	-\$189,696	-\$157,380	8
<b>Cash Flow After Tax</b>	<b>-\$3,732,500</b>	<b>-\$2,121,688</b>	<b>\$1,530,573</b>	<b>\$4,044,689</b>	<b>\$4,659,099</b>	<b>\$5,680,942</b>	
Sustaining Capital Reinvestment							
Less: Tax Shield Related Thereto:	\$0	\$0	\$18,337	\$18,337	\$18,337	\$18,337	
Sustaining Capital Reinvestment, Net of Related Tax Shield	\$0	\$0	\$81,663	\$81,663	\$81,663	\$81,663	
<b>Net Cash Flow</b>	<b>-\$3,732,500</b>	<b>-\$2,121,688</b>	<b>\$1,448,910</b>	<b>\$3,963,026</b>	<b>\$4,577,436</b>	<b>\$5,599,279</b>	
Discounted Cash Flow@ 27%	-\$3,317,077	-\$1,489,185	\$803,193	\$1,735,069	\$1,582,791	\$1,529,132	
Discounted Cash Flow@ 29%	-\$3,282,265	-\$1,442,790	\$761,922	\$1,611,551	\$1,439,418	\$1,361,585	
Add: Residual Value (Multiple x 2018) and apply Discount Rate of 27%						\$4,472,710	
Add: Residual Value (Multiple x 2018) and apply Discount Rate of 29%						\$3,982,635	
Total Discounted Cash Flow (High)						\$5,316,634	
Total Discounted Cash Flow (Low)						\$4,432,057	
Deduct: Outstanding Debt						-\$334,624	
Deduct: Equity Required to Fund Growth						-\$2,500,000	
<b>Fair Market Value - Low</b>						<b>\$1,600,000</b>	
<b>Fair Market Value - High</b>						<b>\$2,480,000</b>	
<b>Assumed ASCR</b>	<b>0</b>	<b>0</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	
<b>Discount Rate High - Note 9</b>	<b>26.6%</b>						
<b>Discount Rate Low - Note 9</b>	<b>29.3%</b>						
<b>Tax Rate</b>	<b>31.00%</b>	<b>31.00%</b>	<b>31.00%</b>	<b>31.00%</b>	<b>31.00%</b>	<b>31.00%</b>	
<b>Residual Multiple - Note 9</b>	<b>2.93</b>						

1 Forecast for 2018 - 2020 was provided by management. Thereafter Evans & Evans extrapolated for an additional year.

	2018	2019	2020	2021	2022	2023
<b>Product 1</b>						
License Fee	\$0	\$500,000	\$0	\$0	\$0	\$0
Probability		60.0%				
Product sales	\$0	\$187,500	\$3,750,000	\$4,500,000	\$5,400,000	\$6,480,000
Probability		60.0%	62.5%	65.0%	67.5%	70.0%
Cumulative Probability		36.00%	37.5000%	39.0000%	40.5000%	42.0000%
Sales Royalties	\$0	\$37,500	\$750,000	\$900,000	\$1,080,000	\$1,296,000
Probability		65%	67.5%	70.0%	72.5%	75.0%
Cumulative Probability		39.00%	40.50%	42.00%	43.50%	45.00%
<b>Product 1 - Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$382,125</b>	<b>\$1,710,000</b>	<b>\$2,133,000</b>	<b>\$2,656,800</b>	<b>\$3,304,800</b>

# Sona Nanotech Ltd.

## Discounted Cash Flow Method

For the Years Ended December 31

## Scenario C

<b>Product 2</b>						
License Fee	\$0	\$0	\$500,000	\$0	\$0	\$0
Probability			62.5%			
Product sales	\$0	\$0	\$937,500	\$3,750,000	\$4,500,000	\$5,400,000
Probability			60.0%	62.5%	65.0%	67.5%
Cumulative Probability			36.0000%	37.5000%	39.0000%	40.5000%
Sales Royalties	\$0	\$0	\$0	\$287,500	\$1,150,000	\$1,380,000
Probability			65%	67.5%	70.0%	72.5%
Cumulative Probability			39.00%	40.50%	42.00%	43.50%
<b>Product 2 - Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$650,000</b>	<b>\$1,522,688</b>	<b>\$2,238,000</b>	<b>\$2,787,300</b>

<b>Product 3</b>						
License Fee	\$0	\$0	\$500,000	\$0	\$0	\$0
Probability			45.0%			
Product sales	\$0	\$0	\$750,000	\$3,750,000	\$3,975,000	\$4,213,500
Probability			55.0%	57.5%	60.0%	62.5%
Cumulative Probability			33.0000%	34.5000%	36.0000%	37.5000%
Sales Royalties	\$0	\$0	\$0	\$200,000	\$1,000,000	\$1,060,000
Probability			60%	62.5%	65.0%	67.5%
Cumulative Probability			36.00%	37.50%	39.00%	40.50%
<b>Product 3 - Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$472,500</b>	<b>\$1,368,750</b>	<b>\$1,821,000</b>	<b>\$2,009,363</b>

<b>Product 4</b>						
License Fee	\$0	\$0	\$0	\$250,000	\$0	\$0
Probability				40.0%		
Product sales	\$0	\$0	\$0	\$2,100,000	\$2,226,000	\$2,359,560
Probability				50.0%	52.5%	55.0%
Cumulative Probability				30.0000%	31.5000%	33.0000%
Sales Royalties	\$0	\$0	\$0	\$0	\$375,000	\$397,500
Probability				55%	57.5%	60.0%
Cumulative Probability				33.00%	34.50%	36.00%
<b>Product 4 - Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$730,000</b>	<b>\$830,565</b>	<b>\$921,755</b>

<b>Product 5</b>						
License Fee	\$0	\$0	\$0	\$500,000	\$0	\$0
Probability				35.0%		
Product sales	\$0	\$0	\$0	\$2,100,000	\$2,226,000	\$2,359,560
Probability				45.0%	47.5%	50.0%
Cumulative Probability				27.00%	28.50%	30.00%
Sales Royalties	\$0	\$0	\$0	\$0	\$675,000	\$715,500
Probability					53%	55.0%
Cumulative Probability					31.50%	33.00%
<b>Product 5- Probability Adjusted Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$742,000</b>	<b>\$847,035</b>	<b>\$943,983</b>

<b>Total Revenues</b>	<b>\$0</b>	<b>\$382,125</b>	<b>\$2,832,500</b>	<b>\$6,496,438</b>	<b>\$8,393,400</b>	<b>\$9,967,200</b>
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	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
2 ALCO Product Royalty						
Product Sales	\$0	\$67,500	\$1,991,250	\$5,652,000	\$6,708,600	\$7,975,185
ALCOA Royalty %	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Royalty</b>	<b>\$0</b>	<b>\$1,350</b>	<b>\$39,825</b>	<b>\$113,040</b>	<b>\$134,172</b>	<b>\$159,504</b>

3 Development Costs - Management Forecast						
As a Percentage of Revenues			13.3%	11.3%	10.5%	9.7%
Assume Year 1 & 2 is as per Forecast	\$1,850,500	\$1,655,700	\$377,793	\$736,628	\$880,741	\$966,414

