SONA NANOTECH INC.
(formerly "Stockport Exploration Inc.")
Management Discussion and Analysis
Quarterly Report – July 31, 2018

This Management Discussion and Analysis ("MD&A") of Sona Nanotech Inc. (formerly "Stockport Exploration Inc.") (the "Company" or "Stockport") provides analysis of the Company's financial results for the three and nine-month periods ended July 31, 2018. The following information should be read in conjunction with the audited consolidated financial statements and the notes to the audited consolidated financial statements for the year ended October 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise noted.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address anticipated operating costs, possible future resource property expenditures, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are considered forward-looking because we have used what we know and expect today to make a statement about the future. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance, and actual results or developments may differ materially from those in the forward-looking statements. Forward-looking statements usually include words such as may, expect, plan, anticipate, budget, believe or other similar words. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. The Company does not update or revise forward-looking information even if new information becomes available unless legislation requires us to do so. Investors should not place undue reliance on forward-looking statements. Additional details of the specific risks associated with the operations of the Company and such forward-looking statements are set out below under "Risks and Uncertainties". Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

1.1 Date of Report

This report is prepared as of September 28, 2018.

1.2 Nature of Business and Overall Performance

On March 22, 2018, Stockport entered into a definitive agreement relating to the acquisition of Sona Nanotech Ltd. ("Sona"). Sona is a private corporation incorporated on January 21, 2014 under the laws of Nova Scotia and was continued under the Canada Business Corporations Act on May 16, 2018. Sona is in the business of researching and developing gold nanorod products, and its head office is located at Suite 2001, 1969 Upper Water Street, Halifax, Nova Scotia, Canada, B3J 3R7.

Pursuant to the definitive agreement, the Company completed an amalgamation with Sona on August 8, 2018 to form Sona Nanotech Inc. ("Amalco") and thereafter completed the issuance to Stockport shareholders of one (1) common share of Amalco for every four (4) common shares of Stockport held. Shareholders of Sona were issued one (1) common share of Amalco in exchange for every 1.5802 common shares of Sona held. The amalgamation resulted in the issuance of approximately 22,163,282 common shares of Amalco to the securityholders of Stockport. This represents approximately 50% of the issued and outstanding common shares of Amalco after completion of the transaction. The transaction received regulatory and shareholder approvals prior to completion. Upon completion of the transaction with Sona, the Company changed its name to Sona Nanotech Inc.

In addition, the Company's Board of Directors, upon approval by written consents of a majority of the minority shareholders of Stockport, made the decision to voluntarily delist from the TSX Venture Exchange ("TSX-V") and list on the Canadian Securities Exchange ("CSE"). This move was subject to the completion of the transaction with Sona and approval of the

CSE for listing. The Company received conditional listing approval from the CSE on July 27, 2018. Effective August 7, 2018, the Company's shares were voluntarily delisted from the TSX-V.

On September 28, 2018, the Company completed a private placement financing to raise gross proceeds of $2.0 million, by the issuance of 8,000,000 common shares at a price of $0.25 per share (the "Offering"). In connection with the Offering, the Company paid $150,000 in finder's fees and issued finder's share purchase warrants to a private company controlled by a director and a consultant to Sona. The share purchase warrants give the right to purchase up to 600,000 common shares at an exercise price of $0.25 per share until September 27, 2020.

Prior to completing the transaction with Sona, Stockport was a junior exploration company listed on the TSX-V. Since 2011, Stockport was focused on its Kenyan Concessions. During this time, Stockport expanded its Kenyan property portfolio to cover an area of approximately 2,000 square kilometres ("km^2"), under license or application, located within the Lake Victoria greenstone belt of southwestern Kenya (the "Nyanza Project"). Exploration activities in Kenya were focused on the Special License ("SPL") 214 and SPL 258 concessions. Due to limited results from the Company's pilot recovery program, operational concerns relating to availability of quality vendors, the ability to obtain high quality security services, and regional political concerns, the Company 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 during the final quarter of fiscal 2017. The sale included all assets and liabilities of each Kenyan subsidiary, with no proceeds received. At the time of the sale, the balance of the Company's resource property expenditures in Kenya was $2.98 million. As a result of the disposal, the Company recorded a loss on sale of subsidiaries of $2.60 million on its consolidated statement of comprehensive loss for the year ended October 31, 2017. This loss consisted of the disposal of $2.98 million of resource property assets, net of the assets and liabilities of the Kenyan subsidiaries sold. As of the date of this report, the Company has no further operations in Kenya.

