SONA NANOTECH INC.

Form 2A

<u>Listing Statement</u>

September 28, 2018

Cautionary Statement Regarding Forward-Looking Information

Statements contained in this Listing Statement 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 the Issuer, 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 the Issuer's business; risks related to the Issuer's operations; risks associated with the Issuer's potential product liabilities; the effects of changes in technologies that might affect the Issuer'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 "Risk Factors" in this Listing Statement. Although the Issuer has 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 the Issuer has 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 Listing Statement are made as of the date of this Listing Statement and, except as required under applicable securities laws, the Issuer undertakes any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise.

GLOSSARY

The following is a glossary of certain terms used in this Listing Statement, including the Summary that follows. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. Certain additional terms are defined within the body of this Listing Statement and in such cases will have the meanings ascribed thereto. In the event of a conflict between a term defined in the glossary and a term defined in the Policy manual of the Exchange the Exchange definition will govern.

Amalgamation	The amalgamation of Sona and Stockport completed pursuant to the provisions of Section 181 of the CBCA on the terms and conditions set out in the Amalgamation Agreement.
Amalgamation Agreement	The Amalgamation Agreement dated for reference March 22, 2018 between Sona and Stockport providing for the Amalgamation.
BCBCA	The *Business Corporations Act* (British Columbia).
Board	The board of directors of the Issuer.
CBCA	The *Canada Business Corporations Act*, as amended, including all regulations promulgated thereunder.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
Convertible Securities	The convertible debentures, convertible notes and convertible loans of the Issuer after the Amalgamation, all of which are convertible into Shares in accordance with their terms as more particularly described herein
Definitive Agreement	The Definitive Agreement dated for reference March 22, 2018 between Sona and Stockport.
Escrow Agreement	The Form 46-201F1 Escrow Agreement between the escrowed shareholders of the Issuer, the Issuer, and Computershare Investor Services Inc, as the "Escrow Agent:"
Exchange or CSE	The Canadian Securities Exchange.
GNR	Gold nanorods.
IFRS	International Financial Reporting Standards.
Issuer	Sona Nanotech Inc., a corporation existing under the CBCA.
ITA	The *Income Tax Act* (Canada), as amended.
Lateral flow assays	Also known as lateral flow immunochromatograhic assays, are simple paper-based devices intended to detect the presence (or absence) of a target analyte in liquid sample (matrix) without the need for specialized and costly equipment.
Listing Date	The date the Shares are listed and posted for trading on the CSE.
MD&A	Management's discussion and analysis on Form 52-102F1.
Private Placement	The recently completed private placement of the Issuer to raise gross proceeds of $2,000,000 by the issuance of 8,000,000 Shares
Securities Legislation	The securities legislation of each of the provinces and territories of Canada each as now enacted or as amended and the applicable rules, regulations, rulings, orders, instruments and forms made or promulgated under such statutes, as well as the rules, regulations, by-laws and policies of the CSE

SEDAR	System for Electronic Document Analysis and Retrieval.
Shares	The common shares without par value of the Issuer
Sona	Refers to Sona Nanotech Ltd., prior to the Amalgamation.
Stock Options	The issued and outstanding stock options of the Issuer to purchase 900,000 common shares of the Issuer, after the Amalgamation
Stockport	Refers to Stockport Exploration Inc., prior to the Amalgamation.
Stock Option Plan	The Issuer's Stock Option Plan dated August 8, 2018.
Transfer Agent	Computershare Investor Services Inc.
Transaction	The later of the completion of the Amalgamation and the subsequent Private Placement
TSX-V	The TSX Venture Exchange.
Warrants	The issued and outstanding share purchase warrants of the Issuer to purchase 899,000 common shares of the Issuer, after the Amalgamation

Item 1: Table Of Contents

Item 2: Corporate Structure

The full corporate name of the Issuer is Sona Nanotech Inc. The head office of the Issuer is Suite 2001 - 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7. The registered office of the Issuer is Suite 1750 - 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

The Issuer was incorporated pursuant to the provisions of the CBCA on November 17, 2004 under the name "Linear Metals Corporation" and changed its name to "Stockport Exploration Inc." on April 24, 2012. Effective August 8, 2018, the Issuer completed the Amalgamation with "Sona Nanotech Ltd." whereby it changed its name to "Sona Nanotech Inc.".

The Issuer has two subsidiaries, 6321593 Canada Inc. and Minera Zapoteca, S.A. de C.V.

Item 3: General Development of the Business

Prior to the Amalgamation, Stockport was a mineral exploration company with its shares listed on the TSX-V and Sona was private life sciences company, which developed two proprietary methods for manufacturing gold nanorods for medical diagnostics. Stockport voluntarily delisted from the TSX-V at the close of trading on August 7, 2018. Following the Amalgamation, the business of the Issuer will be the continued research and development, and commercialization of the Sona nanotechnologies. The Issuer will divest the former Stockport mineral resource properties in an orderly manner.

The Issuer's primary focus of business is to develop and commercialize novel nanoparticle technologies for sale to the global nanoparticles market, and its first Beta product (GeminiTM) was released to market in 2016.

Continued refinement and iterations of the GeminiTM product progressed through 2016 and 2017, and a second range of nanorods (OmniTM) 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.

The Issuer 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, the Issuer'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™ 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 GeminiTM and OmniTM 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.

Further details of the foregoing are set forth in the Joint Management Information Circular dated March 22, 2018, a copy of which is available on SEDAR under the Issuer's profile.

There have been no other significant transactions involving the Issuer.

There are no known trends, commitments or events that are likely to affect the Issuer's business.

Item 4: Narrative Description of the Business

In 2017, the Issuer 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™ and Omni™ 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 the Issuer's gold nanorods in lateral flow assays. To aid in the sale of such licenses and reagents, the Issuer 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 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, the Issuer has received approval for a CAD$500,000 government loan from Atlantic Canada Opportunities Agency ("ACOA") which was or is being 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.

The Issuer'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 the Issuer'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 the Issuer's technology can provide and include the following:

- Develop feasible next generation, multiplexed, lateral flow assays utilizing the Issuer'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 the Issuer's gold nanorod technologies;
- Demonstrate the feasibility of using the Issuer'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 the Issuer's nanorod technology in a lateral flow platform for detection of single molecule analytes; and
- Build the Issuer'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 the Issuer'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 the Issuer's nanorod technology to a wider range of commercial applications;
- Develop a graduate training center for next generation nanotechnologists to collaborate with the Issuer on existing projects.

The above objectives are anticipated to be completed over the 12 to 18 month-period following completion of the Listing Date, and will involve the Issuer 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 the Issuer is able to service the international diagnostics market, the Issuer proposes to obtain ISO13485 certification (a framework for meeting medical device quality requirements in the international markets).

Operations

The Issuer 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. The Issuer 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.

The Issuer currently has five full-time employees. The Issuer's current research and development ("R&D") and production operates from leased lab space at St. Francis Xavier University ("St. FX") in Antigonish, Nova Scotia; however, to align with its future goals and markets, the Issuer 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. The Issuer's current agreement with St. FX is in good standing and is a rolling agreement that was terminated at the end of June 2018, unless otherwise agreed to between St. FX and the Issuer. The Issuer intends to relocate its operations to the facility owned by the Nova Scotia Innovation Corporation effective October 1, 2018. This facility is located in Dartmouth, Nova Scotia and the Issuer has signed a three-year lease for this facility.

Lateral flow development is a specialized skill set that existing the Issuer 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 the Issuer's commercial strategy.

The Issuer 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, the Issuer was assigned USPTO Provisional Patent Application number 62581669 entitled "Metal Nanoparticles and Methods of Making Same" for nominal consideration.

The Issuer has a provisional patent application only and at this time, no patent has been filed for or granted. The Issuer can provide no assurance that any patents will be issued for its currently provisional patent application in a manner that gives the Issuer the protection that it seeks, if at all, or that any future patents issued to the Issuer will not be challenged, invalidated or circumvented.

Although the Issuer 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. The Issuer has invented two methods of making gold nanorods without CTAB.

The Issuer's intention is for its patent lawyers to conduct a preliminary search to attempt to identify any possible barriers to the Issuer proceeding to make a full application for a patent. If no conflicting provisional patents by a third party are identified, the Issuer will file a renewed provisional patent. If a later-dated provisional application is submitted by a third party, the Issuer intends to submit a final patent application, followed by a Patent Cooperation Treaty law application (for an 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, the Issuer 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 cardiometabiolic. However, the Issuer 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.

The Issuer intends to market its products and services directly and through a distribution network using distribution agreements with non-arm's length companies. The Issuer will embark on an aggressive public relations campaign to bolster the Issuer and its personnel as key opinion leaders in the market. The Issuer will also attend market established conferences such as American Association for Clinical Chemistry and Medica (a world forum for medicine), 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. The Issuer 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 Corp., BBI Solutions, and Expedeon Inc.

Item 5: Selected Consolidated Financial Information

The following selected financial information is subject to the detailed information contained in the financial statements of the Issuer and notes thereto incorporated by reference. The following table sets out certain selected financial information of Sona for the periods indicated which was extracted from Sona's audited and unaudited financial statements, copies of which are attached to this Listing Statement.

Financial Data

	Year ended December 31, 2016 (Audited)	Period ended October 31, 2017 (Audited)	Period ended April 30, 2018 (Unaudited)
Total Expenses	(747,867)	(449,126)	(493,652)
Other income	105,107	21,115	86,975
Net Loss	(642,760)	(428,011)	(406,677)
Loss Per Share – Basic and Diluted	(0.02)	(0.02)	(0.012)
Total Assets	143,466	336,145	454,298
Total Liabilities	751,319	1,134,270	1,259,780
Working Capital (Deficit)	(521,935)	(646,195)	(546,337)
Shareholders' Equity (Deficiency)	(607,852)	(798,125)	(805,482)
Weighted Average Common Shares Issues and Outstanding (end of period)	27,190,155	27,928,923	33,392,773

The following table sets out certain selected financial information of Stockport for the years ended October 31, 2017, 2016 and 2015. The information below 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 Sona Nanotech Inc.'s (formerly Stockport's) company profile on SEDAR at www.sedar.com. Copies of the audited financial statements of

Stockport for the fiscal years ended October 31, 2017 and 2016 are also attached hereto. 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 October 31, 2015 (Audited)	Year ended October 31, 2016 (Audited)	Year ended October 31, 2017 (Audited)	Period ended April 30, 2018 (Unaudited)
Total Expenses	911,140	5,204,384	239,705	275,158
Net Loss	840,048	3,639,850	2,282,222	302,934
Loss Per Share – Basic and Diluted	0.01	0.04	0.03	0.003
Total Assets	9,428,211	4,851,065	1,735,438	1,630,788
Total Liabilities	3,447,518	2,173,990	1,710,932	1,831,645
Working Capital (Deficit)	(1,852,572)	(1,200,585)	(911,193)	(843,956)
Shareholders' Equity (Deficiency)	5,980,693	2,677,075	24,506	(200,857)
Weighted Average Common Shares Issues and Outstanding (end of year/period)	81,758,110	88,653,128	88,653,128	88,653,128

Quarterly Data ($'000's except per share amounts)

	Second Quarter ended April 30, 2018	First Quarter ended Jan. 31, 2018	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
Net Income (Loss)	(160)	(143)	(2,793)	453	(49)	106	(294)	(2,900)
Income (Loss) Per Share – Basic and Diluted	(0.002)	(0.002)	(0.031)	0.005	(0.001)	0.001	(0.003)	(0.033)
Total assets	1,631	1,836	1,735	4,917	4,522	4,675	4,851	5,262
Total liabilities	1,832	1,728	1,711	2,017	2,046	2,050	2,174	2,320

A copy of the unaudited interim financial statements of Stockport for the six-month period ending April 30, 2018 are also attached to this Listing Statement. The information above which has been derived from and should be read in conjunction with Stockport's financial statements for the relevant quarterly periods, which are incorporated herein by reference, copies of which can be found under Stockport's company profile on SEDAR at www.sedar.com.

Item 6: Management's Discussion and Analysis

The Management's Discussion and Analysis ("MD&A") provides a review of the performance of Sona and should be read in conjunction with the unaudited financial statements of Sona (the "Financial Statements") for the period ended April 30, 2018 (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 six-month period ended April 30, 2018, Sona recorded expenses of $493,652, an increase of $219,971 from the $273,681 expenses incurred during the six-month period ended April 30, 2017. The increase can be attributed to the following items:

- Consulting and wages increased by $37,378 as a result of the hiring of additional employees due to the increase in business activities.
- Professional fees increased by $66,544 primarily due to an increase in legal fees and the

engagement of additional consultants due to the increase of business activities.

- Management services for the six-month periods ended April 30, 2018 and 2017 were both $108,000. The management service fees relate to consulting services provided by Numus Financial Inc. ("Numus"). See "Related Party Transactions".
- Research and development costs increased by $43,080 as a result of increased business activities.
- General administrative expenses increased by $48,413, due to the increase in travel costs and business activities.
- Depreciation expense increased by $10,007, due to the depreciation on the acquisitions of laboratory and office equipment during the past year.

Other income

During the six-month period ended April 30, 2018, Sona recorded other income of $86,975, an decrease of $18,665 from the $105,640 other income earned during the six-month period ended April 30, 2017. The increase can be attributed to the following items:

- During the six-month period ended April 30, 2018, Sona recorded $85,348 of other income relating to the fair value adjustment on repayable government loans (the "ACOA loans"). The value recorded in other income are a result of the difference between the face value of the ACOA loans and the initial fair value of the ACOA loans. The initial fair value of the loans is determined using the present value of the projected repayment of the loan, based on a 3 - 5% royalty on the estimated gross product revenues. The ACOA loans increased by $43,155 due to an increase in eligible costs incurred during the six-month period ended April 30, 2018.
- During the six-month period ended April 30, 2018, there was an decrease of $61,820 in other income relating to SR&ED as a SR&ED claim was completed during the six-month period ended April 30, 2017 and finalized during the six-month period ended April 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

	April 30, 2018	October 31, 2017	December 31, 2016
	$	$	$
Total assets	454,298	336,145	143,466
Current financial liabilities	863,382	962,024	664,811
Non-current financial liabilities	396,398	172,246	86,507
Shareholders' Equity	(805,482)	(798,125)	(607,852)

Sona's liquidity depends on existing cash reserves, supplemented as necessary government loans and grants, and equity and/or debt financings. As of April 30, 2018, Sona had cash of $167,122 compared to $173,323 as at October 31, 2017. The negative working capital balance at April 30, 2018 was $546,337 as compared to the negative working capital balance of $646,195 at October 31, 2017 due primarily operating and investing costs incurred through the normal course of operations, netted against the cash received from the private placement completed in during the six-month period ended April 30, 2018.

During the six-month period ended April 30, 2018, Sona used net cash of $437,108 to fund operating activities. In addition, Sona raised net funds through financing activities of $559,292 during this six-month period ended 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 $128,385 for the six-month period ended April 30, 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.

Sona 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 Sona to generate revenue from current and prospective customers, general and administrative requirements of Sona and the availability of capital markets. As these variables change, it may necessitate the need for Sona to issue equity or obtain debt financing.

Sona is currently pursuing financing alternatives. However, there can be no assurance that additional future financings will be available on acceptable terms or at all. If Sona is unable to obtain additional financing when required, Sona may have to substantially reduce or eliminate planned expenditures. Refer to note 1, *Nature of operations and going concern,* in the unaudited condensed interim financial statements for the six-month period ended April 30, 2018.

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 six-month period ended April 30, 2018, Sona 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 $108,000 (period ended October 31, 2017 – $180,000) and incurred rent and office costs from Numus in the amount of $nil (period ended October 31, 2017 – $12,150), incurred administrative fees of $456 (period ended October 31, 2017 - $nil), received a loan in the amount of $nil (period ended October 31, 2017 – $44,959), accrued interest on the loan of $519 (period ended October 31, 2017 – $325) and made loan repayments of $45,803. As at April 30, 2018, the amount owing to Numus was $436,983 (October 31, 2017 – $589,669).