4 Operating Expenses						
As a Percentage of Revenues			4.9%	4.4%	4.2%	3.8%
Assume Year 1 & 2 is as per Forecast (Excluding Interest Expense)	\$682,000	\$758,550	\$139,272	\$282,900	\$351,248	\$379,946

# Sona Nanotech Ltd.

## Discounted Cash Flow Method

For the Years Ended December 31

## Scenario C

### 5 Tax Loss Carryforward

Tax Loss Available (As At 11/30/2017)	\$0	-\$2,532,500	-\$4,565,975	-\$2,290,365	\$0	\$0
Net Earnings Before Tax	-\$2,532,500	-\$2,033,475	\$2,275,610	\$5,363,869	\$7,027,239	\$8,461,336
Tax Loss Created (Used)	\$2,532,500	\$2,033,475	-\$2,275,610	-\$2,290,365	\$0	\$0
Ending Tax Loss Available	-\$2,532,500	-\$4,565,975	-\$2,290,365	\$0	\$0	\$0

### 6 The Company's forecast does not include depreciation.

7 Capital expenditures per Management Forecast	\$1,200,000	\$50,000	\$500,000	\$0	\$0	\$0
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8 Change in Working Capital - Assumed as a % of Revenue Increase	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
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9 Refer to Scenario A.	8.00%
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## **SCHEDULE “G”**

### **CBCA DISSENT PROVISIONS**

#### **Right to dissent**

190 (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- (c) amalgamate otherwise than under section 184;
- (d) be continued under section 188;
- (e) sell, lease or exchange all or substantially all its property under subsection 189(3); or
- (f) carry out a going-private transaction or a squeeze-out transaction.

#### **Further right**

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

#### **If one class of shares**

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

#### **Payment for shares**

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

#### **No partial dissent**

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

#### **Objection**

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

**Notice of resolution**

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

**Demand for payment**

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

**Share certificate**

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

**Forfeiture**

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

**Endorsing certificate**

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

**Suspension of rights**

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

**Offer to pay**

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

(a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

#### **Same terms**

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

#### **Payment**

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

#### **Corporation may apply to court**

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

#### **Shareholder application to court**

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

#### **Venue**

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

#### **No security for costs**

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

#### **Parties**

(19) On an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

#### **Powers of court**

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

### **Appraisers**

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

### **Final order**

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

### **Interest**

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

### **Notice that subsection (26) applies**

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

### **Effect where subsection (26) applies**

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

(a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

### **Limitation**

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

## **SCHEDULE “H”**

### **NSCA DISSENT PROVISIONS**

#### ***COMPANIES ACT (NOVA SCOTIA)***

##### **Third Schedule**

**2** (1) A holder of shares of any class of a company may dissent if the company is subject to an order under clause (d) of Section 3 hereof that affects the holder or if the company resolves to

(a) amend its memorandum or articles to add, change or remove any provisions restricting or constraining the issue or transfer of the shares of that class;

(b) amend its memorandum or articles to add, change or remove any restriction upon the business or businesses that the company may carry on;

(c) amalgamate with another company, other than any wholly-owned subsidiary of the company;

(d) be continued under the laws of another jurisdiction under subsection (5) of Section 133 of the Act; or

(e) sell, lease or exchange all or substantially all its property other than in the ordinary course of business of the company.

(2) A holder of shares of any class or series of shares entitled to vote separately as a class or series upon any such amendment may dissent if the company resolves to amend its memorandum or articles to

(a) increase or decrease any maximum number of authorized shares of such class, or increase any maximum number of authorized shares of a class having rights or privileges equal or superior to the shares of such class;

(b) effect an exchange, reclassification or cancellation of all or part of the shares of such class;

(c) add, change or remove the rights, privileges, restrictions or conditions attached to the shares of such class and, without limiting the generality of the foregoing,

(i) remove or change prejudicially rights to accrued dividends or rights to cumulative dividends,

(ii) add, remove or change prejudicially redemption rights,

(iii) reduce or remove a dividend preference or a liquidation preference, or

(iv) add, remove or change prejudicially conversion privileges, options, voting, transfer or pre-emptive rights, or rights to acquire securities of the company, or sinking fund provisions;

(d) increase the rights or privileges of any class of shares having rights or privileges equal or superior to the shares of such class;

(e) create a new class of shares equal or superior to the shares of such class;

(f) make any class of shares having rights or privileges inferior to the shares of such class equal or superior to the shares of such class;

(g) effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class; or

(h) constrain the issue or transfer of the shares of such class or extend or remove such constraint.

(3) Management's proxy circular or notice of meeting relating to a meeting of shareholders at which a proposal or other resolution with respect to any matter referred to in subsection (1) or (2) of this Section is to be raised or voted on shall state that a dissenting shareholder is entitled to be paid the fair value of his shares in accordance with this Section, but failure to make that statement does not invalidate the meeting or business thereat.

(4) In addition to any other right he may have, but subject to subsection (26) of this Section, a shareholder who complies with this Section is entitled, when the action approved by the resolution from which he dissents or an order made under clause (d) of Section 3 hereof becomes effective, to be paid by the company the fair value of the shares held by him in respect of which he dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(5) A dissenting shareholder may only claim under this Section with respect to all the shares of a class held by him on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(6) A dissenting shareholder shall send to the company, at or before any meeting of shareholders at which a proposal or other resolution with respect to any matter referred to in subsection (1) or (2) of this Section is to be raised or voted on, a written objection to the resolution, unless the company did not give notice to the shareholder of the purpose of the meeting or of his right to dissent.

(7) The company shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (6) of this Section notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn his objection.

(8) A dissenting shareholder shall, within twenty days after he receives a notice under subsection(7) of this Section or, if he does not receive such notice, within twenty days after he learns that the resolution has been adopted, send to the company a written notice containing

(a) his name and address;

(b) the number and class of shares in respect of which he dissents; and

(c) a demand for payment of the fair value of such shares.

(9) A dissenting shareholder shall, within thirty days after sending a notice under subsection (8) of this Section, send the certificates representing the shares in respect of which he dissents to the company or any securities registrar of the company.

(10) A dissenting shareholder who fails to comply with subsection (9) of this Section has no right to make a claim under this Section.

(11) A company or its securities registrar shall endorse on any share certificate received under subsection (9) of this Section a notice that the holder is a dissenting shareholder under this Section and shall forthwith return the share certificates to the dissenting shareholder.

(12) On sending a notice under subsection (8) of this Section, a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of his shares as determined under this Section except where

(a) the dissenting shareholder withdraws his notice before the company makes an offer under subsection (13) of this Section;

(b) the company fails to make an offer in accordance with subsection (13) of this Section and the dissenting shareholder withdraws his notice; or

(c) the resolution to amend the memorandum or articles is revoked, the amalgamation or application for continuance terminated, or the sale, lease or exchange abandoned, as the case may be,

in which case his rights as a shareholder are reinstated as of the date he sent the notice referred to in subsection (8) of this Section.

(13) A company shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the company received the notice referred to in subsection (8) of this Section, send to each dissenting shareholder who has sent such notice

(a) a written offer to pay for his shares in an amount considered by the directors of the company to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (26) of this Section applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(14) Every offer made under subsection (13) of this Section for shares of the same class or series shall be on the same terms.