During the nine-month period ended July 31, 2018, the Company had a net loss before income tax of $0.5 million, a difference of $1.0 million from the net income of $0.5 million during the nine-month period ended July 31, 2017. During the prior year period, the Company had a gain on the sale of its marketable securities of $0.3 million, a gain on the sale of equipment of $0.1 million, a recovery of resource properties of $0.1 million, and interest income of $0.2 million. Operating expenses in the current period were also higher due to the Company's legal and regulatory fees associated with the Sona transaction.

On January 5, 2016, the Company entered into a cash and share option agreement with Ardiden Limited ("Ardiden") of Australia to acquire 100% of the Company's Seymour Lake concessions for gross proceeds of $1.0 million. During the year ended October 31, 2016, the Company received a total of $175,000 in cash and $250,000 of Ardiden shares pursuant to the terms of the option agreement. During the year ended October 31, 2017, Ardiden completed the option agreement with the Company. Pursuant to the agreement, the Company received further cash from Ardiden of $325,000 and received Ardiden shares with a fair value of $371,939. Total payments received from Ardiden pursuant to the option agreement, in cash and shares, totalled $1.1 million.

1.3 Selected Annual Information

The presentation and functional currency of the Company is the Canadian dollar. The information below is expressed in thousands of Canadian dollars, except per share amounts, and prepared in accordance with IFRS:

Fiscal Year	**2017 $**	**2016 $**	**2015 $**
Net loss	2,282	3,640	840
Basic & diluted net loss per share	0.03	0.04	0.01
Total assets	1,735	4,851	9,428
Total liabilities	1,711	2,174	3,448
Cash dividends per common share	-	-	-

The Company expects to record losses until such time as it further develops its gold nanorod products and secures customers, or until such time as an economic resource is identified, developed and exploited on one or more of the

Company's remaining resource properties. See the *Risk Factors* section of this MD&A and the unaudited condensed interim consolidated financial statements for the nine-month period ended July 31, 2018 for further details.

Stockport has not paid dividends in the past three years of operation. During the year ended October 31, 2017, the Company recorded a loss on the sale of subsidiaries of $2,601,932. During the year ended October 31, 2016, the Company wrote down its KM61 resource property to $1,100,000, which was the net present value of the future cash flows associated with the cash and share option agreement to acquire the property (see section 1.15), using a discount rate of 20%. Also during the year ended October 31, 2016, the Company wrote down the accumulated costs associated with its pilot project in Kenya of $1,746,623. The write-downs were offset by a change in the fair value of the Company's convertible debenture liability of $1,609,676. During the year ended October 31, 2015, the Company wrote down its Seymour Lake resource property to $775,000, which was the net present value of the future cash flows associated with the Ardiden cash and share option agreement to acquire the property (see section 1.15), using a discount rate of 20%.

As of the date of this report, the Company continues to hold a 100% interest in the KM61/Crescent Lake property, located in northwestern Ontario, and has not yet determined whether this property contains ore reserves that are economically recoverable. The KM61 molybdenum-copper-silver project is the Company's most advanced project. 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. Certain claims on the KM61 property, including the mineralized zone, are subject to a 0.5% net smelter royalty ("NSR"). Of the remaining claims on the KM61 property, certain portions are subject to a 3% NSR, and the balance of the claims are not subject to any royalties. The Company can repurchase 50% of the 0.5% NSR for $250,000 and/or 50% of the 3% NSR for $1.0 million.

1.4 Results of Operations

Nine-month period ended July 31, 2018

During the nine-month period ended July 31, 2018, the Company had a net loss of $471,603. During the period ended July 31, 2017, the Company had a net income of $510,576. The income in the prior year period resulted primarily from a gain on sale of marketable securities by the Company of $278,661, a gain on the sale of certain Kenya equipment of $164,318, interest income of $198,675, and a recovery of resource properties of $121,939. The fair value of the Ardiden shares received upon completion of the agreement in 2017 was greater than the $250,000 of shares pursuant to the agreement, therefore a reversal of the Seymour Lake impairment of $121,939 was recorded as a recovery of resource properties during the period ended July 31, 2017. The interest income during the prior year represents the difference between the option payments received from Ardiden during the period and the net present value of the payments determined at the time of the option agreement.