During the six-month period ended April 30, 2018 and the ten-month period ended October 31, 2017, Numus Capital Corp. ("Numus Capital"), an exempt market dealer controlled by certain directors of Sona, assisted Sona in securing subscribers in the private placements completed by Sona. Sona incurred Numus Capital finders' fees of 8.0%, or $35,200, during the six-month period ended April 30, 2018 (October 31, 2017 – 8%, or $20,800). As at April 30, 2018, the amount owing to Numus Capital was $nil (October 31, 2017 – $10,400).

As at April 30, 2018 and October 31, 2017, Sona had a loan outstanding from Brigus Capital Inc. ("Brigus"), a company controlled by a former director of Sona. During the six-month period ended April 30, 2018, Sona accrued interest of $6,000 (period ended October 31, 2017 – $10,000). As at April 30, 2018, the amount owing to Brigus was $123,093 (October 31, 2017 – $117,094).

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 Sona 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. Sona 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 Sona 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 April 30, 2018 would have been an estimated $11,200 lower or $11,700 higher, respectively. If the total forecasted revenue was reduced by 10% or increased by 10%, the carrying value of the long-term debt at April 30, 2018 would have been an estimated $1,700 higher or lower, respectively.

Stockport's management's discussion and analyses ("**MD&A**") for periods ending April 30, 2018 and the years ending October 31, 2017, 2016 and 2015 are incorporated herein by reference, copies of which can be found under Sona Nanotech Inc.'s (formerly, Stockport's) company profile on SEDAR at 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 unaudited financial statements for the period ended April 30, 2018 and the audited financial statements for the years ended October 31, 2017, 2016 and 2015.

Trends and Business Risks

There are no trends which have been identified for the Issuer's business, and the business risks applicable to the Issuer are set out more particularly in Item 17 under the heading "Risk Factors" below.

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.

Item 7: Market for Securities

The following table sets forth information relating to the trading of Stockport's common shares on the TSX-V during the 12-month period preceding the date of this Listing Statement and prior to the effective date of the Amalgamation:

Month	High	Low	Close	Monthly Volume
To September 28, 2018(1)	0.025	0.025	0.025	Nil
August 2018	0.025	0.025	0.025	Nil
July 2018	0.025	0.025	0.025	Nil
June 2018	0.025	0.025	0.025	Nil
May 2018	0.025	0.025	0.025	Nil
March 2018	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

(1) Stockport's shares were halted from trading on the TSX-V since September 28, 2017 and, subsequently delisted effective at the close of trading on August 7, 2018.

Item 8: Consolidated Capitalization

The following table sets out the consolidated loan capitalization of the Issuer following the Amalgamation:

Capital	Amount Authorized	Outstanding Amount
Long Term Debt	N/A	$691,398
Shares(1)	Unlimited	52,199,520

(1) Does not include the Shares issuable upon exercise of the Stock Options, Warrants and Convertible Securities.

Item 9: Options to Purchase Securities

Stock Options

Optionees	No. of Securities under Option	Exercise Prices per Share	Expiry Dates
Officers			
Officers, current and past, as a group	100,000	$0.28 and $0.20	September 11, 2019 and July 11, 2021
Consultants			
Consultants, as a group	437,500	$0.28 and $0.20	June 5, 2019 to July 11, 2021
Directors (excluding Officers)			
Directors, current and past, as a group	362,500	$0.20	June 5, 2019 to July 11, 2021

Warrants

The Issuer has 299,000 share purchase warrants outstanding which entitle the holders to purchase up to 299,000 common shares of the Issuer at a price of $0.40 per share until October 31, 2018 and up to 600,000 finder's share purchase warrants outstanding which entitle the holders to purchase up to 600,000 common shares of the Issuer at a price of $0.25 for two years from the date of completion of the Private Placement.

Item 10: Description of the Securities

The Issuer is authorized to issue an unlimited number of common shares without par value. As at the date of completion of the Amalgamation, there were 52,199,520 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, 900,000 common shares will be reserved for issuance under the Stock Options and 899,000 common shares will be reserved for issuance under the Warrants.

The holders of 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 the Issuer and, upon liquidation, to share equally in such assets of the Issuer as are distributable to the holders of common shares.

Item 11: Escrowed Securities

The following Shares of the Issuer held by directors and officers of the Issuer as a group are subject to escrow restrictions:

Name and Municipality of Residence of Shareholder	Designation of class	Prior to Giving Effect to The Transaction [(1)]		After Giving Effect to The Transaction [(2)]	
		Number of Securities held in Escrow	Percentage of Class	Number of Securities to be held in Escrow [(3)]	Percentage of Class
James Megann Fall River, NS	Common Shares	Nil	Nil	279,750	0.5%
John St. Capital Inc. [(4)] Fall River, NS	Common Shares	Nil	Nil	2,103,682	4.0%
Numus Financial Inc. [(5)] Halifax, NS	Common Shares	Nil	Nil	2,397,304	4.6%
Robert McKay Espanola, ON	Common Shares	Nil	Nil	866,707	1.7%
Zephaniah Mbugua Nairobi, Kenya	Common Shares	Nil	Nil	305,691	0.6%
Andrew Neil Smith Halifax, NS	Common Shares	Nil	Nil	649,873	1.2%
Springdale Investments Inc. [(6)] Halifax, NS	Common Shares	Nil	Nil	487,000	0.9%
Daniel Whittaker Halifax, NS	Common Shares	Nil	Nil	616,457	1.2%
Birchpoint Holdings Incorporated[(7)] Halifax, NS	Common Shares	Nil	Nil	1,423,870	2.7%
Robert Randall Halifax, NS	Common Shares	Nil	Nil	87,500	0.2%
Lois Randall Halifax, NS	Common Shares	Nil	Nil	226,566	0.4%

Name and Municipality of Residence of Shareholder	Designation of class	Prior to Giving Effect to The Transaction (1)		After Giving Effect to The Transaction (2)	
		Number of Securities held in Escrow	Percentage of Class	Number of Securities to be held in Escrow (3)	Percentage of Class
Daniel Gerrard Marangoni Antigonish, NS	Common Shares	Nil	Nil	1,898,493	3.6%
Kulbir Singh Antigonish, NS	Common Shares	Nil	Nil	1,898,493	3.6%
3231796 Nova Scotia Limited River Ryan, NS	Common Shares	Nil	Nil	1,265,662	2.4%
Michael McAlduff Antigonish, NS	Common Shares	Nil	Nil	1,518,795	2.9%
Alan MacDonald Antigonish, NS	Common Shares	Nil	Nil	1,265,662	2.4%
Alistair Grant MacDonald Antigonish, NS	Common Shares	Nil	Nil	1,265,662	2.4%
James MacLean St. Margaret's Bay, NS	Common Shares	Nil	Nil	118,953	0.2%
Claire MacLean St. Margaret's Bay, NS	Common Shares	Nil	Nil	118,953	0.2%
Joanne Curry Antigonish, NS	Common Shares	Nil	Nil	237,906	0.5%
Alistair MacDonald Antigonish, NS	Common Shares	Nil	Nil	118,953	0.2%
Velma MacDonald Antigonish, NS	Common Shares	Nil	Nil	118,953	0.2%
David McAlduff Calgary, AB	Common Shares	Nil	Nil	1,111,467	2.1%
Daniel Marangoni Glace Bay, NS	Common Shares	Nil	Nil	158,207	0.3%
TOTAL:	**Common Shares**	**Nil**	**Nil**	**20,540,559**	**39.4%**

(1) Excluding any shares that may be issued pursuant to stock options, warrants and convertible securities of Stockport prior to the Transaction.

(2) Excluding any shares that may be issued pursuant to Stock Options, Warrants and Convertible Securities.

(3) The Shares will be held under the Escrow Agreement, pursuant to which, 10% of the escrowed shares will be released from escrow on the issuance of the Listing Date (the "Initial Release"), an additional 1/6th of the remaining escrowed Shares will be released on the date 6 months following the Initial Release, an additional 1/5th of the remaining escrowed Shares will be released on the date 12 months following the Initial Release, an additional 1/4th of the remaining escrowed Shares will be released on the date 18 months following the Initial Release, an additional 1/3rd of the remaining escrowed Shares will be released on the date 24 months following the Initial Release, an additional ½ of the remaining escrowed Shares will be released on the date 30 months following the Initial Release, and a final instalment of remaining escrowed Shares will be released 36 months following the Initial Release.

(4) A company controlled by James Megann, a director of the Issuer.

(5) The Managing Director of Numus Financial Inc. is James Megann, a director of the Issuer, who indirectly controls or has direction over, Numus Financial Inc.

(6) A company controlled by Andrew Neil Smith, a director of the Issuer.

(7) A company controlled by Daniel Whittaker, a director of the Issuer.

Item 12: Principal Shareholders

To the knowledge of the Issuer, no persons will own, directly or indirectly, or exercise control or direction over more than 10% of Issuer's shares.

Item 13: Directors and Officers

The following table sets out the names, municipalities of residence, the number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, and the offices held in the Issuer and the principal occupation of the directors and senior officers during the past five years.

Name, Municipality and Country of Residence and Position Post-Amalgamation	Principal Occupation during the past five years	Period served as Director/ Officer	No. and Percentage of Shares to Held
Zephaniah Mbugua Nairobi, Kenya Director	Chairman, TransCentury, a publicly listed Kenyan investment company	Date of Amalgamation	305,691, 0.6%
Robert McKay(1) Espanola, ON Director	Entrepreneur	Date of Amalgamation	866,707, 1.7%
James Megann(1) Halifax, NS Director	President and CEO, Stockport Exploration Inc., 2012 to August 2018; Managing Director of Numus Financial Inc.; Ultimate Designated Person, Numus Capital Corp.	Date of Amalgamation	3,342,354, 6.4%
A. Neil Smith Dartmouth, NS Director	Medical Physician	Date of Amalgamation	1,136,873, 2.1%
Daniel Whittaker(1) Halifax, NS Director	President and CEO, Chairman and Director of Antler Gold Inc.	Date of Amalgamation	2,040,327, 3.9%
Darren Rowles Cardiff, United Kingdom President & CEO	President and CEO, Sona Nanotech Ltd, 2017 to present; former group manager, BBI Solutions	Date of Amalgamation	Nil, 0%
Robert Randall Halifax, NS CFO & Corporate Secretary	CFO of Stockport Exploration Inc. since 2012 to August 2018, 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	Date of Amalgamation	87,500, 0.2%

(1) Member of Audit Committee.

Backgrounds of Management

The biographies of senior management of the Issuer 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 as an independent contractor.

Robert Randall, Chief Financial Officer and Corporate Secretary, Age 55

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. from June 2012 to August 2018, 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 past Board Chair of the Nova Scotia Sport Hall of Fame.

Mr. Randall intends to devote approximately 30% of his time to the Issuer as an independent contractor.

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.

Mr. Whittaker intends to devote approximately 20% of his time to the Issuer as an independent contractor.

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.

Mr. McKay intends to devote approximately 10% of his time to the Issuer as an independent contractor.

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.

Mr. Mbugua intends to devote approximately 10% of his time to the Issuer as an independent contractor.

James Megann, Director

Mr. Megann has been President and CEO of Stockport since early 2012 to August 2018, 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.

Mr. Megann intends to devote approximately 20% of his time to the Issuer as an independent contractor.

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, from November 2016 until March 2018. 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.

Dr. Smith intends to devote approximately 10% of his time to the Issuer as an independent contractor.

No persons have entered into management agreements with the Issuer. No persons intend to enter into non-competition agreements or non-disclosure agreements with the Issuer.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of the Issuer, no proposed director, officer, promoter of the Issuer, or a security holder anticipated to hold sufficient securities of the Issuer to affect materially the control of the Issuer, within 10 years before the date of the Listing Statement, 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 the Issuer, no directors, officers or promoters of the Issuer has, within 10 years prior to the date of this Listing Statement, 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 the Issuer, no director, officer or shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer 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 the Issuer will be subject with respect to the operations of the Issuer. 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 the Issuer will be engaged in direct competition with the Issuer.

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 the Issuer, who are also directors or senior officers of a party which enters into a material contract with the Issuer, must disclose their interest and, in certain instances, refrain from voting on any resolution of the Issuer directors to approve the contract.

Other than as described above and elsewhere in the Listing Statement, there are no existing or potential conflicts of interest between the Issuer or a subsidiary of the Issuer, if any, and a proposed director, senior officer or promoter of the Issuer or a subsidiary of the Issuer.

Other Reporting Issuer Experience

The following table sets out the directors, officers and promoters of the Issuer that are, or have been within the past five years, directors, officers, or promoters or other reporting issuers:

Name	Name of Reporting Issuer	Exchange or Market	Position Held	Term of Office
Zephaniah Mbugua	TransCentury	Nairobi	Chairman	1997 to 2017
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 March 2018
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
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

Name	Name of Reporting Issuer	Exchange or Market	Position Held	Term of Office
	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

Item 14: Capitalization

Issued Capital

	Number of Securities (non-diluted)	**Number of Securities (fully-diluted)**	**%of Issued (non-diluted)**	**% of Issued (fully diluted)**
Public Float				
Total outstanding (A)	52,199,520 (1)	58,296,549 (1)(2)	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	15,391,695	21,374,504	29.5%	36.7%
Total Public Float (A-B)	36,807,825	36,922,045	70.5%	63.3%
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	20,540,559 (3)	22,323,315 3)	39.4%	38.3%
Total Tradeable Float (A-C)	31,658,961	35,973,234	60.6%	61.7%

(1) After giving effect to the private placement (8,000,000 shares). The current issued shares are 44,199,520 common shares.
(2) Includes shares issuable pursuant to the stock options (900,000), warrants (299,000), finder's warrants (up to 600,000), convertible debentures (up to 1,257,056 (approx.)), convertible notes (up to 2,236,585 (approx.)) and convertible loan (up to 804,388 (approx.)).
(3) Subject to the Form 46-201F1 Escrow Agreement.

Public Securityholders (Registered)

Instruction: For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security: Common Shares

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	161	5,325
100 – 499 securities	85	16,956
500 – 999 securities	12	7,823
1,000 – 1,999 securities	6	7,340
2,000 – 2,999 securities	3	6,973
3,000 – 3,999 securities	5	17,415
4,000 – 4,999 securities	-	-
5,000 or more securities	65	20,592,649
Total:	**336**	**20,654,481**

Public Securityholders (Beneficial)

Instruction: Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

Class of Security: Common Shares

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	211	13,563
100 – 499 securities	222	61,599
500 – 999 securities	89	63,459
1,000 – 1,999 securities	112	160,692
2,000 – 2,999 securities	61	203,803
3,000 – 3,999 securities	52	212,727
4,000 – 4,999 securities	45	194,244
5,000 or more securities	205	14,101,102
Unable to confirm	-	1,142,155
Total:	**997**	**16,153,344**

Non-Public Securityholders (Registered)

Instruction: For the purposes of this report, “non-public securityholders” are persons enumerated in section (B) of the issued capital chart.