(15) Subject to subsection (26) of this Section, a company shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (13) of this Section has been accepted, but any such offer lapses if the company does not receive an acceptance thereof within thirty days after the offer has been made.

(16) Where a company fails to make an offer under subsection (13) of this Section, or if a dissenting shareholder fails to accept an offer, the company may, within fifty days after the action approved by the resolution or order made under clause (d) of Section 3 hereof becomes effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting shareholder.

(17) If a company fails to apply to the court under subsection (16) of this Section, a dissenting shareholder may apply to the court for the same purpose within a further period of twenty days or within such further period as the court may allow.

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (16) or (17) of this Section.

(19) Upon an application under subsection (16) or (17) of this Section

(a) all dissenting shareholders whose shares have not been purchased by the company shall be joined as parties and are bound by the decision of the court; and

(b) the company shall notify each affected dissenting shareholder of the date, place and consequences of the application and of his right to appear and be heard in person or by counsel.

(20) Upon an application to the court under subsection (16) or (17) of this Section, the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders

(21) The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) The final order of the court shall be rendered against the company in favour of each dissenting shareholder and for the amount of his shares as fixed by the court.

(23) The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) If subsection (26) of this Section applies, the company shall, within ten days after the pronouncement of an order under subsection (22) of this Section, notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) If subsection (26) of this Section applies, a dissenting shareholder, by written notice delivered to the company within thirty days after receiving a notice under subsection (24) of this Section, may

(a) withdraw his notice of dissent, in which case the company is deemed to consent to the withdrawal and the shareholder is reinstated to his full rights as a shareholder; or

(b) retain a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

(26) A company shall not make a payment to a dissenting shareholder under this Section if there are reasonable grounds for believing that

(a) the company is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the company's assets would thereby be less than the aggregate of its liabilities.

(27) Notwithstanding the foregoing, a shareholder is not entitled to dissent under this Section if an amendment to the memorandum or articles of the company is effected by court order made under any other Act that affects the rights among the company, its shareholders and creditors or under Section 5 hereof.



## **SCHEDULE “T”**

### **SPECIAL RESOLUTIONS OF SONA NANOTECH LTD. SHAREHOLDERS**

#### **THE SONA CONTINUANCE RESOLUTION**

WHEREAS Sona Nanotech Ltd. (“Sona”) was incorporated under the *Companies Act (Nova Scotia)* pursuant to a Certificate of Incorporation issued by the Registrar of Joint Stock Companies on January 21, 2014;

AND WHEREAS it is considered to be in the best interest of Sona that it be continued under the *Canada Business Corporations Act*;

AND WHEREAS the proposed continuance under the *Canada Business Corporations Act* would not adversely affect creditors or shareholders of Sona;

IT IS RESOLVED as a Special Resolution that:

1. Sona be and it is hereby authorized to apply for a Certificate of Continuance pursuant to the provisions of the *Canada Business Corporations Act*.
2. Any officer or director of Sona be and is hereby authorized and directed to do all things and execute all instruments and documents necessary or desirable for the purpose of carrying out the foregoing.

#### **THE SONA AMALGAMATION RESOLUTION**

Assuming the Sona Continuance Resolution above is approved:

“IT IS RESOLVED as a Special Resolution that:

1. Sona Nanotech Ltd. (“Sona”) amalgamate with Stockport Exploration Inc. (“Stockport”) under the provisions of the *Canada Business Corporations Act*, as amended (“CBCA”);
2. the Amalgamation Agreement dated March 22, 2018, between Stockport and Sona, with such amendments or variations thereto made in accordance with the terms of the Amalgamation Agreement, is hereby adopted and approved;
3. Salley Bowes Harwardt LC be appointed as Sona’s agent to electronically file the Articles of Continuance, and then the Articles of Amalgamation, with the Director appointed under the CBCA;
4. notwithstanding that this resolution may be duly passed by the shareholders of Sona, the board of directors of Sona be authorized and empowered, at any time prior to the Amalgamation becoming effective, without further notice to or approval of the shareholders of Sona or other interested or affected parties to (i) amend or terminate the Amalgamation Agreement to the extent permitted by the Amalgamation Agreement, including any amendments to the Amalgamation Agreement required by the TSX Venture Exchange, (ii) not proceed with the Amalgamation or otherwise give effect to these resolutions, and (iii) abandon the Amalgamation Application; and
5. any one or more of the directors and officers of Sona be authorized and directed to perform all such acts, deeds and things and execute, under the seal of Sona or otherwise, all such documents and other writings, including as may be required to give effect to the true intent of this resolution.”

## **SCHEDULE “J”**

### **SPECIAL RESOLUTION OF STOCKPORT RESOURCES LTD. SHAREHOLDERS**

#### **THE STOCKPORT AMALGAMATION RESOLUTION**

“IT IS RESOLVED as a Special Resolution that:

1. Stockport Exploration Inc. (“Stockport”) amalgamate with Sona Nanotech Ltd. under the provisions of the *Canada Business Corporations Act*, as amended (“CBCA”);
2. the Amalgamation Agreement dated March 22, 2018, between Stockport and Sona, with such amendments or variations thereto made in accordance with the terms of the Amalgamation Agreement, is hereby adopted and approved;
3. Salley Bowes Harwardt LC be appointed as Stockport’s agent to electronically file the Articles of Amalgamation, with the Director appointed under the CBCA;
4. notwithstanding that this resolution may be duly passed by the shareholders of Stockport, the board of directors of Stockport be authorized and empowered, at any time prior to the Amalgamation becoming effective, without further notice to or approval of the shareholders of Stockport or other interested or affected parties to (i) amend or terminate the Amalgamation Agreement to the extent permitted by the Amalgamation Agreement, including any amendments to the Amalgamation Agreement required by the TSX Venture Exchange, (ii) not proceed with the Amalgamation or otherwise give effect to these resolutions, and (iii) abandon the Amalgamation Application; and
5. any one or more of the directors and officers of Stockport be authorized and directed to perform all such acts, deeds and things and execute, under the seal of Stockport or otherwise, all such documents and other writings, including as may be required to give effect to the true intent of this resolution.”

## SCHEDULE “K”

### AMALCO STOCK OPTION PLAN

#### 1. PURPOSE OF THE PLAN

The Company hereby establishes a stock option plan for directors, senior officers, Employees, Consultants, Consultant Company or Management Company Employees (as such terms are defined below) of the Company and its subsidiaries, or an Eligible Charitable Organization (collectively “**Eligible Persons**”), to be known as the “Stock Option Plan” (the “**Plan**”). The purpose of the Plan is to give to Eligible Persons, as additional compensation, the opportunity to participate in the success of the Company by granting to such individuals options, exercisable over periods of up to five years, as determined by the board of directors of the Company, to buy shares of the Company at a price equal to the Market Price prevailing on the date the option is granted.

#### 2. DEFINITIONS

In this Plan, the following terms shall have the following meanings:

2.1 “**Associate**” means an “Associate” as defined in the TSX Policies.

2.2 “**Board**” means the Board of Directors of the Company.

2.3 “**Change of Control**” means the acquisition by any person or by any person and all Joint Actors, whether directly or indirectly, of voting securities (as defined in the *Securities Act*) of the Company, which, when added to all other voting securities of the Company at the time held by such person or by such person and a Joint Actor, totals for the first time not less than fifty percent (50%) of the outstanding voting securities of the Company or the votes attached to those securities are sufficient, if exercised, to elect a majority of the Board of Directors of the Company.