Operating expenses during the current period were $421,305, compared to operating expenses of $274,844 during the prior year period, excluding the recovery of resource properties. This increase of approximately $146,000 in operating expenses is attributable to an increase of $33,552 in regulatory costs and an increase of $111,493 in professional services fees. Regulatory and professional fee expenses increased during the current period due to costs associated with the Sona transaction. During the current period, the Company recognized an accretion expense of $10,000 related to the convertible note financing completed on February 25, 2015 (see section 1.15). Interest expense on the convertible notes was approximately $33,000 for the current period. During the current period, a realized loss on the sale of marketable securities of $7,036 was recognized, compared to a gain of $278,661 during the prior year period.

The Company incurred a currency exchange loss of $95 relating to its foreign currency transactions, compared to a foreign exchange gain of $28,504 during the prior year period. The currency exchange amount is due to fluctuations of the Company's foreign currencies, primarily the United States dollar, relative to the value of the Canadian dollar. During the prior year period, fluctuations in the Kenyan shilling also impacted the Company's foreign exchange gain and/or loss.

Three-month period ended July 31, 2018

During the three-month period ended July 31, 2018, the Company had a net loss of $168,669, compared to a net income of $453,397 during the prior year. The decrease is attributable to the gain on sale of marketable securities, gain on sale of equipment, interest income, the recovery of resource properties, and the change in the fair value of the convertible debenture liability recognized in the prior year. Operating expenses during the current period were $146,147, an increase of

approximately $58,000 compared to the three-month period ended July 31, 2017, excluding the recovery of resource properties. The increase is attributable to increases in regulatory costs and professional services fees due to the Sona transaction. The Company also recognized an accretion expense of $7,500 during the comparable period related to the convertible note financing completed on February 25, 2015 (see section 1.15). There is no comparable expense during the current year period, as the convertible notes are now fully accreted. Interest expense on the convertible notes was approximately $11,000 for the current period, similar to the comparable period. The Company recognized a loss on the sale of marketable securities during the current quarter of $12,146.

The Company incurred a currency exchange gain of $777 relating to its foreign currency transactions, compared to a foreign exchange gain of $34,007 during the prior year period. The currency exchange amount is due to fluctuations of the Company's foreign currencies, primarily the United States dollar, relative to the value of the Canadian dollar. During the prior year period, fluctuations in the Kenyan shilling would also have impacted the Company's foreign exchange gain and/or loss.

1.5 Summary of Quarterly Results

Expressed in thousands of Canadian dollars, except per share amounts:

	Fiscal 2018			Fiscal 2017				Fiscal 2016
	Q3 Jul-18	Q2 Apr-18	Q1 Jan-18	Q4 Oct-17	Q3 Jul-17	Q2 Apr-17	Q1 Jan-17	Q4 Oct-16
Net income (loss)	$ (169)	$ (160)	$ (143)	$ (2,793)	$ 454	$ (49)	$ 106	$ (294)
Basic & diluted net income (loss) per share	$ (0.002)	$ (0.002)	$ (0.002)	$ (0.031)	$ 0.005	$ (0.001)	$ 0.001	$ (0.003)
Total assets	$ 1,603	$ 1,631	$ 1,836	$ 1,735	$ 4,917	$ 4,522	$ 4,675	$ 4,851
Total liabilities	$ 1,964	$ 1,832	$ 1,728	$ 1,711	$ 2,017	$ 2,046	$ 2,050	$ 2,174

1.6 Liquidity, Capital Resources and Going Concern

As of July 31, 2018, the Company had negative working capital of $1.0 million, compared to negative working capital of $0.9 million at October 31, 2017. During the nine-month period ended July 31, 2018, the Company spent cash of approximately $202,000 on its operating activities and approximately $5,000 was spent on its resource properties (see section 1.15). Stockport also received proceeds of approximately $422,000 on the sale of its marketable securities during the nine-month period ended July 31, 2018.