Class of Security: Common Shares

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	-	-
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-

Class of Security: Common Shares

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
4,000 – 4,999 securities	-	
5,000 or more securities	15	15,391,695
Total:	**15**	**15,391,695**

14.3 Provide details of any listed securities reserved for issuance that are not included in section 14.2.

Description of Security (include conversion / exercise terms, including conversion / exercise price)	**Number of convertible / exchangeable securities outstanding**	**Number of listed securities issuable upon conversion / exercise**
Stock Options: Exercise price ranging from \$0.16 per share to \$0.28 per share and expiring on dates between June 5, 2019 and July 11, 2021.	900,000	900,000
Warrants: Exercise price of \$0.40 per share, expiring on October 31, 2018	299,000	299,000
Finder's Warrants: Non-transferable Finder's Warrants entitling Numus Capital Corp. to purchase Shares at an exercise price of \$0.25 per Share for two years from the date of completion of the Private Placement.	600,000	600,000
Convertible Debentures: Convertible debentures with a principal and premium entitlement totaling \$2,514,112, convertible at a conversion price of \$2.00 per Share until October 31, 2018	Nil	Up to 1,257,056
Convertible Notes: 15% Convertible Promissory Notes in the aggregate principal amount of \$295,000 and interest of approximately \$152,317, convertible into shares at a conversion price of \$0.20 per Share until September 27, 2019.	Nil	Up to 2,236,510
Sona Convertible Loan: Aggregate principal and accrued interest amounts of \$127,093 and is convertible into up to approximately 804,388 Shares at a deemed value of \$0.158 per Share for all outstanding principal and interest at the option of the lender.	Nil	Up to approximately 804,388

Item 15: Executive Compensation

For purposes of this Listing Statement, a "**Named Executive Officer**", or "**NEO**", means each of the following individuals:

(a) a chief executive officer ("**CEO**") of the Issuer;

(b) a chief financial officer ("**CFO**") of the Issuer,

(c) each of the Issuer'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

<u>Compensation, Philosophy and Objectives</u>

The Issuer does 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 the Issuer'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 the Issuer 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 the Issuer 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.

<u>Analysis of Elements</u>

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 the Issuer.

The Issuer will consider the granting of incentive stock options to be a significant component of executive compensation as it will allow the Issuer to reward each NEO's efforts to increase value for shareholders without requiring the Issuer 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 the Issuer's stock option grants, including vesting provisions and exercise prices, will be governed by the terms of the Issuer's Stock Option Plan.

<u>Long Term Compensation and Option-Based Awards</u>

The Issuer is not expected to have any long-term incentive plans other than the Stock Option Plan. The Issuer's directors and officers and certain consultants will be entitled to participate in the Stock Option Plan. The Stock Option Plan is designed to encourage share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the Stock Option 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 the Issuer's common shares.

Options will be granted by the Board of the Issuer. 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 Stock Option 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 Stock Option 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, the Issuer's NEOs will be paid the following annual salaries:

Name and Principal Position	Salary
Darren Rowles President & Chief Executive Officer	$150,000
Robert Randall Chief Financial Officer & Corporate Secretary	$40,000

Incentive Plan Awards

Stock options or other incentive plan awards are proposed to be granted to Issuer's NEOs for the 12 months following the completion of the Amalgamation in accordance with the Stock Option Plan adopted by the Issuer. See "Options and Other Rights to Purchase Securities" for a description of the stock options that will be outstanding following the completion of the Amalgamation.

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, and after the Amalgamation, Mr. Rowles is now entitled to an annual salary of $150,000 from the Issuer. Should a change in control event occur for the Issuer, Mr. Rowles may elect to terminate his employment with the Issuer, in which event the Issuer 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 Randall Consulting Inc. ("RCI") for the services of Sona's Chief Financial Officer. RCI is paid a daily rate for the provision of these services. After the Amalgamation, the consulting agreement with RCI is now the Issuer's contract and responsibility. The consulting agreement with RCI can be terminated by either the Issuer or RCI without penalty, subject to 30 days' notice. Stockport had also entered into a similar consulting agreement with RCI in July 2012. Going forward as the amalgamated company, the Issuer and RCI will rely on only one of these agreements, the former Sona agreement being terminated as of the date of the Amalgamation.

Effective April 24, 2012, Mr. James Megann became Stockport's President and Chief Executive Officer. Pursuant to his 2012 employment contract, as amended effective November 1, 2016, and after the Amalgamation, Mr. Megann is entitled to an annual salary of $60,000 from the Issuer. Should a change in control event occur for the Issuer, Mr. Megann may elect to terminate his employment with the Issuer, in which event the Issuer 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 the Issuer 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.

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 additional stock options may be granted to any of the directors of the Issuer following the completion of the Transaction and the resumption of trading for at least 10 business days, pursuant to the Stock Option Plan. The purpose of granting such options is to assist the Issuer in compensating, attracting, retaining, and motivating the directors of the Issuer and to closely align the personal interests of such persons to that of the shareholders.

Item 16: Indebtedness of Directors and Executive Officers

As at the date of this Listing Statement, there was no indebtedness outstanding of any current or former director or executive officer of the Issuer (or any associates of such persons) which is owing to the Issuer, or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Issuer, entered into in connection with a securities purchase program or otherwise.

No individual who is, or at any time since the date of the Issuer's incorporation was, a director or executive officer of the Issuer and no associate of such persons:

(a) is, or at any time since the date of the Issuer's incorporation has been, indebted to the Issuer; or

(b) whose indebtedness to another entity is, or at any time since the date of the Issuer's incorporation has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer.

in connection with a securities purchase program or otherwise.

Item 17: Risk Factors

The Issuer's Shares must be considered speculative, generally because of the nature of the Issuer's business. A summary of pertinent risk factors are as follows:

The Issuer has a limited operating history and its future profitability is uncertain

The Issuer 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 Issuer'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.

The Issuer has a history of losses and may never achieve or sustain profitability

The Issuer has incurred substantial losses since its inception, and it may not achieve profitability in the foreseeable future, if at all. The Issuer 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, the Issuer will need to generate significant revenues in order to achieve and maintain profitability.

The Issuer may not be able to generate these revenues or achieve profitability in the future. Even if the Issuer does achieve profitability, it may not be able to sustain or increase profitability.

The Issuer needs to raise additional capital to operate its business

The Issuer 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, the Issuer 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. The Issuer's actual capital requirements will depend on many factors. If the Issuer 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 the Issuer 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.

The Issuer 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

The Issuer 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 the Issuer. In addition, it is generally difficult for early commercial-stage companies to raise capital. The amount of capital that a company such as the Issuer is able to raise often depends on variables that are beyond its control. As a result, the Issuer may not be able to secure financing on terms attractive to it, or at all. If the Issuer 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, the Issuer'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 Issuer to relinquish rights to its products.

Until such time, if ever, as the Issuer can generate substantial product revenues, the Issuer 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 Issuer does not have any committed external source of funds. The Issuer 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 Issuer 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 Issuer’s ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If the Issuer 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 Issuer 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 Issuer’s reliance on government funding adds uncertainty to the Issuer’s research and commercialization efforts of its government-funded product candidates.

The Issuer has received significant funding from government organizations. There is no assurance the Issuer will continue to apply for and/or be awarded government funding in the future. If the Issuer 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 Issuer to relinquish material rights to certain technologies or potential markets. There is no certainty that financing will be available in amounts the Issuer requires to pursue the planned activities or on acceptable terms, if at all.

Unexpected events may materially harm the Issuer's ability to align incurred expenses with recognized revenues

The Issuer 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, the Issuer's business, financial condition, or results of operations could be materially and adversely affected.

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

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

The Issuer may fail to achieve its financial forecasts due to inaccurate sales forecasts or other factors

The Issuer's revenues are difficult to forecast, and, as a result its quarterly operating results can fluctuate substantially. The Issuer'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 the Issuer's potential customers to reduce, delay, or eliminate their planned expenditure on the Issuer's product; and potential collaborative partners to delay, reduce or eliminate their collaboration with the Issuer. If actual sales activity differs from the Issuer's forecasts, then the Issuer may have planned its activities and budgeted incorrectly and this may adversely affect its business, operating results and financial condition.

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

The Issuer’s future success depends on its ability to retain its key executives and to attract, retain and motivate qualified personnel.

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

Recruiting and retaining qualified scientific, sales and marketing personnel will also be critical to the Issuer’s success. The Issuer 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 Issuer relies on consultants and advisors, to assist it in formulating its research and development and commercialization strategy. The Issuer’s consultants and advisors may be employed by employers other than the Issuer and may have commitments under consulting or advisory contracts with other entities that may limit their availability to the Issuer.

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

In addition to seeking patents for some of the Issuer's products, it also relies on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain its competitive position. The Issuer 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 Issuer's proprietary information, including its trade secrets, and the Issuer 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 Issuer'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 Issuer and its competitive position would be harmed.

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

The development of the Issuer's gold nanorod particles is a costly, complex and time-consuming process and the investment in the Issuer's product development often involves a long wait until a return is achieved on such an investment. The Issuer 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 the Issuer's research and development efforts, sufficient support from its strategic partners and effective distribution and marketing. These expenditures may adversely affect the Issuer's operating results if they are not offset by revenue increases. The Issuer 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 Issuer expects to expand its development and sales and marketing capabilities, and as a result, the Issuer may encounter difficulties in managing its growth, which could disrupt the Issuer's operations.

The Issuer 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 Issuer'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 Issuer's limited financial resources, the Issuer may not be able to effectively manage the expansion of its operations or recruit and train additional qualified personnel. The physical expansion of the Issuer'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 Issuer's business plans or disrupt the Issuer's operations.

Third parties may initiate legal proceedings alleging that the Issuer 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 Issuer's business.

The Issuer'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 Issuer 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 Issuer based on existing patents or patents that may be granted in the future. If the Issuer 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 Issuer may not be able to obtain any required license on commercially reasonable terms or at all. Even if the Issuer was able to obtain a license, it could be non-exclusive, thereby giving its competitors access to the same products licensed to the Issuer.

The Issuer could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, the Issuer could be found liable for monetary damages. A finding of infringement could prevent the Issuer from commercializing its products or force the Issuer to cease some of its business operations, which could materially harm the Issuer's business. Claims that the Issuer has misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on its business.

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

The Issuer 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 Issuer must either develop a sales and marketing organization or outsource these functions to third parties. If the Issuer 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 Issuer 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 Issuer's competitors could develop and commercialize products similar or identical to that of the Issuer's, and its ability to successfully commercialize its products may be adversely affected.

The Issuer'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 Issuer 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 Issuer will fail to identify patentable aspects of its research and development output before it is too late to obtain patent protection.

The Issuer can provide no assurance that any patents will be issued for its provisional patent application in a manner that gives the Issuer the protection that it seeks, if at all, or that any future patents that may be issued to the Issuer will not be challenged, invalidated or circumvented. Furthermore, the Issuer may not be able to detect the unauthorized use of the Issuer'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 Issuer's patent rights are highly uncertain. The Issuer'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 Issuer's patents, if any, or narrow the scope of its patent protection.

The laws of foreign countries may not protect the Issuer'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 Issuer cannot be certain that it was the first to make the inventions claimed in its provisional patent application.

Even if the Issuer's provisional patent application is issued as a patent, it may not issue in a form that will provide the Issuer with any meaningful protection, prevent competitors from competing with the Issuer or otherwise provide the Issuer with any competitive advantage. The Issuer'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 Issuer'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 Issuer's ability to or stop or prevent the Issuer 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 Issuer's provisional patent application may not provide it with sufficient rights to exclude others from commercializing products similar or identical to the Issuer's.

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

Even if resolved in the Issuer's favor, litigation or other legal proceedings relating to intellectual property claims may cause the Issuer to incur significant expenses, and could distract the Issuer'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 Issuer's common shares. Such litigation or proceedings could substantially increase the Issuer's operating losses and reduce the resources available for research and development activities. The Issuer may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of the Issuer'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 Issuer's ability to compete in the marketplace.

Foreign currency and exchange rate risk

The Issuer 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 Issuer. To date, the Issuer has not engaged in exchange rate hedging activities and may not do so in the foreseeable future.

The Issuer's operating results could be adversely affected by any weakening of economic conditions

The Issuer'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 the Issuer'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 the Issuer's business complex and unpredictable. In addition, deterioration of the global credit markets could adversely impact the Issuer'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 the Issuer's projected revenues, and therefore have a material adverse effect on its business, operating results and financial condition.

The Issuer may become involved in litigation that may materially adversely affect it

From time to time in the ordinary course of the Issuer'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 the Issuer to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Issuer's business, operating results or financial condition.

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

Financial developments seemingly unrelated to the Issuer or to its industry may adversely affect the Issuer over the course of time. For example, material increases in any applicable interest rate benchmarks may increase the debt payment costs for the Issuer's credit facilities. Credit contraction in financial markets may hurt its ability to access credit in the event that the Issuer 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 the Issuer's customer base and/or potential collaborative partners. As a result, these customers and/or collaborative partners may need to reduce their purchases of the Issuer’s product and/or collaboration agreements with the Issuer, or the Issuer 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 the Issuer'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 Issuer’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 Issuer’s business. In particular, a cyber security incident could result in the loss or corruption of data from the Issuer’s research and development activities, which may cause significant delays to some or all of the Issuer’s research and development. Also, the Issuer’s trade secrets, including unpatented know-how and other proprietary information could be disclosed to competitors further to a breach, which would harm the Issuer’s business and competitive position. If the Issuer is unable to protect the confidentiality of its trade secrets, the Issuer’s business and competitive position would be harmed.

Impact of laws

the Issuer operates in Canada and plans to offer its products in Canada, the United States, Europe and eventually in other countries. the Issuer 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 the Issuer 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, the Issuer 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, the Issuer 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 the Issuer.

Item 18: Promoters

James Megann, a director of the Issuer, may be considered a promoter of the Issuer for taking an active role in substantially reorganizing the business of the Issuer. Mr. Megann was a Director and CEO of Stockport Exploration Inc. and was a director of Sona Nanotech Ltd. prior to the Amalgamation. Upon completion of the Amalgamation, Mr. Megann owns 2,962,353 Shares, directly or indirectly, representing approximately 5.6% of the issued and outstanding shares of the Issuer. Mr. Megann also has stock options of the Issuer.

There is no other person who is or who has been within the two years immediately preceding the date of this Listing Statement, a ‘promoter’ of the Issuer as defined under applicable Canadian securities laws.

Item 19: Legal Proceedings

Legal Proceedings

The Issuer is not aware of any legal proceedings to which the Issuer is a party, nor is the Issuer aware that any such proceedings are contemplated.

Regulatory Actions

There are currently no: (a) penalties or sanctions imposed against the Issuer by a court relating to Securities Legislation or by a securities regulatory authority; (b) other penalties or sanctions imposed by a court or regulatory body against the Issuer that would likely be considered important to a reasonable investor in making an investment decision in the Issuer; and (c) settlement agreements the Issuer entered into before a court relating to Securities Legislation or with a securities regulatory authority within the three years immediately preceding the date of this Listing Statement.

Item 20: Interests of Management and Others in Material Transactions

No directors, executive officers or greater than 10% shareholder of the Issuer and no associate or affiliate of the foregoing persons has or had any material interest, direct or indirect, in any transaction in the preceding three years or in any proposed transaction which in either such case has materially affected or will materially affect the Issuer, save as otherwise described herein.

Item 21: Auditors, Transfer Agents and Registrars

The auditor for the Issuer is Manning Elliott LLP, Chartered Professional Accountants, 11th Floor, 1050 West Pender Street, Vancouver, British Columbia, V6E 3S7.

The Registrar and Transfer Agent for the Issuer is Computershare Investor Services Inc., located at 1500 Robert-Bourassa Boulevard, 7th Floor, Montreal QC, H3A 3S8.

Item 22: Material Contracts

Except for contracts entered into by the Issuer in the ordinary course of business, the only current material contracts entered into within the last two years or currently anticipated to be entered into by the Issuer which can reasonably be regarded as presently material are:

1. the Amalgamation Agreement;
2. the Definitive Agreement; and
3. the Escrow Agreement.

Particulars of contracts entered into other than in the ordinary course of business may be obtained from the Issuer's public profile available by visiting the SEDAR website: www.sedar.com.

Item 23: Interest of Experts

Except as disclosed herein, no professional person who has provided an opinion or report referenced in this Listing Statement currently holds more than 1% of the Issuer and no such professional person is expected to be elected, appointed or employed as a director, officer or employee of the Issuer or of its Associates or Affiliates.

Item 24: Other Material Facts

There are no other material facts regarding the affairs of the Issuer.