2.4 “**Company**” means Sona Nanotech Inc. and its successors.

2.5 “**Consultant**” means a “Consultant” as defined in the TSX Policies.

2.6 “**Consultant Company**” means a “Consultant Company” as defined in the TSX Policies.

2.7 “**Disability**” means any disability with respect to an Optionee which the Board, in its sole and unfettered discretion, considers likely to prevent permanently the Optionee from:

(a) being employed or engaged by the Company, its subsidiaries or another employer, in a position the same as or similar to that in which he was last employed or engaged by the Company or its subsidiaries; or

(b) acting as a director or officer of the Company or its subsidiaries.

2.8 “**Eligible Charitable Organization**” means an “Eligible Charitable Organization” as defined in the TSX Policies.

2.09 “**Eligible Persons**” has the meaning given to that term in section 1 hereof.

2.10 “**Employee**” means an “Employee” as defined in the TSX Policies.

2.11 “**Exchange**” means the TSX Venture Exchange and, if applicable, any other stock exchange on which the Shares are listed.

2.12 “**Exchange Hold Period**” means a four month resale restriction imposed by TSX Policies.

2.13 “**Expiry Date**” means the date set by the Board under subsection 3.1 of the Plan, as the last date on which an Option may be exercised.

2.14 “**Grant Date**” means the date specified in the Option Agreement as the date on which an Option is granted.

- 2.15 “**Insider**” means an “Insider” as defined in the Nova Scotia *Securities Act*.
- 2.16 “**Investor Relations Activities**” means “Investor Relations Activities” as defined in the TSX Policies.
- 2.17 “**Joint Actor**” has the meaning defined in National Instrument 62-103, *The Early Warning System and Related Take-Over Bid and insider Reporting Issues*.
- 2.18 “**Management Company Employee**” means a “Management Company Employee” as defined in the TSX Policies.
- 2.19 “**Market Price**” of Shares at any Grant Date means the last closing price per Share on the trading day immediately preceding the day on which the Company announces the grant of the option or, if the grant is not announced, on the Grant Date, or if the Shares are not listed on any stock exchange, “Market Price” of Shares means the price per Share on the over-the-counter market determined by dividing the aggregate sale price of the Shares sold by the total number of such Shares so sold on the applicable market for the last day prior to the Grant Date.
- 2.20 “**Option**” means an option to purchase Shares granted pursuant to this Plan.
- 2.21 “**Option Agreement**” means an agreement, in the form attached hereto as Schedule “A”, whereby the Company grants to an Optionee an Option.
- 2.22 “**Optionee**” means each of Eligible Persons granted an Option pursuant to this Plan and their heirs, executors and administrators.
- 2.23 “**Option Price**” means the price per Share specified in an Option Agreement, adjusted from time to time in accordance with the provisions of section 5.
- 2.24 “**Option Shares**” means the aggregate number of Shares which an Optionee may purchase under an Option.
- 2.25 “**Plan**” means this Stock Option Plan.
- 2.26 “**Shares**” means the common shares in the capital of the Company as constituted on the Grant Date provided that, in the event of any adjustment pursuant to section 5, “Shares” shall thereafter mean the shares or other property resulting from the events giving rise to the adjustment.
- 2.27 “**Securities Act**” means the *Securities Act*, R.S.B.C. 1996, c.418, as amended, as at the date hereof.
- 2.28 “**TSX Policies**” means the policies included in the TSX Venture Exchange Corporate Finance Manual and “TSX Policy” means any one of them.
- 2.29 “**Unissued Option Shares**” means the number of Shares which have, at a particular time, been reserved for issuance upon the exercise of an Option, but which have not been issued, as adjusted from time to time in accordance with the provisions of section 5, such adjustments to be cumulative.
- 2.30 “**Unlisted Issuer**” means a company, corporation trust or limited partnership which has no securities listed or quoted on any stock exchange, nor has outstanding securities for which trading is reported to or through a stock exchange or public market.
- 2.31 “**Vested**” means that an Option has become exercisable in respect of a number of Option Shares by the Optionee pursuant to the terms of the Option Agreement.

### **3. GRANT OF OPTIONS**

#### **3.1 Option Terms**

The Board may from time to time authorize the allocation and issue of Options to specific Eligible Persons of the Company and its subsidiaries. The Option Price under each Option so allocated shall be not less than the

Market Price on the Grant Date. The Expiry Date for each Option shall be set by the Board at the time of issue of the Option and shall not be more than five years after the Grant Date. Options shall not be assignable (or transferable) by the Optionee. Both the Company and the Optionee are responsible for ensuring and confirming that the Optionee is a *bona fide* Eligible Person.

### **3.2 Limits on Shares Issuable on Exercise of Options**

The maximum number of Shares which may be issuable pursuant to options granted under the Plan shall be that number equal to 10% of the Company's issued share capital from time to time. The number of Shares reserved for issuance under the Plan and all of the Company's other previously established or proposed share compensation arrangements:

(a) in aggregate shall not exceed 10% of the total number of issued and outstanding shares on a non-diluted basis; and

(b) to any one Optionee within a 12 month period shall not exceed 5% of the total number of issued and outstanding shares on a non-diluted basis (unless otherwise approved by the disinterested shareholders of the Company).

The number of Shares which may be issuable under the Plan and all of the Company's other previously established or proposed share compensation arrangements, within a one-year period:

(a) to all Insiders shall not exceed 10% of the total number of issued and outstanding shares on the Grant Date on a non-diluted basis;

(b) to any one Optionee, shall not exceed 5% of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis (unless otherwise approved by the disinterested shareholders of the Company);

(c) to any one Consultant shall not exceed 2% in the aggregate of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis; and

(d) to all Eligible Persons who undertake Investor Relations Activities shall not exceed 2% in the aggregate of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis, which Options must be vested in stages over not less than 12 months and no more than one-quarter (1/4) of such Options may be vested in any three (3) month period. The Company must publicly announce by press release at the time of the grant, any Options granted to Eligible Persons who undertake Investor Relations Activities.

### **3.3 Eligible Charitable Organizations**

Notwithstanding the foregoing limitations, Options may be granted to Eligible Charitable Organizations for up to one percent (1%) of the total issued and outstanding shares of the Company from time to time, provided that such Options must expire on the earlier of: (i) 5 years from the date of the grant, and (ii) 30 days after the date that the optionee ceases to be an Eligible Charitable Organization.

### **3.4 Option Agreements**

Each Option shall be confirmed by the execution of an Option Agreement. Each Optionee shall have the option to purchase from the Company the Option Shares at the time and in the manner set out in the Plan and in the Option Agreement applicable to that Optionee. For stock options to Employees, Consultants, Consultant Company or Management Company Employees, each of the Company and the Optionee is representing herein and in the applicable Option Agreement that the Optionee is a *bona fide* Employee, Consultant, Consultant Company or Management Company Employee, as the case may be, of the Company or its subsidiary. The execution of an Option Agreement shall constitute conclusive evidence that it has been completed in compliance with this Plan.