Stockport completed its amalgamation with Sona on August 8, 2018. 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 currently pursuing financing alternatives and completed a private placement financing of $2.0 million on September 28, 2018. 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, and this may result in the loss of the Company's resource properties. The Company's financial statements and management's discussion and analysis do not reflect the adjustments to the carrying values of assets that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

1.7 Off-Balance Sheet Arrangements

At July 31, 2018, the Company had 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 the Company.

1.8 Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed by the Company to ensure that financial information disclosed by the Company in the MD&A and in the unaudited condensed interim consolidated financial statements of the Company is properly recorded, processed, summarized and reported to its officers and the Board of Directors. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") believe such controls and procedures as at July 31, 2018 are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

Internal Control Over Financial Reporting

The Company's management, with the participation of its CEO and CFO, has designed, established and is maintaining a system of internal control over financial reporting. Under the supervision of the CFO as at July 31, 2018, the Company's internal control over financial reporting is a process designed to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner and in accordance with IFRS. The Company's controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

There were no changes in the Company's internal control over financial reporting during the period ended July 31, 2018 that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

The Company's management, including the CEO and CFO, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

1.9 Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred expenditures, the value of the Company's convertible debentures liability, the value of share-based compensation, and the valuation of any deferred income tax assets and liabilities. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The Company's recoverability of the recorded value of its mineral properties and associated deferred expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is dependent on a number of factors, including environmental, legal and political risks, the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

The Company's convertible debenture liability is valued at each reporting date. The valuation is complex, as there is no active trading market for the input items and is based on significant unobservable inputs. The valuation considers factors such as limited available market information, market trading prices, management's assumptions of expected cash flows related to the instruments, including reasonably possible alternative assumptions, maturity dates and expected return of capital on a discounted basis. Future cash flows include a combination of various components, including the projection of the price of gold, recovery percentage, throughput rates, and operating costs.

The factors affecting share-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors, including the market value of the Company's shares and the financial objectives of the share-based instrument holders.

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Deferred income tax assets also result from unused loss carry-forwards and other deductions. The valuation of deferred income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

1.10 Transactions with Related Parties

During the nine-month period ended July 31, 2018, the Company incurred management service fees of $27,000 and rent and office costs of $17,369 to a company owned by certain key management (year ended October 31, 2017 – management service fees of $36,000 and rent and office costs of $21,540). The management service fees were incurred on a cost recovery basis and include general and administration charges such as utilities, accounting services and investor relations services of the Company.

During the year ended October 31, 2015, the Company received proceeds from an operating line of credit of $250,000 by a company owned by certain key management of Stockport. Interest on the operating line of credit was payable monthly at prime plus 1%. As at October 31, 2016, the Company had an outstanding line of credit amount of $211,468 and accrued interest payable of $1,307 on the line of credit balance outstanding. During the year ended October 31, 2017, the Company paid off the line of credit in full, including all accrued interest.

On February 25, 2015, the Company completed a $295,000 bridge loan financing by the issuance of unsecured convertible promissory notes. Certain directors of the Company contributed $195,000 towards the Notes financing. As at July 31, 2018, accrued interest on the Notes in the amount of $96,677 was payable to related parties (October 31, 2017 - $74,801).

As at July 31, 2018, total amounts payable to officers, directors and companies owned thereby were $1,238,281 (October 31, 2017 - $1,131,109), including $195,000 of the principal amounts received from related parties pursuant to the convertible note financing, which have a carrying value of $195,000 (October 31, 2017 – carrying value of $188,390).

1.11 Risks and Uncertainties

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 life science 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 it 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.

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 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 owned patents or pending patent applications.

Even if the Company's owned and licensed patent applications issue as patents, they 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 owned and licensed patents 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 owned and licensed patent portfolio 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 offices 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.

1.12 Outstanding Share Data

a) Common Shares

The Company has authorized an unlimited number of common shares without par value.