Item 25: Financial Statements

The audited financial statements of Stockport for the fiscal years ended October 31, 2017 and 2016, the audited financial statements for Sona for the period ended October 31, 2017 and year ended December 31, 2016, as well as the unaudited interim financials for Stockport and Sona for the six-month period ending April 30, 2018, are attached hereto. Also attached hereto are the *pro-forma* financial statements of the Issuer, showing its financial position as if the two companies, Stockport and Sona, had been amalgamated as at April 30, 2018.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Sona Nanotech Inc., hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Sona Nanotech Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated this 28th day of September, 2018.

"Darren Rowles"
Darren Rowles
President and Chief Executive Officer

"Robert Randall"
Robert Randall
Chief Financial Officer and Corporate Secretary

"James Megann"
James Megann
Director

"Daniel Whittaker"
Daniel Whittaker
Director

Stockport Exploration Inc.

Consolidated Financial Statements
October 31, 2017 and 2016

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of **Stockport Exploration Inc.** (the "Company") have been prepared by the Company's management. The consolidated 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 consolidated financial statements and the accompanying management discussion and analysis. The Board carries out this responsibility principally through its Audit Committee.

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

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

(signed) "*James Megann*"
President and Chief Executive Officer
Halifax, Nova Scotia

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

December 22, 2017

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

Tel: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

Independent Auditor's Report

To the Shareholders of
Stockport Exploation Inc.

We have audited the accompanying consolidated financial statements of Stockport Exploration Inc. which comprise the consolidated statement of financial position as at October 31, 2017, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained based on our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Stockport Exploration Inc. as at October 31, 2017 and its financial performance and its cash flows for the year then ended 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 2 of the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Stockport Exploration Inc.'s ability to continue as a going concern.

Other Matter

The financial statements of Stockport Exploration Inc. for the year ended October 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on February 17, 2017.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
December 22, 2017

Stockport Exploration Inc.
Consolidated Statements of Financial Position
As at October 31, 2017 and October 31, 2016

(in Canadian dollars)

	2017 $	2016 $
Assets		
Current assets		
Cash	428,917	18,989
Sales taxes recoverable	4,267	4,306
Marketable securities	355,584	561,354
Prepaid expenses and deposits	10,971	8,051
	799,739	592,700
Property and equipment (note 6)	-	5,260
Resource properties (note 7)	935,699	4,253,105
	1,735,438	4,851,065
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	1,300,227	1,581,817
Line of credit (note 17)	-	211,468
Current portion of convertible notes (note 11)	285,000	-
Current portion of convertible debentures (note 10)	125,705	–
	1,710,932	1,793,285
Long-term portion of convertible notes (note 11)	-	255,000
Long-term portion of convertible debentures (note 10)	-	125,705
	1,710,932	2,173,990
Shareholders' equity	24,506	2,677,075
	1,735,438	4,851,065

Basis of presentation and going concern (note 2)

Contingency (note 15)

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

Appoved on behalf of the Board of Directors

(signed) "*James Megann*"
Director

(signed) *"Carl Sheppard"*
Director

Stockport Exploration Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended October 31, 2017 and October 31, 2016

(in Canadian dollars)

	2017 $	2016 $
Expenses		
Amortization	414	795
Banking fees	3,918	3,098
General and administrative	37,582	41,100
Investor relations and marketing	6,370	720
Listing and regulatory costs	27,779	36,365
Management salaries and fees	94,000	221,950
Management services (note 17)	36,000	69,000
Professional services	135,650	105,257
Share-based compensation (note 9)	14,687	30,378
Travel	5,244	4,581
Write-down of pilot project, net of proceeds (note 7)	-	1,746,623
Write-down (recovery of) resource properties (note 7)	(121,939)	2,944,517
	239,705	5,204,384
Other income (expenses)		
Accretion expense (note 11)	(30,000)	(30,000)
Change in fair value of convertible debenture liability (note 10)	-	1,609,676
Foreign exchange	(5,192)	259
Interest income (note 7)	198,675	29,085
Interest expense	(45,614)	(44,486)
Write-down of capital assets (note 6)	(1,433)	–
Gain on sale of marketable securities	278,661	-
Gain on sale of equipment (note 7)	164,318	-
Loss on sale of subsidiaries (note 7)	(2,601,932)	-
	(2,042,517)	1,564,534
Net loss for the year	(2,282,222)	(3,639,850)
Items that may be reclassified subsequently to net loss		
Realized gain on marketable securities reclassified to net income	(278,661)	-
Unrealized gain (loss) on marketable securities	(106,373)	305,854
Comprehensive loss for the year	(2,667,256)	(3,333,996)
Loss per share – Basic and diluted	(0.03)	(0.04)
Weighted average number of common shares outstanding	88,653,128	88,653,128

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

Stockport Exploration Inc.

Consolidated Statements of Changes in Equity

For the years ended October 31, 2017 and October 31, 2016

(in Canadian dollars)

	Number	Share capital $	Equity portion of convertible notes $	Warrants $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Deficit $	Total $
	(note 9)	(note 9)	(note 11)	(note 12)	(note 13)			
Balance October 31, 2015	88,653,128	22,597,563	90,000	75,349	4,651,586	(6,500)	(21,427,305)	5,980,693
Net loss for the year	–	–	–	–	–	–	(3,639,850)	(3,639,850)
Unrealized gain on available-for-sale securities	–	–	–	–	–	305,854	–	305,854
Comprehensive loss for the year	–	–	–	–	–	305,854	(3,639,850)	(3,333,996)
Share-based compensation	–	–	–	–	30,378	–	–	30,378
Balance October 31, 2016	88,653,128	22,597,563	90,000	75,349	4,681,964	299,354	(25,067,155)	2,677,075
Net loss for the year	–	–	–	–	–	–	(2,282,222)	(2,282,222)
Realized gain on available-for-sale securities reclassified to net gain	–	–	–	–	–	(278,661)	–	(278,661)
Unrealized loss on available-for-sale securities	–	–	–	–	–	(106,373)	–	(106,373)
Comprehensive loss for the year	–	–	–	–	–	(385,034)	(2,282,222)	(2,667,256)
Expiry of warrants during the year	–	–	–	(45,349)	45,349	–	–	–
Share-based compensation	–	–	–	–	14,687	–	–	14,687
Balance October 31, 2017	88,653,128	22,597,563	90,000	30,000	4,742,000	(85,680)	(27,349,377)	24,506

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

Stockport Exploration Inc.

Consolidated Statements of Cash Flows

For the years ended October 31, 2017 and October 31, 2016

(in Canadian dollars)

	2017 $	2016 $
Cash provided by (used in)		
Operating activities		
Net loss for the year	(2,282,222)	(3,639,850)
Adjustments to income not involving cash		
Amortization	414	795
Share-based compensation	14,687	30,378
Write-down of capital assets	1,433	–
Change in fair value of convertible debenture liability	–	(1,609,676)
Interest income (note 7)	(198,675)	(29,085)
Accretion expense	30,000	30,000
Write-down of pilot project	–	1,779,288
Write-down (recovery of) resource properties	(121,939)	2,944,517
Gain on sale of marketable securities	(278,661)	–
Loss on sale of subsidiaries (note 7)	2,601,932	–
	(233,031)	(493,633)
Net change in non-cash working capital balances related to operations		
Increase in sales taxes recoverable	(793)	(256)
Increase in prepaid expenses and deposits	(2,920)	(3,341)
Increase in accounts payable and accrued liabilities	120,457	219,623
	(116,287)	(277,607)
Financing activity		
Cash paid on line of credit	(211,468)	(38,532)
	(211,468)	(38,532)
Investing activities		
Resource property interests and options (note 7)	(59,485)	(195,177)
Sales taxes recoverable related to resource property interests	832	1,802
Proceeds on sale of marketable securities	471,336	–
Cash received pursuant to option agreements (note 7)	325,000	350,000
	737,683	156,625
Net change in cash during the year	409,928	(159,514)
Cash – Beginning of year	18,989	178,503
Cash – End of year	428,917	18,989
Non-cash financing activities		
Common shares received on option agreement (note 7)	371,939	250,000

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

1 Nature of operations

Stockport Exploration Inc. (the "Company") is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues. The recoverability of the amounts shown for resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, obtaining necessary financing and permitting to complete the development and future profitable production or proceeds from the disposition thereof. The Company is incorporated and domiciled in Canada, and its head office is located at 1969 Upper Water Street, Suite 2001, Halifax, Nova Scotia, Canada.

During the year-ended October 31, 2017, the Company entered into a letter of intent related to the acquisition of Sona Nanotech Limited ("Sona"), a private company involved in the nano technology life sciences industry (note 19).

2 Basis of presentation and going concern

a) Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

For the year ended October 31, 2017, the Company incurred a net loss of approximately \$2.3 million (2016 - \$3.6 million) and as at October 31, 2017 had an accumulated deficit of approximately \$27.3 million (2016 - \$25.1 million). The Company has no income or cash inflow from operations and at October 31, 2017 had a negative working capital balance of approximately \$0.9 million (2016 - \$1.2 million). In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. Such material uncertainties 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 is 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 exploration requirements and eventually to generate positive cash flows, either from operations or the sale of properties. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

b) Statement of compliance

The Company prepares its consolidated financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the Handbook of Chartered Professional Accountants of Canada – Part 1 ("CPA Canada Handbook"), which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Board of Directors approved the consolidated financial statements for issue on December 22, 2017.

2 Basis of presentation and going concern (continued)

c) Basis of measurement

These consolidated financial statements have been prepared under a historical cost basis except for certain financial instruments recorded at fair value.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 6321593 Canada Inc. and Minera Zapoteca, S.A. de C.V. Until August 1, 2017, these consolidated financial statements included the accounts of Stockport Exploration of Kenya Limited and Stockport Mining Kenya Limited (see note 7). All inter-company transactions and balances have been eliminated on consolidation of the accounts. All amounts are expressed in Canadian dollars, unless otherwise noted.

b) Resource properties and related deferred costs

The Company defers all expenditures related to its resource properties until such time as the properties are put into commercial production, sold, abandoned or considered to be impaired. Under this method, all amounts shown as resource properties represent costs incurred to date less amounts amortized, received from exploration partners and/or written off and do not necessarily represent present or future values.

If the properties are put into commercial production, the expenditures will be depleted following the unit of production method. If the properties are sold or abandoned, or considered to be impaired in value, the expenditures will be charged to operations. The Company does not accrue the estimated future costs of maintaining its resource properties in good standing.

Resource properties are reviewed for impairment on a property by property basis whenever events or changes in circumstances indicate that the carrying amount of a resource property may not be recoverable. If the Company has sufficient information about a resource property to estimate future cash flows expected to be generated by the resource property, then recoverability is measured by a comparison of the carrying amount to the estimated cash flows. If the Company does not have sufficient information about the resource property to estimate future cash flows expected to be generated by the resource property, then the carrying amount is compared to the estimated fair value. If the carrying amount exceeds the estimated future cash flows or estimated fair value, the resource property will be written down to its estimated fair value. The ultimate recoverability of the amounts capitalized for the resource properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Impairment losses for resource properties are reversed if the conditions that gave rise to the impairment are no longer present and it has been determined that the asset is no longer impaired or the impairment has been reduced as a result. This reversal is recognized in the consolidated statements of loss and comprehensive loss and is limited to the carrying value that would have been determined had no impairment charge been recognized in prior years.

3 Significant accounting policies (continued)

b) Resource properties and related deferred costs (continued)

Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions; however, it is possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of capitalized resource property carrying values. Conversely, properties which have been written down may represent future value of the Company in excess of management's estimates and/or the carrying values of the properties.

c) Property option agreements

From time to time, the Company may acquire or dispose of an interest in a resource property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable, in accordance with the terms of the options, are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

d) Cash

Cash consists of cash on hand and balances with banks.

e) Foreign currency

Transactions in currencies other than the entity's functional currency, which is the Canadian dollar for all entities, ("foreign currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the consolidated statements of financial position date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. Revenues and expenses are translated at the average exchange rates prevailing during the years except for expenses that relate to non-monetary assets or liabilities, which are translated at the same historical exchange rate as the related asset or liability. Gains and losses on translation are included in the determination of loss for the years.

f) Deferred income taxes

Income taxes are comprised of current and deferred tax. Income tax is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

3 Significant accounting policies (continued)

f) Deferred income taxes (continued)

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, as well as the benefit of losses that are probable to be realized and are available for carry forward to future years to reduce income taxes. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statements of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that is probable that the assets can be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

g) Flow-through shares

The Company has financed a portion of its exploration activities prior to October 31, 2013 through the issue of flow-through shares and can reasonably expect to finance a portion of its future exploration activities through the issue of flow-through shares. As permitted under the Income Tax Act (Canada), the tax attributes of eligible expenditures incurred with the proceeds of flow-through share issuances are renounced to the flow-through shareholders.

At the time of share issuance, the proceeds are allocated between share capital and the obligation to deliver the tax deduction. The allocation is based on the difference between the quoted price of the Company's non-flow through shares and the amount the investor pays for the flow-through shares (given no other differences between the securities).

In accordance with IFRS, deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis when the qualified expenditures are incurred. This can occur either before or after the formal renunciation of expenditures is filed with tax authorities. When the qualified expenditures are incurred, the tax value of the renunciation is recorded on a pro-rata basis as a deferred income tax liability with a corresponding charge to income tax expense in the consolidated statements of loss and comprehensive loss. Additionally, as qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as a recovery of deferred income taxes in the consolidated statements of loss and comprehensive loss.

h) Related party transactions

Unless otherwise disclosed herein, all transactions with related parties are in the normal course of business and are measured at the exchange amount (note 17).

i) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated using the declining-balance method at the annual rate of 30% for office equipment and exploration equipment.

3 Significant accounting policies (continued)

j) Loss per share

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

k) Share-based payments

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

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

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

l) Warrants

The warrants issued as part of the private placement as units are valued using the residual method.

m) Critical accounting estimates and judgments

The preparation of consolidated financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

3 Significant accounting policies (continued)

m) Critical accounting estimates and judgments (continued)

Recoverability of resource properties

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned, and results of exploration and evaluation activities on the exploration and evaluation assets.

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.

Deferred income taxes

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

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

Share-based payments

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

3 Significant accounting policies (continued)

m) Critical accounting estimates and judgments (continued)

Valuation of convertible debentures

On October 31, 2013, the Company issued convertible debentures and warrants for gross proceeds of $1,197,196 (see note 10). The fair value of the various components, including the warrants, embedded derivatives, convertible debentures and the equity component of the convertible debentures, must be calculated initially in order to allocate the proceeds to the various components and then the fair value of the liability components are calculated at each reporting date. The valuation is complex, as there is no active trading market for these items and is based on significant unobservable inputs. The valuation considers factors such as limited available market information, 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.

Based on management's analysis as at October 31, 2017 and 2016, the fair value of the liability component of the convertible debenture instrument is $125,705. As at October 31, 2017 and 2016, the Company has estimated the fair value of the convertible debenture liability based upon its full settlement obligation to issue 5,028,223 common shares at the maturity date of October 31, 2018. The Company estimated the fair value of its obligation to issue these shares based on the market trading price of $0.025 per share as of October 31, 2017 and as of October 31, 2016. If the share price was $0.01 per share higher or lower, the fair value of the convertible debenture liability would increase or decrease by approximately $50,000.

Valuation processes

The Company's finance department is responsible for performing the valuation of fair value measurements included in the consolidated financial statements, including Level 3 fair values. The valuation processes and results for recurring measurements are reviewed and approved by the President and Chief Executive Officer and the Chief Financial Officer at least once every quarter, in line with the Company's quarterly reporting dates. All Level 3 valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's consolidated financial statements.

3 Significant accounting policies (continued)

n) Recent accounting pronouncements

New standards and interpretations not yet adopted

The following new standard and amendments to the standard is not yet effective and has not been applied in preparing these consolidated financial statements. Accordingly, the Company expects to adopt this standard as set forth below.