## **4. EXERCISE OF OPTION**

### **4.1 When Options May be Exercised**

Subject to subsections 4.3 and 4.4, an Option shall be granted as fully Vested on the Grant Date, and may be exercised to purchase any number of Shares up to the number of Unissued Option Shares at any time after the Grant Date, provided that this Plan has been previously approved by the shareholders of the Company, where such prior approval is required by TSX Policies, up to 4:00 p.m. local time on the Expiry Date and shall not be exercisable thereafter.

### **4.2 Manner of Exercise**

The exercise of any option will be contingent upon receipt by the Company at its head office of a written notice of exercise, specifying the number of common shares with respect to which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such common shares with respect to which the option is exercised and an amount equal to the Withholding Tax Requirement as determined by the Corporation and set forth below. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any shares subject to an option under this Plan, unless and until the certificates for such shares are issued to him or them under the terms of the Plan.

Upon exercise of an Option, the Participant shall, upon notification of the amount due and prior to or concurrently with the delivery of the certificates representing the common shares, pay to the Company amounts necessary to satisfy applicable withholding tax requirements as determined by the Corporation (the "Withholding Tax Requirement") or shall otherwise make arrangements satisfactory to the Corporation for such requirements. At its discretion, the Corporation may require a Participant receiving common shares to reimburse the Corporation for any such taxes required to be withheld by the Company and withhold any distribution to the Participant in whole or in part until the Corporation is so reimbursed.

### **4.3 Vesting of Option Shares**

An Option shall be granted hereunder as fully Vested, unless a vesting schedule is imposed by the Board as a condition of the grant on the Grant Date; and provided that if the Option is being granted to an Eligible Person who is providing Investor Relations Activities to the Company, then the Option must vest in stages over not less than 12 months and no more than one-quarter (1/4) of such Options may be vested in any three (3) month period.

### **4.4 Termination of Employment**

An Optionee ceases to be an Eligible Person, and his or her Option shall be exercisable as follows:

(a) Death or Disability

Upon an Optionee's death or Disability or, in the case of an Optionee that is a company, the death or Disability of the person who provides management or consulting services to the Company or to any entity controlled by the Company, the Optionee shall cease to be an Eligible Person and the Option then held by the Optionee shall be exercisable to acquire Vested Unissued Option Shares at any time up to but not after the earlier of:

- (i) 365 days after the date of death or Disability; and
- (ii) the Expiry Date.

(b) Termination For Cause

If the employment of an Optionee, or in the case of a Management Company Employee or a Consultant Company, the contract of the Optionee's employer, is terminated by the Company for cause, as that term is interpreted by the courts of the jurisdiction in which the Optionee, or, in the case of a Management Company Employee or a Consultant Company, of the Optionee's employer, is employed or engaged; the Optionee shall cease to be an Eligible Person and any outstanding Option held by such Optionee on the date of such termination shall be cancelled as of that date.

(c) Early Retirement, Voluntary Resignation or Termination Other than For Cause

If the Optionee resigns or retires from his or her employment with the Company or, in the case of a Management Company Employee or a Consultant Company, the Optionee's employer voluntarily terminates its contract with the Company, the Optionee shall cease to be an Eligible Person and the Option then held by the Optionee shall be exercisable to acquire Vested Unissued Option Shares at any time up to but not after the earlier of the Expiry Date and the date which is 30 days after the effective date of the termination, resignation or retirements of the Optionee or, in the case of a Management Company Employee or a Consultant Company, as applicable.

(d) If the Optionee's employment or, in the case of a Management Company Employee or a Consultant Company, the Optionee's employer's contract, is terminated by the Company other than for cause, the Optionee shall cease to be an Eligible Person and the Option then held by the Optionee shall be exercisable to acquire Vested Unissued Option Shares at any time up to the Expiry Date or, if earlier, the later of (i) the date which is 30 days after the date notice of termination is given to the Optionee or, in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, or (ii) the end of the minimum notice period required by statute, if applicable.

**4.5 Effect of a Take-Over Bid**

If a *bona fide* offer (an "Offer") for Shares is made to the Optionee or to shareholders of the Company generally or to a class of shareholders which includes the Optionee, which Offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company, within the meaning of subsection 1(1) of the *Securities Act*, the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, whereupon the Option Shares subject to such Option may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Option Shares received upon such exercise, pursuant to the Offer. However, if:

(a) the Offer is not completed within the time specified therein; or

(b) all of the Option Shares tendered by the Optionee pursuant to the Offer are not taken up or paid for by the offeror in respect thereof,

then the Option Shares received upon such exercise, or in the case of clause (b) above, the Option Shares that are not taken up and paid for, may be returned by the Optionee to the Company and reinstated as authorized but unissued Shares and with respect to such returned Option Shares, the Option shall be reinstated as if it had not been exercised. If any Option Shares are returned to the Company under this subsection 4.5, the Company shall immediately refund the exercise price to the Optionee for such Option Shares.

**4.6 Acceleration of Expiry Date**

If at any time when an Option granted under the Plan remains unexercised with respect to any Unissued Option Shares, an Offer is made by an offeror, the Directors may, upon notifying each Optionee of full particulars of the Offer, declare all Option Shares issuable upon the exercise of Options granted under the Plan, are Vested (subject to the proviso below), and declare that the Expiry Date for the exercise of all unexercised Options granted under the Plan is accelerated so that all Options will either be exercised or will expire prior to the date upon which Shares must be tendered pursuant to the Offer, PROVIDED THAT where an Option was granted to a consultant providing Investor Relations Activities, the Directors' declaration that Option Shares issuable upon the exercise of such Options granted under the Plan be Vested with respect to such Option Shares, is subject to prior approval of the Exchange. The Directors shall give each Optionee as much notice as possible of the acceleration of the Options under this section, except that not less than 5 business days and not more than 35 days notice is required.

**4.7 Effect of a Change of Control**

If a Change of Control occurs, all Option Shares subject to each outstanding Option may be exercised in whole or in part by the Optionee.

#### **4.8 Exclusion From Severance Allowance, Retirement Allowance or Termination Settlement**

The provisions of this Plan provide the complete entitlement of the Optionee upon termination of his or her employment or, in the case of a Management Company Employee or a Consultant Company Employee, the termination of the Optionee's employer's contract, with the Company or any subsidiary of the Company, for any reason, including without or without cause, whether under contract, statute or common law. . Except as expressly provided for herein, the Optionee shall have no right or entitlement to Option Shares, or damages in lieu thereof regardless of any notice, severance or termination period or package the Optionee or, in the case of a Management Company Employee or a Consultant Company Employee, the Optionee's employer, may be otherwise entitled.

#### **4.9 Shares Not Acquired or Exercised**

Any Unissued Option Shares not acquired by an Optionee under an Option which has expired, and any Option Shares acquired by an Optionee under an Option when exercised, may be made the subject of a further Option granted pursuant to the provisions of the Plan.

#### **4.10 Extension of Term During Trading Black Out**

In the event the Expiry Date of an Option falls on a date during a trading black out period that has been self imposed by the Company, the Expiry Date of the Option will be extended to the 10<sup>th</sup> business day following the date that the self imposed trading black out period is lifted by the Company. For greater certainty, the Expiry Date of an Option will not be extended in the event a cease trade order is issued by a securities regulatory authority against the Company or an Optionee.