- At July 31, 2018, the Company had issued and outstanding 88,653,128 common shares with a recorded value of $22,597,563. The amalgamation with Sona resulted in every four (4) common shares of Stockport exchanged for one (1) common share of Sona Nanotech Inc., resulting in approximately 22,163,282 shares issued to Stockport shareholders upon completion of the Sona transaction on August 8, 2018.
- At September 28, 2018, the Company had issued and outstanding 52,199,520 common shares, as the amalgamation with Sona resulted in every four (4) common shares of Stockport exchanged for one (1) common share of Sona Nanotech Inc. and every 1.5802 common shares of Sona exchanged for one (1) common share of Sona Nanotech Inc. In addition, the Company completed a private placement financing of 8,000,000 shares on September 28, 2018 at a price of $0.25 per share, for gross proceeds of $2.0 million.

b) Warrants

- At July 31, 2018, the Company had 1,196,000 warrants outstanding valued at $30,000, exercisable at $0.10 and expiring on October 31, 2018. The amalgamation with Sona resulted in the 1,196,000 outstanding warrants being exchanged into 299,000 warrants, exercisable at $0.40 and expiring on October 31, 2018.
- At September 28, 2018, after the amalgamation with Sona and the private placement financing, the Company had 899,000 share purchase warrants outstanding. 299,000 are exercisable at $0.40 and expire on October 31, 2018. 600,000 resulted from finder's warrants issued upon completed of the private placement financing and are exercisable at $0.25 and expire on September 27, 2020.

c) Stock Options

- At July 31, 2018, the Company had 3,650,000 stock options outstanding, exercisable into common shares of the Company at a weighted-average exercise price of $0.05, expiring between August 20, 2018 and July 11, 2021.
- At September 28, 2018, the Company had 900,000 stock options outstanding due to the completion of the amalgamation with Sona, as well as the expiry of certain options subsequent to the period ended July 31, 2018. The 900,000 stock options have a weighted-average exercise price of $0.21 and expire between June 5, 2019 and September 11, 2019.

1.13 Convertible Debenture Financing

On October 31, 2013, Stockport completed a private placement of 1,196 units at a price of $1,001 per unit, for aggregate gross proceeds of $1,197,196. The proceeds of the financing were used to fund expenditures, including a two-phased exploration and potential surface gold recovery program at the Company's Nyanza Project in Kenya.

During the year ended October 31, 2014, the Company elected to proceed with the second phase of the project. As a result, the convertible debenture holders were entitled to receive:

- a repayment of the convertible debenture in the amount of 100% of the investment ($1,000 per unit) based on 75% of free cash flow generated from the surface gold recovery project;

- a preferred share in Stockport Mining Kenya Limited ("SMK"). $1 per unit was allocated to the cost of the preferred share. The preferred share will pay a premium entitlement of 110% of the original investment ($1,100 per unit) from 75% of free cash flow generated from the gold recovery project and is then redeemed by SMK; and

- if the amount of the debenture plus the 110% premium entitlement is not paid within the five-year maturity date of October 31, 2018, then the amount of debt and premium entitlement, less any repayments to that date, will be converted into common shares of the Company at a conversion price of $0.50 per share.

Under the terms of this financing, the Company also issued 1,000 warrants with each unit. The 1,196,000 warrants are exercisable at the commencement of the second phase of the project at a price of $0.10 per share and expire on October 31, 2018. An initial value of $30,000 was assigned as the fair value of the warrants.

Details of the amounts repayable related to the convertible debenture are as follows:

	July 31, 2018	October 31, 2017
	$	$
Phase I	299,299	299,299
Phase II	897,897	897,897
Total financing proceeds after Phase I and Phase II	1,197,196	1,197,196
Premium entitlement (110%)	1,316,916	1,316,916
Total amount to be repaid by October 31, 2018	2,514,112	2,514,112
Estimated fair value of amont to be repaid	125,705	125,705

It is the Company's intention to settle the convertible debenture liability at maturity through the issuance of common shares. As at July 31, 2018, the Company has estimated the fair value of its convertible debenture liability based upon its full settlement obligation to issue 1,257,055 common shares (5,028,223 common shares prior to the transaction with Sona) at the maturity date of October 31, 2018. The Company estimated the fair value of its obligation to issue these shares at $125,705 based on the market trading price of $0.10 per share ($0.025 per share prior to the transaction with Sona) as at July 31, 2018 and as at October 31, 2017. If the share price was $0.01 per share higher or lower (prior to the transaction with Sona), the fair value of the convertible debenture liability would increase or decrease by $50,000.