IFRS 9, Financial Instruments

IFRS 9, "Financial Instruments" ("IFRS 9") introduces new requirements for the classification and measurement of financial assets. IFRS 9 required all recognized financial assets that are within the scope of IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39") to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive loss, without having to adopt the remainder of IFRS 9; and (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

The final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking expected loss impairment model; and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

IFRS 16, Leases

IFRS 16, "Leases" ("IFRS 16"), a new standard on lease accounting, was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the consolidated statements of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company's consolidated financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

4 Financial instruments

The Company recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net loss or comprehensive loss.

If a financial instrument is measured at fair value, changes in its fair value shall usually be recognized in net loss in the period in which the change occurs, with some exceptions, such as for cash flow hedges and available-for-sale investments. For investments designated as being available-for-sale, changes in the fair value is recorded directly in Shareholders' Equity in a separate account called "Accumulated Other Comprehensive Income (Loss)" until the asset is disposed of or becomes impaired. At that time, the gains and losses are transferred to net loss.

The Company has implemented the following classifications:

- Cash is classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest method.
- Marketable securities are classified as "available-for-sale". Financial assets classified as available-for-sale are recognized initially at fair values plus transaction costs and are subsequently carried at fair value, with changes in the fair value recorded in other comprehensive income. The fair value measurements are based on quoted prices in active markets for identical instruments (Level 1).
- Accounts payable, line of credit and convertible notes are classified as "Other Financial Liabilities." After their initial fair value measurement, they are measured at amortized cost using the effective interest method.
- Convertible debentures are classified as "Financial Assets or Financial Liabilities at Fair Value through Profit or Loss". The convertible debentures issued on October 31, 2013 included certain embedded derivatives, which are included in convertible debentures on the consolidated statement of financial position. After initial recognition at fair value, the convertible debentures are remeasured each period at fair value with changes in fair value recognized in non-operating income in the consolidated statements of loss and comprehensive loss. The fair value measurements are based on significant unobservable inputs (Level 3). See note 10 for further details.

4 Financial instruments (continued)

a) Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying values of cash and accounts payable, convertible notes and debentures approximate their fair value because of the short-term nature of these instruments.

b) Foreign currency rate risk

A portion of the Company's transactions occur in foreign currencies; accordingly, the related financial assets are subject to fluctuations in the respective exchange rates.

For the year ended October 31, 2017, the sensitivity of the Company's net loss due to charges in the exchange rate between the Canadian dollar and foreign currencies (primarily the United States dollar) would have impacted net loss by $3,369 for a 5% increase or decrease in the Canadian dollar.

c) Concentration of credit risk

Management does not believe it is exposed to any significant concentration of credit risk except that a significant portion of its cash is on deposit with a major Canadian bank.

d) Liquidity risk

The Company's approach to managing liquidity risk is to continue to maintain sufficient liquidity to be able to meet the funding of its liabilities as required (see note 2).

e) Interest rate risk

The Company has cash; accordingly, the Company's interest income is susceptible to fluctuations in interest rates.

5 Capital management

The Company's capital structure consists of share capital, equity portion of convertible debentures, warrants and contributed surplus, which at October 31, 2017 totalled $27.5 million (2016 - $27.4 million). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

6 Property and equipment

	Office equipment $	Exploration equipment $	Total $
Cost			
Balance as at October 31, 2015	11,845	32,629	44,474
Additions	–	–	–
Balance as at October 31, 2016	11,845	32,629	44,474
Write-off of capital assets	(11,845)	(32,629)	(44,474)
Balance as at October 31, 2017	–	–	–
Accumulated amortization			
Balance as at October 31, 2015	9,203	27,097	36,300
Depreciation	795	2,119	2,914
Balance as at October 31, 2016	9,998	29,216	39,214
Depreciation	414	768	1,182
Write-off of capital assets	(10,412)	(29,984)	(40,396)
Balance as at October 31, 2017	–	–	–
Carrying amounts			
Balance as at October 31, 2016	1,847	3,413	5,260
Balance as at October 31, 2017	–	–	–

Amortization of exploration equipment has been recorded as an addition to resource properties.

7 Resource properties

The Company's resource properties consist of the following:

	Kenya	Canada		
	Nyanza $	KM61 $	Seymour Lake $	Total $
Balance as at October 31, 2015	4,417,238	4,033,234	775,000	9,225,472
Net additions during the year	309,870	12,483	–	322,353
Write-down of pilot project	(1,779,288)	–	–	(1,779,288)
Write-down of resource properties	–	(2,944,517)	–	(2,944,517)
Option payments received	–	(172,240)	(398,675)	(570,915)
Balance as at October 31, 2016	2,947,820	928,960	376,325	4,253,105
Net additions during the year	35,165	6,739	–	41,904
Recovery of resource properties	–	–	121,939	121,939
Option payments received	–	–	(498,264)	(498,264)
Disposal upon sale of subsidiaries	(2,982,985)	–	–	(2,982,985)
Balance as at October 31, 2017	–	935,699	–	935,699

Kenya

i) Sale of Kenya Subsidiaries

On August 1, 2017, Stockport Exploration Inc. and 6321593 Canada Inc. disposed of their 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. As a result of the disposal, the Company recorded a loss on sale of subsidiaries of $2,601,932 on its consolidated statement of comprehensive loss for the year-ended October 31, 2017. With the sale of the subsidiaries, the Company has no further operations in Kenya.

7 Resource properties (continued)

ii) Nyanza Property

Prior to the date of disposal of the Kenyan subsidiaries, the Company had 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 concessions located in Kenya. Under the terms of the agreement, the Company had:

- A first option to earn a 70% interest on completing exploration expenditures of US $600,000 and making cash payments of US $300,000 to EAPG and B&M, which were due August 2016. The Company was negotiating to extend the due date of the property payments. The required exploration expenditures were incurred, cash payments of US $28,000 were made and $32,000 of expenditures were settled on the payments owing.

- A second option to earn an 80% interest by exercising the first option and incurring cumulative exploration expenditures of US $4.0 million.

- Within 90 days of completion of the second option, EAPG and B&M could deliver a one-time joint election to fund its 20% share of exploration costs, or EAPG and B&M could grant the Company a future option to acquire an additional 10% interest by funding additional exploration expenditures of US $10.0 million. The Company would remain the operator on the concessions and would not be obligated to incur additional exploration expenditures.

- Within 90 days of completion of a positive feasibility study and receipt of a production notice from the Company for each project, EAPG and B&M could deliver a one-time joint election to fund its 10% or 20% share of the construction costs, or EAPG and B&M could grant the Company a further option to acquire an additional 5% interest by funding additional costs of US $10.0 million. The Company was not obligated to advance a project, covered by a feasibility study, to production.

- The Company would maintain a 100% right to any surface mineralization to a depth of one metre below saprolite.

SPL 214, which was part of the Nyanza property, was subject to a 2% net smelter royalty ("NSR"). 1% of the NSR was payable to African Queen Mines Limited ("AQ") and 1% was payable to AQ's partner, Abba Mining Company Limited.

7 Resource properties (continued)

Kenya (continued)

ii) Nyanza Property (continued)

The Company suspended the operation of its pilot surface gold recovery project ("pilot project") at the Nyanza property in Kenya during the year-ended October 31, 2016 and wrote-down the accumulated costs associated with the pilot project of $1,779,288. Non-refundable proceeds of $32,665 were received during the year-ended October 31, 2016 on certain Nyanza property equipment, which was netted against the write-down. During the year-ended October 31, 2017 and prior to the sale of the subsidiaries, the Company received proceeds of USD$120,000 (CAD$164,318) for the sale of certain Nyanza property equipment. The sale was recorded as a gain on sale of equipment on the consolidated statement of comprehensive loss.

Canada

i) KM61

The Company holds a 100% interest in the KM61 property, which is a molybdenum-copper-silver prospect, located in northwestern Ontario, contiguous with the Seymour Lake project. The majority of the KM61 property, including the mineralized zone, is subject to a 0.5% NSR. Of the remaining claims on the KM61 property, certain portions are subject to a 3% NSR and the balance 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.

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 after 75 days from the date of the agreement, which were recorded against resource property expenditures. During the quarter-ended October 31, 2016, Sovereign notified the company that it would not continue with the option agreement and the Company retained 100% of the Crescent Lake rights.

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 associated with the Sovereign cash and share option agreement to acquire the property, using a discount rate of 20%. 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.

As at October 31, 2017, the Company determined that there were no indicators of additional impairment or impairment reversals on the KM61 property.

7 Resource properties (continued)

Canada (continued)

ii) Seymour Lake

The Seymour Lake property is a tantalum-lithium-beryllium prospect located in northwestern Ontario, in the Crescent Lake area of the Thunder Bay Mining District. Certain portions of the Seymour Lake property are subject to a 3% NSR, of which 1.5% can be purchased by the Company for $1.0 million.

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 (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.

8 Accounts payable and accrued liabilities

	2017 $	2016 $
Trade accounts payable and accrued liabilities	364,118	791,712
Amounts payable to related parties (note 17)	936,109	764,107
Withholdings and taxes payable	–	25,998
	1,300,227	1,581,817

9 Capital stock

a) Authorized

Unlimited number of common shares without par value.

b) Changes in the Company's issued common share capital during the year ended October 31, 2017 and October 31, 2016 were as follows:

	2017		2016	
	Number	Amount $	Number	Amount $
Opening balance	88,653,128	22,597,563	88,653,128	22,597,563
Shares issued	–	–	–	–
Closing balance	88,653,128	22,597,563	88,653,128	22,597,563

c) Shares issued for cash

There were no shares issues by the Company during the years ended October 31, 2017 or 2016.

d) Stock option plan

The Company has adopted a stock option plan (the "Plan"), providing the Board of Directors with the discretion to issue an equivalent number of options of up to 10% of the issued and outstanding share capital of the Company. Stock options are granted with an exercise price of not less than closing share price of the day preceding the date of grant.

The estimated fair value of options recognized has been estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company's stock options. 1,950,000 options were granted during the year-ended October 31, 2016. Weighted-average assumptions used in the pricing model for the year-ended October 31, 2016 were as follows:

Risk-free rate	0.47%
Expected volatility of the Company's share price	202%
Expected life of each option	4.45 years
Expected dividend per share	$0.00
Weighted average share price on grant date	$0.03
Weighted average grant date fair value per option Exercise price exceeds the stock price on date of grant	$0.03

9 Capital stock (continued)

d) Stock option plan (continued)

Option activity for the years ended October 31, 2017 and 2016 is as follows:

	2017		2016	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Opening balance	6,275,000	0.09	4,865,000	0.12
Granted	–	–	1,950,000	0.05
Expired/forfeited	(1,300,000)	0.17	(540,000)	0.29
Ending balance	4,975,000	0.06	6,275,000	0.09

As at October 31, 2017, the Company had outstanding stock options entitling the holders to acquire additional common shares as follows:

Weighted average exercise price per share $	Number outstanding	Expiry date	Weighted average remaining contractual life (years)	Number exercisable
0.04	50,000	July 23, 2018	0.73	50,000
0.05	50,000	August 20, 2018	0.80	50,000
0.05	1,200,000	June 5, 2019	1.59	1,200,000
0.05	200,000	February 16, 2021	3.30	150,000
0.05	1,750,000	July 11, 2021	3.70	875,000
0.07	250,000	July 4, 2019	1.67	250,000
0.07	200,000	September 11, 2019	1.86	200,000
0.07	100,000	April 12, 2018	0.45	100,000
0.10	975,000	January 17, 2018	0.21	975,000
0.10	100,000	January 21, 2018	0.22	100,000
0.10	100,000	March 13, 2018	0.36	100,000
0.06	4,975,000		2.05	4,050,000

As at October 31, 2017, 3,890,313 options were available for granting under the Plan (2016 – 2,590,313 options).

The estimated value of options earned during the year-ended October 31, 2017 was $14,687 (2016 - $30,378).

10 Convertible debentures

On October 31, 2013, the Company 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:

- Phase I – sampling, metallurgy, permitting and plant equipment procurement; and
- Phase II – capital investment and plant operation for the surface gold recovery program. Until the Company advanced to Phase II, 75% of the gross proceeds, being $897,897, were held in trust with a Kenyan law firm. At the Company's discretion, it was entitled to advance to Phase II with the completion of a successful Phase I.

During the year ended October 31, 2014, the Company elected to proceed with Phase II. 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 has been 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 Phase II at a price of $0.10 per share and expire on October 31, 2018. A value of $30,000 was assigned as the fair value of the warrants.

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

	2017 $	2016 $
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 amount to be repaid	125,705	125,705
Less: Current portion of convertible debentures	(125,705)	–
	–	125,705

10 Convertible debentures (continued)

As a result of the Company suspending the operation of its pilot project and its write-down during the year ended October 31, 2016, the Company recorded a corresponding change in the estimated fair value of its convertible debentures in the amount of $1,609,676 during the year-ended October 31, 2016. As at October 31, 2017 and 2016, the Company has estimated the fair value of its convertible debenture liability based upon its full settlement obligation to issue 5,028,223 common shares at the maturity date of October 31, 2018. The Company estimated the fair value of its obligation to issue these shares based on the market trading price of $0.025 per share as at October 31, 2017 and 2016. If the share price was $0.01 per share higher or lower, the fair value of convertible debenture liability would increase or decrease by $50,000.

11 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"). The Notes were issued at an interest rate of 12% per annum, payable quarterly, and will be repayable by the Company on or before the maturity date of March 27, 2018. Effective October 20, 2015, the interest rate on the Notes was amended to 15% per annum.

The principal amount of the Notes is convertible into common shares of the Company at the election of the holder at the rate of $0.05 of principal converted per share (the "Conversion Price"). 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 of the Company at a conversion price of $0.05 per share or a five day volume weighted-average price per common share immediately preceding the date of conversion, whichever is higher. The holder 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 have been initially recorded at a value of $205,000, and the equity component of the Notes has been 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 years ended October 31, 2017 and 2016, the change in the recorded value of the Notes was as follows:

	$
Convertible promissory notes, original value	205,000
Accretion expense – 2015 and 2016	50,000
Total value of the Notes – October 31, 2016	255,000
Accretion expense – 2017	30,000
Total value of the Notes – October 31, 2017	285,000

11 Convertible notes (continued)

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.

There were no changes to the terms and conditions of the Notes during the year-ended October 31, 2017.

12 Warrants

a) Warrant activity for the years ended October 31, 2017 and 2016 was as follows:

	2017			2016		
	Number	Weighted average exercise price per warrant $	Amount $	Number	Weighted average exercise price per warrant $	Amount $
Opening balance	9,039,750	0.07	75,349	9,039,750	0.07	75,349
Warrants expired	(7,843,750)	0.06	(45,349)	–		–
Closing balance	1,196,000	0.10	30,000	9,039,750	0.07	75,349

b) Warrants outstanding as of October 31, 2017:

Expiry date	Number	Exercise price $	Number of exercisable warrants
October 31, 2018	1,196,000	0.10	1,196,000

13 Contributed surplus

	$
Balance at October 31, 2015	4,651,586
Value of options earned	30,378
Balance at October 31, 2016	4,681,964
Value of warrants expired	45,349
Value of options earned	14,687
Balance at October 31, 2017	4,742,000

14 Income taxes

a) Reconciliation of total tax recovery

	2017 $	2016 $
Loss before income taxes	(2,282,222)	(3,639,850)
Income tax rate	28%	28%
Expected income tax recovery	(639,000)	(1,019,000)
Non-deductible share-based compensation	4,000	9,000
Unrecognized temporary differences on write-down on (recovery of) resource properties and change in fair value of convertible debentures	78,000	835,000
Unutilized losses	513,000	209,000
Other	44,000	(34,000)
Income tax recovery	–	–

b) Deferred income taxes

The following reflects deferred income tax assets (liabilities):

	2017 $	2016 $
Deferred tax assets (liabilities)		
Non-capital losses carried forward and other	234,000	223,000
Deductible share issue costs	2,000	13,000
Accounting value of convertible debentures in excess of (less than) tax value	(236,000)	(236,000)
Net deferred income tax liability recognized	–	–

The Company also has the following approximate net deferred tax assets, primarily related to foreign operations which have not been recognized:

	2017 $	2016 $
Net deferred tax assets – not recognized	4,108,000	4,150,000

14 Income taxes (continued)

The Company has accumulated losses for Canadian income tax purposes of approximately $5,519,000 which may be carried forward and used to reduce taxable income in future years. These losses expire as follows:

	$
Year ending October 31, 2028	1,241,000
2029	672,000
2030	676,000
2031	825,000
2032	842,000
2033	351,000
2034	190,000
2035	528,000
2036	20,000
2037	174,000
	5,519,000

The Company has undeducted share issuance costs of approximately $8,600, which will be deducted from Canadian taxable income over the next two years. The Company has also incurred resource expenditures of approximately $5,442,000, which may be carried forward indefinitely and used to reduce Canadian taxable income in future years.