#### **4.11 Exchange Hold Period**

If either (i) the Option Price is less than the Market Price at the time of the grant to any Optionee, or (ii) the Option is granted to a director, officer, promoter or other insider of the Company, and unless the Option grant is qualified by prospectus, or issued under a securities take-over bid, rights offering, amalgamation, or other statutory procedure, then the Option will bear an Exchange Hold Period, and the following legend will be inserted onto the first page of the Option Agreement:

*Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this agreement and any securities issued upon exercise thereof may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until ■, 20■ [i.e., four months and one day after the date of grant].*

### **5. ADJUSTMENT OF OPTION PRICE AND NUMBER OF OPTION SHARES**

#### **5.1 Share Reorganization**

Whenever the Company issues Shares to all or substantially all holders of Shares by way of a stock dividend or other distribution, or subdivides all outstanding Shares into a greater number of Shares, or combines or consolidates all outstanding Shares into a lesser number of Shares (each of such events being herein called a “**Share Reorganization**”) then effective immediately after the record date for such dividend or other distribution or the effective date of such subdivision, combination or consolidation, for each Option:

- (a) the Option Price will be adjusted to a price per Share which is the product of:
  - (i) the Option Price in effect immediately before that effective date or record date; and
  - (ii) a fraction, the numerator of which is the total number of Shares outstanding on that effective date or record date before giving effect to the Share Reorganization, and the denominator of which is the total number of Shares that are or would be outstanding immediately after such effective date or record date after giving effect to the Share Reorganization; and
- (b) the number of Unissued Option Shares will be adjusted by multiplying (i) the number of Unissued Option Shares immediately before such effective date or record date by (ii) a fraction which is the reciprocal of the



fraction described in subparagraph (a)(ii).

## **5.2 Special Distribution**

Subject to the prior approval of the Exchange, whenever the Company issues by way of a dividend or otherwise distributes to all or substantially all holders of Shares:

- (a) shares of the Company, other than the Shares;
- (b) evidences of indebtedness;
- (c) any cash or other assets, excluding cash dividends (other than cash dividends which the Board of Directors of the Company has determined to be outside the normal course); or
- (d) rights, options or warrants,

then to the extent that such dividend or distribution does not constitute a Share Reorganization (any of such non-excluded events being herein called a “**Special Distribution**”), and effective immediately after the record date at which holders of Shares are determined for purposes of the Special Distribution, for each Option the Option Price will be reduced, and the number of Unissued Option Shares will be correspondingly increased, by such amount, if any, as is determined by the Board in its sole and unfettered discretion to be appropriate in order to properly reflect any diminution in value of the Option Shares as a result of such Special Distribution.

## **5.3 Corporate Organization**

Whenever there is:

- (a) a reclassification of outstanding Shares, a change of Shares into other shares or securities, or any other capital reorganization of the Company, other than as described in subsections 5.1 or 5.2;
- (b) a consolidation, merger or amalgamation of the Company with or into another corporation resulting in a reclassification of outstanding Shares into other shares or securities or a change of Shares into other shares or securities; or
- (c) a transaction whereby all or substantially all of the Company's undertaking and assets become the property of another corporation,

(any such event being herein called a “**Corporate Reorganization**”) the Optionee will have an option to purchase (at the times, for the consideration, and subject to the terms and conditions set out in the Plan) and will accept on the exercise of such option, in lieu of the Unissued Option Shares which he would otherwise have been entitled to purchase, the kind and amount of shares or other securities or property that he would have been entitled to receive as a result of the Corporate Reorganization if, on the effective date thereof, he had been the holder of all Unissued Option Shares or if appropriate, as otherwise determined by the Directors.

## **5.4 Determination of Option Price and Number of Unissued Option Shares**

If any questions arise at any time with respect to the Option Price or number of Unissued Option Shares deliverable upon exercise of an Option following a Share Reorganization, Special Distribution or Corporate Reorganization, such questions shall be conclusively determined by the Company's auditor, or, if they decline to so act, any other firm of Chartered Professional Accountants in Halifax, Nova Scotia, that the Directors may designate and who will have access to all appropriate records and such determination will be binding upon the Company and all Optionees.

## **5.5 Regulatory Approval**

Any adjustment to the Option Price or the number of Unissued Option Shares purchasable under the Plan pursuant to the operation of any one of subsection 5.1, 5.2 or 5.3 is subject to the approval of the Exchange where required pursuant to their policies, and compliance with the applicable securities rules or regulations of any other governmental authority having jurisdiction.

## **6. MISCELLANEOUS**

### **6.1 Right to Employment**

Neither this Plan nor any of the provisions hereof shall confer upon any Optionee any right with respect to employment or continued employment with the Company or any subsidiary of the Company or interfere in any way with the right of the Company or any subsidiary of the Company to terminate such employment.

### **6.2 Necessary Approvals**

The Plan shall be effective immediately upon the approval of the Board of Directors of the Company, where the Company is a non-reporting issuer. If the Company is a reporting issuer whose Shares are listed on any Exchange, then the Plan shall be effective only upon the approval of the shareholders of the Company given by way of an ordinary resolution of the disinterested shareholders in the case of a new Plan, and the written acceptance of the Plan by the Exchange where such prior approval is required by the policies of the Exchange. Any Options granted under this Plan before such approval shall only be exercised upon the receipt of such approval, where it is required by the policies of the Exchange. Each year thereafter, the Plan must also be adopted or ratified annually by way of an ordinary resolution of the disinterested shareholders, where such annual adoption is required by the policies of the Exchange. After the Plan has been approved by the shareholders and the Exchange, the failure to obtain any annual disinterested shareholder approval does not affect prior granted Options under a previously approved Plan. Disinterested shareholder approval (as required by the Exchange) will also be obtained for any reduction in the exercise price of any Option granted under this Plan, if the Optionee is an Insider of the Company at the time of the proposed amendment. The obligation of the Company to sell and deliver Shares in accordance with the Plan is subject to compliance with the policies of the Exchange and applicable securities rules or regulations of any governmental authority having jurisdiction. If any Shares cannot be issued to any Optionee for any reason, including, without limitation, the failure to comply with such policies, rules or regulations, then the obligation of the Company to issue such Shares shall terminate and any Option Price paid by an Optionee to the Company shall be immediately refunded to the Optionee by the Company.

### **6.3 Administration of the Plan**

The Directors shall, without limitation, have full and final authority in their discretion, but subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations deemed necessary or advisable in respect of the Plan. Except as set forth in subsection 5.4, the interpretation and construction of any provision of the Plan by the Directors shall be final and conclusive. Administration of the Plan shall be the responsibility of the appropriate officers of the Company and all costs in respect thereof shall be paid by the Company.

### **6.4 Income Taxes**

As a condition of participation in the Plan, any Optionee shall on request authorize the Company in writing to withhold from any remuneration otherwise payable to him or her any amounts required by any taxing authority to be withheld for taxes and contributions of any kind as a consequence of his or her participation in the Plan.