1.14 Convertible Notes

On February 25, 2015, the Company completed a $295,000 bridge loan financing from various directors and other private investors of the Company by the issuance of unsecured convertible promissory notes. The Notes were issued with an interest rate of 12% per annum, payable quarterly commencing August 25, 2015, and were initally repayable by the Company on or before the maturity date of March 27, 2018. Effective October 20, 2015, certain terms of the Notes were amended to meet the requirements of the TSX-V, including an increase in the interest rate from 12% to 15% per annum. The maturity date of the Notes has been extended by 18 months to September 27, 2019.

The principal amount of the Notes is convertible into common shares of the Company at the election of the holder at the rate of $0.20 ($0.05 prior to the transaction with Sona) of principal converted per share. If the Notes are not repaid within three days of the maturity date, they will be automatically converted into common shares of the Company at the Conversion Price. If interest is not paid each quarter, any accrued interest can be converted, at the option of the holder, into shares at $0.20 ($0.05 prior to the transaction with Sona) or the five-day volume weighted-average price ("VWAP") preceding the date of conversion, whichever is higher. The holders of the Notes have not yet elected to convert any unpaid accrued interest to common shares of the Company.

The Company has assessed the respective value of the Notes and the conversion component. The Notes were initially recorded at a value of $205,000, and the equity component of the Notes was valued at $90,000. The initial recorded value of the Notes, in the amount of $205,000, will be accreted to the face value of the Notes over the term of three years. During the nine-month period ended July 31, 2018 and the year ended October 31, 2017, the change in the recorded value of the Notes was as follows:

Recorded value of the Notes, November 1, 2016	$ 255,000
Accretion expense for the year ended October 31, 2017	30,000
Recorded value of the Notes, October 31, 2017	$ 285,000
Accretion expense for the period ended July 31, 2018	10,000
Recorded value of the Notes, July 31, 2018	$ 295,000

In preparing the allocation of value between the Notes and the equity component of the Notes, the Company estimated an interest rate of 25% for a similar debt instrument with no conversion option. If the Company had used an interest rate of 20%, the recorded value of the equity component of the Notes would have been $30,000 lower. If the Company had used an interest rate of 30%, the recorded value of the equity component of the Notes would have been $40,000 higher.

1.15 Deferred Resource Property Expenditures

Peter Webster, P.Geo., of Mercator Geological Services Limited, is the qualified person responsible for the technical information included in this report.

During the period ended July 31, 2018, the Company incurred $3,600 related to the care and maintenance of its KM61 property. During the year ended October 31, 2017, the Company incurred deferred exploration expenditures of $41,904, primarily incurred on the Kenyan concessions as the Company continued to evaluate its exploration concessions in Kenya, prior to the sale of the Kenyan subsidiaries on August 1, 2017. A recovery of resource property of $121,939 was recorded to the Company's Seymour Lake project as a result of an impairment reversal on the property based on the value of shares received from Ardiden. Option payments of $498,264 were recorded to the Company's Seymour Lake project as a result of funds received from Ardiden related to the completion of the cash and share option agreement on the property. Minimal costs of $6,739 were incurred on the Company's KM61 project in fiscal 2017, related to ongoing care and maintenance.

KM61

The Company holds a 100% interest in the KM61 molybdenum-copper-silver project, located near Armstrong, Ontario. An independent NI 43-101 Mineral Resource Estimate for the Main Zone at KM61 was completed in December 2008, with an indicated 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). Please refer to the Company's NI 43-101 Technical Report filed on SEDAR on January 22, 2009 for further details. The KM61 property also includes a number of lithium targets.

The property is subject to a 0.5% NSR over five claims, including the mineralized zone. The majority of two additional claims are also subject to the 0.5% NSR, with relatively small portions subject to a 3% NSR. The remaining KM61 claims are not subject to any royalty. The Company can repurchase 50% of the 0.5% NSR for $250,000 and/or 50% of the 3% NSR for $1,000,000.

On June 22, 2016, the Company entered into a cash and share option agreement with Sovereign Gold Company Limited ("Sovereign") of Australia to acquire 100% of the Company's KM61 concession claims for gross proceeds of $1.4 million. The option excludes the mineralized area known as the KM61 Project. The Company received $100,000 upon signing of the agreement and a further $75,000 in 75 days, which were recorded against resource property expenditures. During the term of the agreement, Stockport retained 100% of the Crescent Lake rights should Sovereign fail to complete any requirements of the option agreement. Stockport also maintained a 2% NSR on all minerals related to the property.