The Company has accumulated Mexican tax losses of approximately $4,249,000 which may be carried forward and used to reduce taxable income from Mexico in future years. These losses expire as follows:

	$
Year ending October 31, 2018	3,326,000
2021	923,000
	4,249,000

15 Contingency

The Company has an employment arrangement with the President and Chief Executive Officer ("CEO") of the Company which provides that, should a change in control event occur, the President may elect to terminate his employment with the Company, in which event the Company is required to pay the President a lump sum payment equal to 2.5 times his annual salary. The Company also has an agreement with a Technical Consultant of the Company which provides that, should a change in control event occur, the Technical Consultant may elect to terminate his arrangement with the Company, in which event the Company is required to pay the Technical Consultant a lump sum payment equal to 2 times his annual remuneration. The payment of these change in control settlements would be subject to the Company maintaining an average market capitalization in excess of $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.

At October 31, 2017, the Company has a management services agreement with a company owned by certain directors and consultants of the Company for the provision of manangement services, rent and other office costs, at a fee of $56,040 per year, continuing until both parties mutually agree to terminate.

16 Segmented information

The Company conducts mineral operations in Canada and Kenya and is searching for mineral exploration opportunities worldwide. There is no segmented revenue or operating results to report however, the geographical information regarding the Company's total assets is as follows:

			2017
		Mineral Operations	
	Corporate Canada $	**Canada** $	**Total** $
Current assets	799,739	–	799,739
Resource properties	–	935,699	935,699
	799,739	935,699	1,735,438

				2016
		Mineral Operations		
	Corporate Canada $	**Canada** $	**Kenya** $	**Total** $
Current assets	591,680	–	1,020	592,700
Property and equipment	1,847	–	3,413	5,260
Resource properties	–	1,305,285	2,947,820	4,253,105
	593,527	1,305,285	2,952,253	4,851,065

17 Related party transactions

During the year-ended October 31, 2017, the Company incurred management service fees of $36,000 and rent and office costs of $21,540 to a company owned by certain key management (2016 – management service fees of $69,000 and rent of $18,000). 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 financing. As at October 31, 2017, accrued interest on the Notes in the amount of $74,801 was payable to related parties (October 31, 2016 - $45,550).

As at October 31, 2017, total amounts payable to officers, directors and companies owned thereby were $1,131,109 (2016 - $1,170,575), including an outstanding line of credit amount of $nil (2016 - $211,468) and $195,000 (2016 - $195,000) of the principal amounts received from related parties pursuant to the convertible note financing, which have a carrying value of $188,390 (2016 – $168,560).

18 Compensation of key management

Key management includes all Directors, including Executive and Non-Executive Directors, as well as the President and Chief Executive Officer, the Chief Financial Officer, and the Technical Consultant. Compensation earned by key management is summarized as follows:

	2017 $	2016 $
Salaries, consulting, and director fees earned	154,000	243,833
Share-based compensation	11,735	24,018
	165,735	267,851

19 Proposed transaction with Sona Nanotech Limited

During the year-ended October 31, 2017, the Company entered into a letter of intent relating to the proposed acquisition of Sona Nanotech Limited, a private corporation existing under the laws of Nova Scotia. Sona is a nano technology life sciences corporation that has developed two proprietary methods for manufacturing gold nano particles. The proposed transaction with Sona will be effected through an exchange of securities with all of the securityholders of Sona (the "Transaction").

Pursuant to the proposed Transaction with Sona, the Company intends to complete a share consolidation on the basis of four (4) old common shares of the Company for one (1) new common share of the Company(the "Consolidation"). Post-Consolidation, the Company will acquire all of the issued securities and control of Sona, and in consideration, subject to the acceptance of the TSX Venture Exchange, will issue approximately 22,163,282 common shares (post-Consolidation) to the securityholders 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.

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

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

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.

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

Expressed in Canadian dollars

	October 31, 2017	December 31, 2016
	$	$
Assets		
Current assets		
Cash	**173,323**	35,406
Amounts receivables and other (note 3)	**142,506**	107,470
	315,829	142,876
Capital assets (note 4)	**20,316**	590
Total assets	**336,145**	143,466
Liabilities		
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
	962,024	664,811
Long-term debt (note 6)	**172,246**	86,507
Total liabilities	**1,134,270**	751,319
Deficiency		
Shareholders' deficiency	**(798,125)**	(607,852)
Total liabilities and deficiency	**336,145**	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"	*"James Megann"*
Director	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

	Ten-month period ended October 31, 2017 $	Year ended December 31, 2016 $
Expenses		
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
	(449,126)	(747,867)
Other income		
Repayable government loans fair value adjustment	**21,115**	41,660
Scientific research and experimental development tax credits	**-**	63,447
	21,115	105,107
Net loss and comprehensive loss for the period	**(428,011)**	(642,760)
Loss per share – basic and diluted	**(0.02)**	(0.02)
Weighted-average number of common shares outstanding Basic and diluted	**27,928,923**	27,190,155

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
		$	$	$	$
Balance, January 1, 2016	**26,321,662**	**360,500**	-	**(561,392)**	**(200,892)**
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
Balance, December 31, 2016	**27,821,662**	**585,500**	**10,800**	**(1,204,152)**	**(607,852)**
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)
Balance, October 31, 2017	**30,421,662**	**823,238**	**10,800**	**(1,632,163)**	**(798,125)**

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

	Ten month period ended October 31, 2017	Year ended December 31, 2016
	$	$
Operating activities		
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
Net cash used in operating activities	**(201,538)**	(328,110)
Financing activities		
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)**	-
Net cash provided by financing activities	**362,916**	336,507
Investing activities		
Additions to fixed assets (note 4)	**(23,461)**	(651)
Net cash used in financing activities	**(23,461)**	(651)
Increase in cash	**137,917**	7,746
Cash, beginning of period	**35,406**	27,660
Cash, end of period	**173,323**	35,406
Non-cash financing activities		
Common shares issued for financing fee	**-**	75,000

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

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.

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 postion 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.

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.

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:

Asset / liability	Classification	Subsequent measurement
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.

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.

3. ACCOUNTS RECEIVABLES AND OTHER

	October 31, 2017	December 31, 2016
	$	$
Sales tax receivable	1,598	3,563
Government assistance receivable	139,374	92,096
Prepaid expenses	1,534	10,560
Deposits	-	1,251
	142,506	107,470

4. CAPITAL ASSETS

COST	Office Equipment	Laboratory equipment	Total
	$	$	$
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	2,900	21,212	24,112
Accumulated depreciation			
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	390	3,406	3,796
Carrying amount			
Balance, December 31, 2016	590	-	590
Balance, October 31, 2017	2,510	17,806	20,316

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2017	December 31, 2016
	$	$
Trade payables and accruals	799,646	551,274
Government remittances payable	-	6,444
	799,646	557,718

6. LONG-TERM DEBT

	October 31, 2017	December 31, 2016
	$	$
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	-
	334,624	193,600
Less: current portion	(162,378)	(107,093)
	172,246	86,507

	October 31, 2017	December 31, 2016
	$	$
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	10,325	7,093
Balance – end of period	334,624	193,600
Less: current portion	(162,378)	(107,093)
Non-current portion	172,246	86,507

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

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.

	Number of shares	Amount
		$
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	30,421,662	823,238

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:

	Ten month period ended October 31, 2017	Year ended December 31, 2016
	$	$
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	-	-

Deferred income tax assets and liabilities of the Company as at October 31, 2017 and December 31, 2016 are as follows:

	2017 $	2016 $
Deferred income tax assets:		
Losses carried forward	516,299	378,915
Capital assets	1,177	20
Share issuance costs	5,521	-
	522,997	378,935
Deferred income tax liabilities	-	-
	522,997	378,935
Unrecognized deferred income tax assets	(522,997)	(378,935)
Net deferred income tax assets	-	-

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
		1,665,480

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.

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 :

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	799,646	-	-	-	799,646
Loan payable	162,378	-	-	-	162,378
	962,024	-	-	-	962,024

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.

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.

STOCKPORT EXPLORATION INC.

Unaudited Condensed Interim Consolidated Financial Statements

April 30, 2018

June 21, 2018

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim consolidated financial statements of **Stockport Exploration Inc.** are the responsibility of management and have been approved by the Board of Directors. The unaudited condensed interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The unaudited condensed interim consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for the preparation of the financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's unaudited condensed interim consolidated financial statements and recommended their approval by the Board of Directors.

(signed) "*James Megann*"
President and Chief Executive Officer
Halifax, Nova Scotia

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

STOCKPORT EXPLORATION INC.

Unaudited Condensed Interim Consolidated Statements of Financial Position

As at April 30, 2018 and October 31, 2017

(expressed in Canadian dollars)

	April 30, 2018	October 31, 2017
ASSETS	**$**	**$**
Current assets		
Cash	599,346	428,917
Sales taxes recoverable	9,120	4,267
Marketable securities	77,140	355,584
Prepaid expenses and deposits	7,083	10,971
	692,689	799,739
Resource properties (note 7)	938,099	935,699
	1,630,788	1,735,438
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	1,410,940	1,300,227
Convertible debentures (note 11)	125,705	125,705
	1,536,645	1,425,932
Convertible notes (note 12)	295,000	285,000
	1,831,645	1,710,932
SHAREHOLDERS' EQUITY	(200,857)	24,506
	1,630,788	1,735,438

Nature of operations (note 1)
Basis of presentation and going concern (note 2)
Contingency (note 15)

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Approved on behalf of the Board of Directors,

(s) James Megann
James Megann

(s) Carl Sheppard
Carl Sheppard

STOCKPORT EXPLORATION INC.

Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss

For the three and six-month periods ended April 30, 2018 and 2017

(expressed in Canadian dollars)

	For the Three-Months Ended April 30		For the Six-Months Ended April 30	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
EXPENSES				
Amortization	-	136	-	275
Banking fees	738	791	1,334	1,731
General and administrative	10,152	8,365	19,409	16,947
Investor relations and marketing	255	180	435	460
Listing and regulatory costs	11,340	5,092	29,588	11,301
Management salaries and fees	24,068	23,000	49,141	46,000
Management services (note 14)	9,000	9,000	18,000	18,000
Professional services	92,712	34,503	149,277	82,701
Share-based compensation	1,701	4,787	3,719	7,436
Travel	3,398	465	4,255	1,352
	(153,364)	(86,319)	(275,158)	(186,203)
OTHER INCOME (EXPENSES)				
Accretion expense (note 12)	(2,500)	(7,500)	(10,000)	(15,000)
Change in fair value of convertible debenture liability (note 11)	-	50,282	-	-
Foreign exchange gain / (loss)	1,791	(20,062)	(872)	(5,503)
Gain on sale of marketable securities	5,110	20,510	5,110	278,661
Interest income (note 7)	-	4,730	-	8,530
Interest expense	(10,862)	(10,788)	(22,014)	(23,306)
NET INCOME (LOSS) FOR THE PERIOD	(159,825)	(49,147)	(302,934)	57,179
Items that will be subsequently reclassified to the statement of loss				
Realized gain on available-for-sale securities reclassified to net gain	(5,110)	(20,510)	(5,110)	(278,661)
Unrealized gain (loss) on available-for-sale securities	(145,710)	(84,562)	78,962	13,457
COMPREHENSIVE LOSS FOR THE PERIOD	(310,645)	(133,709)	(229,082)	(208,025)
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED	$ (0.002)	$ (0.001)	$ (0.003)	$ 0.001
Weighted Average Number of Common Shares Outstanding	88,653,128	88,653,128	88,653,128	88,653,128

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

STOCKPORT EXPLORATION INC.

Unaudited Condensed Interim Consolidated Statements of Changes in Equity

For the periods ended April 30, 2018 and 2017 and October 31, 2017

(expressed in Canadian dollars)

	Number of Shares	Share Capital	Equity portion of convertible debt	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
		$	$	$	$	$	$	$
Balance at November 1, 2016	88,653,128	22,597,563	90,000	75,349	4,681,964	299,354	(25,067,155)	2,677,075
Net income (loss) and other comprehensive income (loss)	-	-	-	-	-	(265,204)	57,179	(208,025)
Share-based compensation	-	-	-	-	7,436	-	-	7,436
Balance at April 30, 2017	88,653,128	22,597,563	90,000	75,349	4,689,400	34,150	(25,009,976)	2,476,486
Net loss and other comprehensive loss	-	-	-	-	-	(119,830)	(2,339,401)	(2,459,231)
Expiry of warrants during the period	-	-	-	(45,349)	45,349	-	-	-
Share-based compensation	-	-	-	-	7,251	-	-	7,251
Balance at October 31, 2017	88,653,128	22,597,563	90,000	30,000	4,742,000	(85,680)	(27,349,377)	24,506
Net income (loss) and other comprehensive income (loss)	-	-	-	-	-	73,852	(302,934)	(229,082)
Share-based compensation	-	-	-	-	3,719	-	-	3,719
Balance at April 30, 2018	88,653,128	22,597,563	90,000	30,000	4,745,719	(11,828)	(27,652,311)	(200,857)

Other comprehensive income (loss) for the period comprises the net unrealized gain (loss) on available-for-sale securities.

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

STOCKPORT EXPLORATION INC.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the six-month periods ended April 30, 2018 and 2017

(expressed in Canadian dollars)

	For the Six-Months Ended April 30	
	2018	**2017**
	$	$
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	(302,934)	57,179
Adjustments to income not involving cash		
Amortization	-	275
Share-based compensation	3,719	7,436
Accretion expense	10,000	15,000
Gain on sale of marketable securities	(5,110)	(278,661)
Interest income (note 7)	-	(8,530)
	(294,325)	(207,301)
Net change in non-cash working capital balances related to operations		
Increase in sales taxes recoverable	(4,957)	(2,381)
Decrease in prepaid expenses and deposits	3,888	2,950
Increase in accounts payable and accrued liabilities	111,617	65,404
	(183,777)	(141,328)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Cash paid on line of credit	-	(211,468)
	-	(211,468)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Resource property interests and options	(3,304)	(49,275)
Cash received pursuant to option agreements (note 7)	-	50,000
Sales taxes recoverable related to resource property interests	104	884
Proceeds on sale of marketable securities	357,406	471,336
	354,206	472,945
NET CHANGE IN CASH DURING THE PERIOD	170,429	120,149
CASH, beginning of period	428,917	18,989
CASH, end of period	599,346	139,138

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

1. Nature of operations

These unaudited condensed interim consolidated financial statements include the accounts of Stockport Exploration Inc. (the "Company") and its wholly-owned subsidiaries, 6321593 Canada Inc. and Minera Zapoteca, S.A. de C.V.

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues. The recoverability of the amounts shown for resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, obtaining necessary financing and permitting to complete the development, and future profitable production or proceeds from the disposition thereof. The Company is incorporated and domiciled in Canada, and its head office is located at 1969 Upper Water Street, Suite 2001, Halifax, Nova Scotia.