### **6.5 Amendments to the Plan**

The Directors may from time to time, subject to applicable law and to the prior approval, if required, of the Exchange or any other regulatory body having authority over the Company or the Plan, suspend, terminate or discontinue the Plan at any time, or amend or revise the terms of the Plan or of any Option granted under the Plan and the Option Agreement relating thereto, provided that no such amendment, revision, suspension, termination or discontinuance shall in any manner adversely affect any option previously granted to an Optionee under the Plan without the consent of that Optionee. Any amendments to the Plan or options granted to Insiders thereunder will be subject to the approval of the shareholders, where such approval is required by the policies of the Exchange.

### **6.6 Form of Notice**

A notice given to the Company shall be in writing, signed by the Optionee and delivered to the head business office of the Company.

#### **6.7 No Representation or Warranty**

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

#### **6.8 Compliance with Applicable Law**

If any provision of the Plan or any Option Agreement contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority over the Company or the Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

#### **6.9 No Assignment**

No Optionee may assign any of his or her rights under the Plan or any Option granted thereunder.

#### **6.10 Rights of Optionees**

An Optionee shall have no rights whatsoever as a shareholder of the Company in respect of any of the Unissued Option Shares (including, without limitation, voting rights or any right to receive dividends, warrants or rights under any rights offering).

#### **6.11 Conflict**

In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.

#### **6.12 Governing Law**

The Plan and each Option Agreement issued pursuant to the Plan shall be governed by the laws of the Province of Nova Scotia.

#### **6.13 Time of Essence**

Time is of the essence of this Plan and of each Option Agreement. No extension of time will be deemed to be or to operate as a waiver of the essentiality of time.

#### **6.14 Entire Agreement**

This Plan and the Option Agreement sets out the entire agreement between the Company and the Optionees relative to the subject matter hereof and supersedes all prior agreements, undertakings and understandings, whether oral or written.

**Approved by the Shareholders of the Company on April 26, 2018.**

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Darren Rowles,  
President and CEO

## SCHEDULE "A"

### SONA NANOTECH INC. STOCK OPTION PLAN

#### OPTION AGREEMENT

**[Note: If either (i) the Option Price is less than the Market Price at the time of the grant to any optionee, or (ii) the option is granted to a director, officer, promoter or other insider of the Company, and except if the grant is qualified by prospectus, or issued under a securities take-over bid, rights offering, amalgamation, or other statutory procedure, then insert the following legend:] Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this agreement and any securities issued upon exercise thereof may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until ■, 20■ [four months and one day after the date of grant].**

This Option Agreement is entered into between Sona Nanotech Inc. (the "Company") and the Optionee named below pursuant to the Company Stock Option Plan (the "Plan"), a copy of which is attached hereto, and confirms that:

1. on ■, 20■ (the "Grant Date");
2. ■ (the "Optionee");
3. was granted the option (the "Option") to purchase ■ Common Shares (the "Option Shares") of the Company;
4. for the price (the "Option Price") of \$■ per share;
5. which shall be exercisable as fully Vested from the Grant Date, unless the granting of this Option is to a consultant providing Investor Relations Activities in which case the Option will be vested over a 12 month period from the date of grant in accordance with TSX Policies;
6. terminating on the ■, 20■ (the "Expiry Date");
7. when exercised, the Company will forthwith calculate all applicable Canadian government withholding taxes of the Optionee, and Canada or Quebec (if applicable) Pension Plan contributions, and the Optionee agrees to remit to the Company such taxes and contributions to the Company, which will be remitted by the Company to Canada Revenue Agency and reflected on any annual statement of remuneration issued by the Company; and
8. by signing this Option Agreement, the Optionee acknowledges and consents to:
  - (a) the disclosure of Personal Information by the Company to the TSX Venture Exchange (the "Exchange") (as defined in Exchange Appendix 6A – see Appendix I hereto) pursuant to the Exchange Form 4G which the Company is required to file in connection with this Option grant; and
  - (b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6A or as otherwise identified by the Exchange, from time to time;

(Where "Personal Information" means any information about the Optionee, and includes the information contained in the tables, as applicable, found in Exchange Form 4G),

all on the terms and subject to the conditions set out in the Plan.

By signing this Option Agreement, the Optionee acknowledges that the Optionee has read and understands the Plan and agrees to the terms and conditions of the Plan and this Option Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Option Agreement as of the ■ day of ■, 20■.

**SONA NANOTECH INC.**

Per:

\_\_\_\_\_  
OPTIONEE

\_\_\_\_\_  
Authorized Signatory



**APPENDIX 6A  
ACKNOWLEDGEMENT – PERSONAL INFORMATION**

TSX Venture Exchange Inc. and its affiliates, authorized agents, subsidiaries and divisions, including the TSX Venture Exchange (collectively referred to as “the Exchange”) collect Personal Information in certain Forms that are submitted by the individual and/or by an Issuer or Applicant and use it for the following purposes:

- to conduct background checks,
- to verify the Personal Information that has been provided about each individual,
- to consider the suitability of the individual to act as an officer, director, insider, promoter, investor relations provider or, as applicable, an employee or consultant, of the Issuer or Applicant,
- to consider the eligibility of the Issuer or Applicant to list on the Exchange,
- to provide disclosure to market participants as to the security holdings of directors, officers, other insiders and promoters of the Issuer, or its associates or affiliates,
- to conduct enforcement proceedings, and
- to perform other investigations as required by and to ensure compliance with all applicable rules, policies, rulings and regulations of the Exchange, securities legislation and other legal and regulatory requirements governing the conduct and protection of the public markets in Canada.

As part of this process, the Exchange also collects additional Personal Information from other sources, including but not limited to, securities regulatory authorities in Canada or elsewhere, investigative, law enforcement or self-regulatory organizations, regulations services providers and each of their subsidiaries, affiliates, regulators and authorized agents, to ensure that the purposes set out above can be accomplished.

The Personal Information the Exchange collects may also be disclosed:

- (a) to the agencies and organizations in the preceding paragraph, or as otherwise permitted or required by law, and they may use it in their own investigations for the purposes described above; and
- (b) on the Exchange’s website or through printed materials published by or pursuant to the directions of the Exchange.

The Exchange may from time to time use third parties to process information and/or provide other administrative services. In this regard, the Exchange may share the information with such third party service providers.

## **SCHEDULE “L”**

### **STOCKPORT (the “Company”) AUDIT COMMITTEE CHARTER**

#### **Purpose**

The Audit Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; and compliance with policies and laws. The committee will also be responsible for identifying principal risks of the business and ensuring appropriate risk management techniques are in place.

The Audit Committee charges management with developing and implementing procedures to:

- ensure internal controls are appropriately designed, implemented and monitored
- ensure reporting and disclosure of required information is complete, accurate, and timely.

The Audit Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls following the execution of the committee’s responsibilities as described in the mandate.

#### **Composition of Committee**

The committee will be composed of a minimum of three (3) Directors from the Company’s Board of Directors, with a majority of the members independent. Independence of the Board members will be as defined by applicable legislation and as a minimum each independent committee member will have no direct or indirect relationship with the Company which, in the view of the Board of Directors, could reasonably interfere with the exercise of a member’s independent judgment.

All members of the committee will be financially literate as defined by applicable legislation. If, upon appointment, a member to the committee is not financially literate as required, the person will be provided a three month period in which to achieve the desired level of literacy.