During the year ended October 31, 2016, the Company wrote-down the value of its KM61 property to $1,100,000, which was the net present value of the future cash flows, using a discount rate of 20%, associated with the Sovereign cash and share option agreement to acquire the property. As of June 22, 2016, if the discount rate was 5% higher or lower, the write-down of resource property expense would increase or decrease by $60,000.

Sovereign notified the Company during the fourth quarter of the year ended October 31, 2016 that it would not continue with the option agreement.

Seymour Lake

On January 5, 2016, the Company entered into a cash and share option agreement with Ardiden Limited (“Ardiden”) of Australia to acquire 100% of the Company’s Seymour Lake concessions for gross proceeds of $1.0 million. During the year-ended October 31, 2016, the Company received $75,000 upon signing of the agreement, 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, 2015, the Company wrote-down the value of its Seymour Lake property to $775,000, which was the net present value of the future cash flows associated with the Ardiden cash and share option agreement to acquire the property, using a discount rate of 20%. All amounts received from Ardiden pursuant to the option agreement are recorded against resource property expenditures at their net present value, with the difference between the amount received and the net present value recorded as interest income.

During the year ended October 31, 2017, Ardiden completed the option agreement with the Company. Pursuant to the agreement, the Company received further cash from Ardiden of $325,000 during the year and received Ardiden shares with a fair value of $371,939. Total payments received from Ardiden pursuant to the option agreement, in cash and shares, totalled $1.1 million. The fair value of the Ardiden shares received upon completion of the agreement was greater than the $250,000 of shares pursuant to the original agreement, therefore a reversal of the Seymour Lake impairment of $121,939 was recorded as a recovery of resource property during the year ended October 31, 2017. The total amount recorded as interest income during the year ended October 31, 2017 was $198,675 (year ended October 31, 2016 - $29,085), and $498,264 was recorded as against resource properties.

The Company maintains the option to purchase a 1.5% NSR for payment of $1.0 million on or before January 24, 2024.

Kenya

Up to the initiation of the sale of the Kenyan subsidiaries, the Company’s exploration focus since 2011 was on its Kenyan properties, primarily the SPL 214 concession, which covers an area of approximately 15 km² in the Rongo area, Migori District, Kenya. In 2014, the Company began working to advance a small-scale extractive program at SPL 214, utilizing a tank leach circuit, targeting artisanal tailings with the ability to expand to process quartz rubble. In reference to the project, the Company applied for and received National Environment Management Authority (NEMA) approval relating to the operation, entered into a land lease agreement pertaining to tank leach circuit operation and tailings facility and received Kenyan Government Department of Lands approval for change of land use to mineral processing. The Company purchased leach tanks and supporting equipment. Commissioning began in June 2015. Following the initial commissioning activities in mid-2015, the Company suspended operations to complete an analysis of operations and some upgrades to the recovery operation. Further commissioning tests were completed in December 2015, and the Company recommenced operations in the first quarter of 2016.

In 2016, management determined the pilot test plant had produced sufficient recovery data for continued exploration purposes, however continued operating costs would not warrant additional investment. In addition, new mining legislation, lack of availability of higher grade material, and illegal mining activities caused the Company to suspend the operation of its pilot project at the Nyanza property in May 2016. As a result, the Company wrote-down the accumulated costs associated with the pilot project, for a net write-down of $1.7 million for the year ended October 31, 2016.

On August 1, 2017, the Company disposed of the two Kenya subsidiaries, Stockport Exploration of Kenya Limited and Stockport Mining Kenya Limited, to an arms-length third party. The sale included all assets and liabilities of each subsidiary, with no proceeds received on the sale.

1.16 Management Changes and Other Information

On August 8, 2018, the Company completed the Sona transaction. Darren Rowles was appointed the Company’s President and Chief Executive Officer, and Rob Randall continues his role as Chief Financial Officer. Daniel Whittaker, Zephaniah Mbugua, Robert McKay, James Megann, and Neil Smith were elected directors of the Company.

Additional information regarding the Company is available on SEDAR at www.sedar.com and on Sona’s website at www.sonanano.com.