During the period ended April 30, 2018, the Company entered into a definitive agreement related to the proposed acquisition of Sona Nanotech Ltd. ("Sona"), a private corporation involved in the nanotechnology life sciences industry (note 16). As at the date of these financial statements, the transaction has not yet been completed.

2. Basis of Presentation and Going Concern

Going Concern

These unaudited condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

For the six-month period ended April 30, 2018, the Company had a net loss of approximately $0.3 million (year ended October 31, 2017 - net loss of $2.3 million) and had an accumulated deficit of approximately $27.7 million as at April 30, 2018 (October 31, 2017 - $27.3 million). The Company has no income or cash flow from operations and had a negative working capital balance of approximately $0.8 million at April 30, 2018 (October 31, 2017 - negative working capital balance of $0.9 million). In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund any exploration and development activities and to fund its general and administrative costs. Such material uncertainties 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 is 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 exploration requirements and, eventually, to generate positive cash flows, either from operations or the sale of properties. These unaudited interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

Statement of Compliance

The Company prepares its unaudited condensed interim consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of Chartered Professional Accountants of Canada – Part 1 ("CPA Canada Handbook"), which incorporates IFRS as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended October 31, 2017.

The policies applied in these unaudited condensed interim consolidated financial statements are based on the IFRS as of June 21, 2018, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended October 31, 2018 could result in the restatement of these unaudited condensed interim consolidated financial statements.

Basis of Presentation

The condensed interim consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments recorded at fair value. Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Company's functional currency is the Canadian dollar, which is also the presentation currency of the Company.

Use of Estimates and Judgments

The preparation of financial statements under IFRS requires the Company to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and further periods if the review affects both current and future periods.

3. Significant Accounting Policies

These financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year ended October 31, 2017. Refer to note 3, *Significant Accounting Policies*, of the Company's annual consolidated financial statements for the year ended October 31, 2017 for information on the accounting policies as well as new accounting standards not yet effective.

4. Financial Instruments

The Company recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net income (loss) or comprehensive income (loss).

If a financial instrument is measured at fair value, changes in its fair value shall usually be recognized in net income (loss) in the period in which the change occurs, with some exceptions, such as for cash flow hedges and available-for-sale investments. For investments designated as being available-for-sale, changes in the fair value shall be recorded directly in Shareholders' Equity in a separate account called *"Accumulated Other Comprehensive Income (Loss)"* until the asset is disposed of or becomes impaired. At that time, the gains and losses are transferred to net income (loss).

The Company has implemented the following classifications:

- Cash is classified as *"Loans and Receivables"*. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

- Marketable securities are classified as *"Available-for-Sale"*. Financial assets classified as Available-for-Sale are recognized initially at fair values plus transaction costs and are subsequently carried at fair value, with changes in the fair value recorded in other comprehensive income. The fair value measurements are based on quoted prices in active markets for identical instruments (Level 1).

- Accounts payable and accrued liabilities are classified as *"Other Financial Liabilities"*. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

- Convertible debentures are classified as *"Financial Assets or Financial Liabilities at Fair Value through Profit or Loss"*. The convertible debentures issued on October 31, 2013 included certain embedded derivatives, which are included in convertible debentures on the statement of financial position (note 11). After initial recognition at fair value, the convertible debentures are remeasured each period at fair value, with changes in fair value recognized in non-operating income in the consolidated statement of income (loss) and comprehensive income (loss). The fair value measurements are based on significant unobservable inputs (Level 3).

a) Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying values of cash, accounts payable, convertible notes, and convertible debentures approximate their fair value.

b) Foreign currency rate risk

A portion of the Company's transactions occur in foreign currencies; accordingly, the related financial assets are subject to fluctuations in the respective exchange rates.

For the period ended April 30, 2018, the sensitivity of the Company's net income due to changes in the exchange rate between the Canadian dollar and foreign currencies (primarily the United States dollar) would have impacted net income by $1,107 for a 5% increase or decrease in the Canadian dollar.

c) Concentration of credit risk

Management does not believe it is exposed to any significant concentration of credit risk except that a significant portion of its cash is on deposit with a major Canadian bank.

d) Liquidity risk

The Company's approach to managing liquidity risk is to continue to maintain sufficient liquidity to be able to meet the funding of its liabilities when required (note 2).

e) Interest rate risk

The Company has cash; accordingly, the Company's interest income is susceptible to fluctuations in interest rates.

5. Capital Management

The Company's capital structure consists of share capital, the equity portion of convertible notes, warrants, and contributed surplus, which at April 30, 2018 was $27.5 million (October 31, 2017 - $27.5 million). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions, and there can be no assurance the Company will be able to raise funds in the future.

There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

6. Property and equipment

	Office equipment	Exploration equipment	Total
	$	$	$
Cost			
Balance at November 1, 2016	11,845	32,629	44,474
Write-down of capital assets	(11,845)	(32,629)	(44,474)
Balance at October 31, 2017 and April 30, 2018	-	-	-
Accumulated amortization			
Balance at November 1, 2016	9,998	29,216	39,214
Depreciation	414	768	1,182
Write-down of capital assets	(10,412)	(29,984)	(40,396)
Balance at October 31, 2017 and April 30, 2018	-	-	-
Carrying amounts			
As at October 31, 2017 and April 30, 2018	-	-	-

7. Resource properties

The Company's resource properties consist of the following:

	Kenya	Canada		
	Nyanza	**KM61**	**Seymour Lake**	**Total**
	$	**$**	**$**	**$**
Balance at November 1, 2016	2,947,820	928,960	376,325	4,253,105
Net additions during the period	35,165	6,739	-	41,904
Recovery of resource properties	-	-	121,939	121,939
Disposal upon sale of subsidiaries	(2,982,985)	-	-	(2,982,985)
Option payments received	-	-	(498,264)	(498,264)
Balance at October 31, 2017	-	935,699	-	935,699
Net additions during the period	-	2,400	-	2,400
Balance at April 30, 2018	-	938,099	-	938,099

Kenya

i) Sale of Kenyan Subsidiaries

On August 1, 2017, Stockport Exploration Inc. and 6321593 Canada Inc. disposed of their 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. At the time of the sale, the balance of the Company's resource property expenses in Kenya was $2,982,985. As a result of the disposal, the Company recorded a loss on sale of subsidiaries of $2,601,932 on its consolidated statement of comprehensive loss for the year ended October 31, 2017. This consisted of the disposal of $2,982,985 of resource property assets, net of the assets and liabilities of the Kenyan subsidiaries sold. With the sale of the subsidiaries, the Company has no further operations in Kenya.

During the year ended October 31, 2017, the Company had received proceeds of USD$120,000 (CAD$164,318) for the sale of certain Nyanza property equipment. The sale was recorded as a gain on sale of equipment on the consolidated statement of comprehensive loss for the year ended October 31, 2017.

Canada

i) KM61

The Company holds a 100% interest in the KM61 property, which is a molybdenum-copper-silver prospect, located in northwestern Ontario, contiguous with the Seymour Lake project. The majority of the KM61 property, including the mineralized zone, is subject to a 0.5% NSR. Of the remaining claims on the KM61 property, certain portions are subject to a 3% NSR and the balance 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.

As at April 30, 2018, the Company determined that there were no indicators of impairment or impairment reversals on the KM61 property.

ii) Seymour Lake

The Seymour Lake property is a tantalum-lithium-beryllium prospect located in northwestern Ontario, in the Crescent Lake area of the Thunder Bay Mining District. Certain portions of the Seymour Lake property are subject to a 3% NSR, of which 1.5% can be purchased by the Company for $1.0 million on or before January 24, 2024.

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.

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%. 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.

All amounts received from Ardiden pursuant to the option agreement were recorded against resource property expenditures at their net present value, with the difference between the amounts received and the net present value recorded as interest income. The total amount recorded as interest income during the year ended October 31, 2017 was $198,675, and $498,264 was recorded as against resource properties.

8. Accounts payable and accrued liabilities

	April 30, 2018	October 31, 2017
	$	$
Trade accounts payable and accrued liabilities	427,416	364,118
Amounts payable to related parties (note 15)	983,524	936,109
	1,410,940	1,300,227

9. Capital Stock

a) Authorized

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

b) Issued and outstanding

As at April 30, 2018 and October 31, 2017, the Company has 88,653,128 common shares issued and outstanding with a value of $22,597,563. There were no shares issued by the Company during the six-month period ended April 30, 2018 or the year ended October 31, 2017.

10. Stock options

The Company has a stock option plan (the “Plan”), providing the Board of Directors with the discretion to issue an equivalent number of options of up to 10% of the issued and outstanding share capital of the Company. Stock options are granted with an exercise price of not less than closing share price of the day preceding the date of grant.

The estimated fair value of options recognized has been estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company’s stock options. During the six-month period ended April 30, 2018 and the year ended October 31, 2017, the Company did not grant any stock options. 1,275,000 stock options expired during the six-month period ended April 30, 2018 (year ended October 31, 2017 – 1,300,000 stock options expired).

Changes in stock options during the six-month period ended April 30, 2018 and the year ended October 31, 2017 are summarized as follows:

	Six-months ended April 30, 2018		Year ended October 31, 2017	
	Number	Weighted average exercise price ($)	Number	Weighted average exercise price ($)
Outstanding - beginning of period	4,975,000	0.07	6,275,000	0.09
Forfeited or expired	(1,275,000)	0.10	(1,300,000)	0.17
Outstanding - end of period	3,700,000	0.05	4,975,000	0.07

As at April 30, 2018, the Company had outstanding stock options entitling the holders to acquire additional common shares as follows:

Weighted average exercise price per share ($)	Number of options outstanding	Expiry date	Weighted average remaining contractual life (years)	Number of options exercisable
0.04	50,000	July 23, 2018	0.23	50,000
0.05	50,000	August 20, 2018	0.31	50,000
0.05	1,200,000	June 5, 2019	1.10	1,200,000
0.05	200,000	February 16, 2021	2.80	200,000
0.05	1,750,000	July 11, 2021	3.20	1,312,500
0.07	250,000	July 4, 2019	1.18	250,000
0.07	200,000	September 11, 2019	1.37	200,000
0.05	3,700,000		2.18	3,262,500

As at April 30, 2018, 5,165,313 options were available for granting under the Plan (October 31, 2017 – 3,890,313). The estimated value of options earned during the six-month period ended April 30, 2018 was $3,719 (year ended October 31, 2017 - $14,687).

11. Convertible Debentures

On October 31, 2013, the Company 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:

- Phase I – sampling, metallurgy, permitting and plant equipment procurement; and

- Phase II – capital investment and plant operation for the surface gold recovery program. Until the Company advanced to Phase II, 75% of the gross proceeds, being $897,897, were held in trust with a Kenyan law firm. At the Company's discretion, it was entitled to advance to Phase II with the completion of a successful Phase I.

During the year ended October 31, 2014, the Company elected to proceed with Phase II. 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 Phase II 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:

	April 30, 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

As at April 30, 2018, the Company has estimated the fair value of its convertible debenture liability based upon its full settlement obligation to issue 5,028,223 common shares at the maturity date of October 31, 2018. It is the Company's intention to settle the convertible debenture liability at maturity through the issuance of common shares. The Company estimated the fair value of its obligation to issue these shares at $125,705 based on the market trading price of $0.025 per share as at April 30, 2018 and as at October 31, 2017. If the share price was $0.01 per share higher or lower, the fair value of the convertible debenture liability would increase or decrease by $50,000.

12. 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"). The Notes were issued at an interest rate of 12% per annum, payable quarterly, and will be repayable by the Company on or before the maturity date of March 27, 2018. Effective October 20, 2015, the interest rate on the Notes was amended to 15% per annum. During the period ended April 30, 2018, the Company applied for an 18-month maturity date extension to September 27, 2019. The extension is subject to the approval of the TSX Venture Exchange.

The principal amount of the Notes is convertible into common shares of the Company at the election of the holder at the rate of $0.05 of principal converted per share (the "Conversion Price"). 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 of the Company at a conversion price of $0.05 per share or a 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 have been initially recorded at a value of $205,000 and the equity component of the Notes has been valued at $90,000. The initial recorded value of the Notes, in the amount of $205,000, has been accreted to the face value of the Notes over the term of three years. During the six-month period ended April 30, 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 April 30, 2018	10,000
Recorded value of the Notes, April 30, 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.

There were no changes to the terms and conditions of the Notes during the six-month period ended April 30, 2018, subject to the approval of the maturity date extension by the TSX Venture Exchange.

13. Warrants

Warrant activity during the six-month period ended April 30, 2018 and the year ended October 31, 2017 was as follows:

	Six-months ended April 30, 2018			Year ended October 31, 2017		
	Number	Weighted - average exercise price per warrant ($)	Amount ($)	Number	Weighted - average exercise price per warrant ($)	Amount ($)
Outstanding - beginning of period	1,196,000	0.10	30,000	9,039,750	0.07	75,349
Warrants expired	-	-	-	(7,843,750)	0.06	(45,349)
Outstanding - end of period	1,196,000	0.10	30,000	1,196,000	0.10	30,000

During the year ended October 31, 2017, 7,843,750 warrants expired unexercised. As at April 30, 2018, the Company had the following common share purchase warrants outstanding:

Expiry date	Number of warrants outstanding	Exercise price ($)	Number of warrants exercisable
October 31, 2018	1,196,000	0.10	1,196,000

14. Related Party Transactions

During the six-month period ended April 30, 2018, the Company incurred management service fees of $18,000 and rent and office costs of $11,313 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 April 30, 2018, accrued interest on the Notes in the amount of $89,305 was payable to related parties (October 31, 2017 - $74,801).

As at April 30, 2018, total amounts payable to officers, directors and companies owned thereby were $1,178,524 (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).

15. Contingency and Commitment

a) Contingency

The Company has an employment arrangement with the President and Chief Executive Officer of the Company which provides that, should a change in control event occur, the President may elect to terminate his employment with the Company, in which event the Company is required to pay the President a lump sum payment equal to 2.5 times his annual salary. The Company also has an arrangement with a Technical Consultant to the Company which provides that, should a change in control event occur, the Technical Consultant may elect to terminate his arrangement with the Company, in which event the Company is required to pay the Technical Consultant a lump sum payment equal to 2.0 times his annual remuneration. The payment of this change in control settlement would be subject to the Company 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.

b) Commitments

At April 30, 2018, the Company has a management services agreement with a company owned by certain key management of the Company for the provision of management services, rent and other office costs, at a fee of $57,540 per year, continuing until both parties mutually agree to terminate.

16. Proposed transaction with Sona Nanotech Ltd.

On March 22, 2018, the Company entered into a definitive agreement relating to the acquisition of Sona Nanotech Ltd., a private corporation existing under the laws of Nova Scotia. Sona is a nanotechnology life sciences corporation that has developed two proprietary methods for manufacturing gold nanoparticles.

Pursuant to the definitive agreement with Sona, the Company intends to complete an amalgamation with Sona to form Sona Nanotech Inc. ("Amalco") and thereafter complete the issuance to Stockport shareholders of one (1) common share of Amalco for every four (4) common shares of Stockport held. Subject to the acceptance of the appropriate exchange, the amalgamation will result in the issuance of approximately 22,163,282 common shares of Amalco to the securityholders of Stockport. This will represent approximately 50% of the issued and outstanding common shares of Amalco after completion of the transaction. The transaction is subject to regulatory and shareholder approvals prior to completion. As at the date of these financial statements, the proposed transaction has been approved by shareholders but remains subject to regulatory approvals and is not yet completed.

Unaudited Condensed Interim Financial Statements of

SONA NANOTECH LTD.

April 30, 2018

(Expressed in Canadian Dollars)

July 16, 2018

Management's Report

The accompanying unaudited condensed interim financial statements of **Sona Nanotech Ltd.** (the "Company") are the responsibility of management and have been reviewed and approved by the Board of Directors. The unaudited condensed interim financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The unaudited condensed interim financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for the preparation of the financial statements.