If any member loses their independent status following their appointment to the committee, they will be required to resign from the committee within three months of becoming non-independent. The Board will be required to replace the member within that three month time frame. If it is the Chair of the Audit Committee that loses independent status, that person shall cease to be chair immediately and be replaced as chair by an existing member of the committee with the Board being asked to replace this member within the three month time frame.

#### **Authority**

The Committee has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties and the Committee will set the compensation for such advisors.

The Committee has the authority to communicate directly with and to meet with the external auditors and the internal auditor, without management involvement. This extends to requiring the external auditor to report directly to the Audit Committee.

#### **Responsibilities**

1. The Audit Committee will recommend to the Board of Directors:

- a. the external auditor to be nominated for purposes of preparing or issuing the auditor's report or performing other audit, review or attest services for the Company.
  - b. the Compensation of the external auditor.
2. The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the Auditor's Report or performing other review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting. The Audit Committee will also ensure that the external auditor is in good standing with the Canadian Public Accountability Board ("CPAB") and will enquire if there are any sanctions imposed by the CPAB on the external auditor. The Audit Committee will also ensure that the external auditor meets the rotation requirements for partners and staff on the Company's audit.
3. The Audit Committee must pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor. The Audit Committee has delegated to the Chair of the committee the authority to pre-approve non-audit services up to an amount of \$5,000, with such pre-approved services presented to the Audit Committee at the next scheduled Audit Committee meeting following such pre-approval.

De *minimis* non-audit services satisfy the pre-approval requirement provided:

  - a. the aggregate amount of all these non-audit services that were not pre-approved is reasonably expected to constitute no more than five percent of the total amount of fees paid by the Company and its subsidiaries to the external auditors during the fiscal year in which the services are provided;
  - b. the Company or subsidiaries, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
  - c. the services are promptly brought to the attention of the Audit Committee and approved, prior to the completion of the audit, by the Audit Committee or by the Chair of the Audit Committee, who has been granted authority to pre-approve non-audit engagements.
4. The Audit Committee will review and discuss with management and the external auditors the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, as well as the external auditors' written communications to the Committee and to management.
5. The Audit Committee reviews the Company's financial statements, MD&A as well as annual and interim earnings press releases and recommends such to the Board. This is prior to public disclosure of such information.
6. The Audit Committee ensures that adequate procedures are in place for the review of financial information extracted or derived from the Company's financial statements, contained in the Company's other public disclosures and must periodically assesses the adequacy of those procedures.
7. The Audit Committee establishes procedures for:
  - a. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and



- b. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
8. The Audit Committee reviews and approves the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company. The Committee will ensure that the policies are in compliance with legal requirements, including Multi-National Instrument 52-110.
9. The Audit Committee will, with respect to ensuring the integrity of disclosure controls and internal controls over financial reporting, understand the process utilized by the Chief Executive Officer and the Chief Financial Officer to comply with Multilateral Instrument 52-109.
10. The Audit Committee will undertake a process to identify the principal risks of the business and ensure appropriate risk management techniques are in place. This will involve enquiry of management regarding how risks are managed.

### **Reporting**

The reporting obligations of the Committee will include:

- Report to the Board on the proceedings of each Audit Committee meeting and on the Audit Committee's recommendations at the next regularly scheduled Board meeting.
- Review the disclosure required in the Company's Annual Information Form as Form 52-110FI.

### **Meetings**

The Committee will meet at least four times per year and at least once every fiscal quarter. Meetings may also be convened at the request of the external auditor.

**SCHEDULE "M"**

**CHANGE OF AUDITOR REPORTING PACKAGE  
STOCKPORT EXPLORATION INC.  
(the "Company")**

**NOTICE**

**NATIONAL INSTRUMENT 51-102**

TO: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission

AND TO: PricewaterhouseCoopers LLP

AND TO: Manning Elliott LLP

The Company hereby gives notice, pursuant to Section 4.11 of National Instrument 51-102, that Manning Elliott LLP have been appointed as auditor of the Company and that PricewaterhouseCoopers LLP have resigned as auditors of the Company, and that:

1. The effective date of the resignation of the Company's auditors was October 23, 2017.
2. PricewaterhouseCoopers LLP have resigned at the request of the Company.
3. There have been no Reservations in the Auditor's Reports for the Company's two most recently completed fiscal years or any subsequent period.
4. This resignation of the former auditor and appointment of the successor auditor was considered and approved by the Company's Audit Committee and by its Board of Directors.
5. There have been no Reportable Events, as that term is defined in National Instrument 51-102.

**DATED** at Halifax, Nova Scotia, this 23<sup>rd</sup> day of October, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS  
OF STOCKPORT EXPLORATION INC.**

*"James Megann"*  
President & CEO



October 25, 2017

To:

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
The Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers (Québec)  
Financial and Consumer Services Commission  
(New Brunswick) Nova Scotia Securities  
Commission  
Office of the Superintendent of Securities, Service Newfoundland & Labrador  
Office of the Superintendent of Securities, Government of Prince Edward Island

We have read the statements made by Stockport Exploration Inc. in the attached copy of change of auditor notice dated October 23, 2017, which we understand will be filed pursuant to Section 4.11 of National Instrument 51-102.

We agree with the statements in the change of auditor notice dated October 23, 2017.

Yours very truly,

(signed) "*PricewaterhouseCoopers LLP*"

**Chartered Professional Accountants**

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*PricewaterhouseCoopers LLP*  
Summit Place, 1601 Lower Water Street, Suite 400, Halifax, NS, Canada B3J 3P6  
T: +1 902 491 7400, F: +1 902 422 1166, [www.pwc.com/ca](http://www.pwc.com/ca)

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



October 25, 2017

To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission

Dear Sirs/Mesdames:

**Re: Stockport Exploration Inc. (the “Company”)**

We have read the Notice of Change of Auditor dated October 23, 2017 from the Company (the “Notice”), delivered to us pursuant to Part 4.11 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

In this regard, we confirm that we are in agreement with the statements with respect to Manning Elliott LLP as set out in the Notice, and for other statements we have no basis to agree or disagree.

Yours truly,

/s/ MANNING ELLIOTT LLP

MANNING ELLIOTT LLP

## SCHEDULE "N"

### ACKNOWLEDGEMENT - PERSONAL INFORMATION

Re: Information Circular of Stockport Exploration Inc. (the "Company") dated March 22, 2018 (the "Information Circular")

For the purposes of this acknowledgment, "Personal Information" means any information about an identifiable individual, and includes information contained in any Items in the Information Circular that are analogous to Items 4.2, 11, 13.1, 16, 18.2, 19.2, 24, 25, 27, 32.3, 33, 34, 35, 36, 37, 38, 39, 41 and 42 of Form 3D1 *Information Required in an Information Circular for a Reverse Takeover or Change of Business* ("Form 3D1") of the TSX Venture Exchange Inc. (the "Exchange"), as applicable.

The undersigned hereby acknowledges and agrees, in his capacity as an officer of the Company and not in his personal capacity, that the Company has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the Company to the Exchange (as defined in Appendix 6B *Acknowledgement - Personal Information* of the Exchange ("Appendix 6B")) pursuant to Form 3D1; and
- (b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

**DATED:** March 22, 2018.

#### STOCKPORT EXPLORATION INC.

s/ "James Megann"

Per: \_\_\_\_\_  
James Megann, President  
and Chief Executive Officer