(signed) *"Darren Rowles"*
Chief Executive Officer
Wales, United Kingdom

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

Sona Nanotech Ltd.
Unaudited Condensed Interim Statements of Financial Position
As at April 30, 2018 and October 31, 2017

Expressed in Canadian dollars

	April 30, 2018	October 31, 2017
	$	$
Assets		
Current assets		
Cash	**167,122**	173,323
Amounts receivable and other (note 3)	**149,923**	142,506
	317,045	315,829
Capital assets (note 4)	**137,253**	20,316
Total assets	**454,298**	336,145
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**740,289**	799,646
Current portion of long-term debt (note 5)	**123,093**	162,378
	863,382	962,024
Long-term debt (note 5)	**396,398**	172,246
Total liabilities	**1,259,780**	1,134,270
Deficiency		
Shareholders' deficiency	**(805,482)**	(798,125)
Total liabilities and deficiency	**454,298**	336,145

Nature of operations and going concern (note 1)
Commitments and contingencies (note 9)

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Approved on behalf of the Board of Directors on July 16, 2018.

"Gerrard Marangoni" Director

"*James Megann*" Director

Sona Nanotech Ltd.
Unaudited Condensed Interim Statements of Loss and Comprehensive Loss
For the three and six-month periods ended April 30, 2018 and 2017

Expressed in Canadian dollars

	Three-month period ended April 30, 2018 $	Three-month period ended April 30, 2017 $	**Six-month period ended April 30, 2018 $**	Six-month period ended April 30, 2017 $
Expenses				
Consulting and wages	**65,842**	41,296	**133,373**	95,995
Rent and related costs (note 7)	**11,573**	3,105	**11,573**	6,210
Administrative costs	**5,785**	4,405	**9,438**	9,144
Depreciation expense (note 4)	**7,208**	1,132	**11,448**	1,441
Interest on long-term debt (note 5)	**3,092**	3,000	**6,519**	6,000
Accreted interest on repayable government loans (note 5)	**11,144**	1,380	**18,376**	2,760
Accreted interest on convertible loans (note 5)	**-**	-	**-**	1,586
Travel costs	**23,296**	1,383	**37,470**	5,118
Sales and marketing costs	**12,349**	562	**12,987**	2,583
Professional fees	**66,320**	7,559	**98,910**	32,366
Management services (note 7)	**54,000**	54,000	**108,000**	108,000
Research and development costs	**43,596**	1,107	**45,558**	2,478
	(304,205)	(118,929)	**(493,652)**	(273,681)
Other income				
Repayable government loans fair value adjustment	**37,398**	12,630	**85,348**	42,193
Scientific research and experimental development tax credits	**1,627**	**-**	**1,627**	63,447
	39,025	12,630	**86,975**	105,640
Net loss and comprehensive loss for the period	**(265,180)**	(106,299)	**(406,677)**	(168,041)
Loss per share – basic and diluted	**(0.008)**	(0.004)	**(0.012)**	(0.006)
Weighted-average number of common shares outstanding Basic and diluted	**34,703,480**	27,821,662	**33,392,773**	27,821,662

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Sona Nanotech Ltd.
Unaudited Condensed Interim Statements of Changes in Deficiency
For the six-month periods ended April 30, 2018 and 2017

Expressed in Canadian dollars

	Number of Common Shares	Common Shares	Equity Portion of Convertible Loans	Deficit	Total
		$	$	$	$
Balance, November 1, 2016	**27,821,662**	**585,500**	**9,214**	**(1,181,386)**	**(586,672)**
Net loss and comprehensive loss for the period	-	-	-	(168,041)	(168,041)
Equity portion of convertible loans (note 5)	-	-	1,586	-	1,586
Balance, April 30, 2017	**27,821,662**	**585,500**	**10,800**	**(1,349,427)**	**(753,127)**
Net loss and comprehensive loss for the period	-	-	-	(282,736)	(282,736)
Shares issued pursuant to private placement (note 6)	2,600,000	260,000	-	-	260,000
Share issuance costs (note 6)	-	(22,262)	-	-	(22,262)
Balance, October 31, 2017	**30,421,662**	**823,238**	**10,800**	**(1,632,163)**	**(798,125)**
Net loss and comprehensive loss for the period	-	-	-	(406,677)	(406,677)
Shares issued pursuant to private placement (note 6)	4,400,000	440,000	-	-	440,000
Share issuance costs (note 6)	-	(40,680)	-	-	(40,680)
Balance, April 30, 2018	**34,821,662**	**1,222,558**	**10,800**	**(2,038,840)**	**(805,482)**

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Sona Nanotech Ltd.
Unaudited Condensed Interim Statement of Changes in Cash Flows
For the six-month periods ended April 30, 2018 and 2017

Expressed in Canadian dollars

	Six-month period ended April 30, 2018	Six-month period ended April 30, 2017
	$	$
Operating activities		
Net loss for the period	**(406,677)**	(168,041)
Changes to loss not involving cash:		
Depreciation (note 4)	**11,448**	1,441
Accreted interest on repayable government loans (note 5)	**6,519**	6,000
Interest expense (note 5)	**18,376**	2,760
Accreted interest on convertible loans (note 5)	**-**	1,586
Increase in accounts receivable and other	**(7,417)**	(55,805)
Increase (decrease) in accounts payable and accrued liabilities	**(59,357)**	146,234
Net cash used in operating activities	**(437,108)**	(65,825)
Financing activities		
Proceeds from long-term debt (note 5)	**205,775**	61,549
Repayment of long-term debt (note 5)	**(45,803)**	-
Proceeds received upon the completion of private placement (note 6)	**440,000**	-
Share issuance costs associated with private placement (note 6)	**(40,680)**	-
Net cash provided by financing activities	**559,292**	61,549
Investing activities		
Additions to fixed assets (note 4)	**(128,385)**	(21,991)
Increase in cash	**(6,201)**	(26,267)
Cash, beginning of period	**173,323**	45,199
Cash, end of period	**167,122**	18,932

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Sona Nanotech Ltd. (the "Company" or "Sona") was incorporated on January 21, 2014 under the laws of Nova Scotia and continued under the Canada Business Corporations Act on May 16, 2018. The Company is in the business of researching and developing gold nanorod 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 5. The Company has incurred significant operating losses since inception and has an accumulated deficit of $2,038,840 as at April 30, 2018 (October 31, 2017 – $1,632,163).

These unaudited condensed interim 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 six-month period ended April 30, 2018, the Company incurred a net loss of $406,677 (period ended October 31, 2017 - $428,011). The Company has negative cash flow from operations. In addition to its working capital requirements, the Company must secure sufficient funding to further develop its gold nanorod products and to fund its general operating costs. Such circumstances create material uncertainties that may cast significant doubt as to the ability of the Company to 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. However, there can be no assurance that these initiatives will be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and operating requirements and eventually to generate positive cash flows from operations. These unaudited condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and statement of financial position classifications that would be necessary were the going concern assumption determined to be inappropriate and these adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed interim financial statements, except as discussed below.

a) Statement of compliance and basis of presentation

The unaudited condensed interim 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 July 16, 2018.

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the ten-month period ended October 31, 2017.

The policies applied in these unaudited condensed interim financial statements are based on the IFRS as of July 16, 2018, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's financial statements for the period ended October 31, 2018 could result in the restatement of these unaudited condensed interim financial statements.

These financial statements have been prepared using the same policies and methods of computation as the audited financial statements of the Company for the period ended October 31, 2017. Refer to note 2, *Significant Accounting Policies*, of the Company's audited financial statements for the period ended October 31, 2017 for information on the accounting policies, significant accounting estimates and judgements, and new accounting standards not yet effective.

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

3. AMOUNTS RECEIVABLE AND OTHER

	April 30, 2018	October 31, 2017
	$	$
Sales tax receivable	32,481	1,598
Government assistance receivable	115,836	139,374
Prepaid expenses and other	1,606	1,534
	149,923	142,506

4. CAPITAL ASSETS

	Office Equipment	Laboratory Equipment	Total
Cost	$	$	$
As at November 1, 2016	651	-	651
Additions	2,249	21,212	23,461
As at October 31, 2017	2,900	21,212	24,112
Additions	-	128,385	128,385
As at April 30, 2018	2,900	149,597	152,497
Accumulated depreciation	$	$	$
As at November 1, 2016	-	-	-
Depreciation charge	390	3,406	3,796
As at October 31, 2017	390	3,406	3,796
Depreciation charge	371	11,077	11,448
As at April 30, 2018	761	14,483	15,244
Carrying amount	$	$	$
Balance, October 31, 2017	2,510	17,806	20,316
Balance, April 30, 2018	2,139	135,114	137,253

5. LONG-TERM DEBT

	April 30, 2018	October 31, 2017
	$	$
Atlantic Canada Opportunities Agency ("ACOA") under the Business Development Program interest-free loan with a maximum contribution of $979,476. Annual repayments are calculated between 3% - 5% of gross product revenue. As at April 30, 2018, the amount drawn down on the loans was $520,623 (October 31, 2017 – $229,500).	396,398	172,246
Brigus Capital Inc. ("Brigus") loan with an interest rate of 1% per month, repayable on demand	123,093	117,093
Numus Financial Inc. ("Numus") loan with an interest rate of prime +1% per annum, repayable on demand	-	45,285
Balance – end of period	519,491	334,624
Less: current portion	(123,093)	(162,378)
Non-current portion	396,398	172,246

	April 30, 2018	October 31, 2017
	$	$
Balance – November 1,	334,624	158,749
Borrowings, net of $85,348 (year-ended October 31, 2017 - $41,431) allocated to other income	205,775	158,070
Loan repayment	(45,803)	(41)
Equity portion of convertible loan	-	(1,586)
Accreted interest on repayable government loans	18,376	5,521
Accreted interest on convertible loans	-	1,586
Accrued interest	6,519	12,325
Balance – end of period	519,491	334,624
Less: current portion	(123,093)	(162,378)
Non-current portion	396,398	172,246

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' 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 November 26, 2016 the loan was 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	$100,000

6. SHARE CAPITAL

a) Common shares

Authorized share capital of the Company consists of an unlimited number of fully paid common shares without par value.

	Number of shares	Amount
	#	$
Outstanding, November 1, 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	30,421,662	823,238
Shares issued pursuant to private placement	4,400,000	440,000
Share issuance costs	-	(40,680)
Outstanding, April 30, 2018	34,821,662	1,222,558

Private Placement Financings

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.

During the period ended April 30, 2018, the Company completed non-brokered private placement financings for aggregate gross proceeds of $440,000. The Company issued 4,400,000 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 $40,680.

7. RELATED PARTY TRANSACTIONS

During the six-month period ended April 30, 2018, the Company paid Darren Rowles, operating under the name Arbiter Consulting, consulting fees of $25,000 (period ended October 31, 2017 – $12,500).

During the six-month period ended April 30, 2018, 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 $108,000 (period ended October 31, 2017 – $180,000) and incurred rent and office costs from Numus in the amount of $nil (period ended October 31, 2017 – $12,150), incurred administrative fees of $456 (period ended October 31, 2017 - $nil), received a loan in the amount of $nil (period ended October 31, 2017 – $44,959), accrued interest on the loan of $519 (period ended October 31, 2017 – $325) and made loan repayments of $45,803. As at April 30, 2018, the amount owing to Numus was $436,983 (October 31, 2017 – $589,669).

During the six-month period ended April 30, 2018 and the ten month period ended October 31, 2017, Numus Capital Corp. (“Numus Capital”), an exempt market dealer controlled by certain directors of Sona, assisted the Company in securing subscribers in the private placements completed by the Company. The Company incurred Numus Capital finders' fees of 8.0%, or $35,200, during the six-month period ended April 30, 2018 (October 31, 2017 – 8%, or $20,800). As at April 30, 2018, the amount owing to Numus Capital was $nil (October 31, 2017 – $10,400).

As at April 30, 2018 and October 31, 2017, the Company had a loan outstanding from Brigus Capital Inc. ("Brigus"), a company controlled by a director of Sona. During the six-month period ended April 30, 2018, the Company accrued interest of $6,000 (period ended October 31, 2017 – $10,000). As at April 30, 2018, the amount owing to Brigus was $123,093 (October 31, 2017 – $117,094).

8. 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.

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 April 30, 2018, excluding the ACOA loan repayments which are not determinable at this time, are as follows :

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	740,289	-	-	-	740,289
Loan payable	123,093	-	-	-	123,093
	863,382	-	-	-	863,382

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.

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 April 30, 2018, 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.

9. COMMITMENTS AND CONTINGENCIES

As at April 30, 2018, 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.

The Company has employment agreements with the Chief Executive Officer ("CEO") which provide that, should a change in control event occur, as defined in the employment agreements, the CEO will receive lump sum payments equal to 6 months of his then current base salary during the first two years of employment and 12 months of his then current base salary following the 2 year anniversary of the agreement.

10. TRANSACTION WITH STOCKPORT EXPLORATION INC.

On March 22, 2018 the Company entered into a definitive agreement with Stockport Exploration Inc. ("Stockport") relating to the proposed acquisition of the Company by Stockport, a public company incorporated and domiciled in Canada. The transaction with Stockport will be effected through an amalgamation with the Company (the "Transaction").

Pursuant to the Transaction with Stockport, Stockport intends to complete an amalgamation on the basis of four (4) old common shares of Stockport for one (1) new common share of the amalgamated company (the "Amalgamation"). Post-Amalgamation, Stockport, subject to the acceptance of the appropriate stock exchange, will issue approximately 22,036,238 common shares (post-Amalgamation) to the security holders of Sona on the basis of 1.5802 old common shares of Sona for one (1) new common share of the amalgamated company. This will represent approximately 50% of the issued and outstanding common shares after completion of the Amalgamation. The Transaction is subject to regulatory and shareholder approvals prior to completion. As at the date of these financial statements, the transaction was not yet completed.

Sona Nanotech Ltd.
Six-month period ended April 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This 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 unaudited condensed interim financial statements of Sona (the "Financial Statements") for the six-month period ended April 30, 2018 and the audited financial statements of Sona for the period ended October 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The information presented in this MD&A is as of July 16, 2018. The reporting currency for Sona is the Canadian dollar. All of the unaudited condensed interim financial information presented herein is expressed in Canadian dollars, unless otherwise stated. This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. The reader is cautioned not to place undue reliance on forward-looking statements.

FORWARD-LOOKING STATEMENTS AND INFORMATION

This MD&A contains "forward-looking information", as such term is defined in applicable Canadian securities legislation. Forward-looking information is necessarily based on a number of estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies. All statements other than statements which are reporting results as well as statements of historical fact set forth or incorporated herein by reference, are forward looking information that may involve a number of known and unknown risks, uncertainties and other factors, many of which are beyond Sona's ability to control or predict. Forward-looking information can be identified by the use of words such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "intends", "continue", or the negative of such terms, or other comparable terminology.

This information includes, but is not limited to, comments regarding:
- the development plans for the Company's gold nanorod products;
- the Company's business strategy;
- the Company's strategy for protecting its intellectual property;
- the Company's ability to obtain necessary funding on favorable terms or at all;
- the Company's plan and ability to secure revenues;
- the risk of competitors entering the market;
- the Company's ability to hire and retain skilled staff;
- the ability to obtain financing to fund future expenditure and capital requirements; and
- the impact of adoption of new accounting standards.

Although Sona believes that the plans, intentions and expectations reflected in this forward-looking information are reasonable, Sona cannot be certain that these plans, intentions or expectations will be achieved. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking information contained in this report. Disclosure of important factors that could cause actual results to differ materially from Sona's plans, intentions or expectations is included in this report under the heading *Risk Factors*.

Forward-looking information inherently involves risks and uncertainties that could cause actual results to differ materially from the forward-looking information. Factors that could cause or contribute to such differences include, but are not limited to, unexpected changes in business and economic conditions, including the global financial and capital markets; changes in interest and currency exchange rates; changes in operating revenues and costs; political or economic instability, either globally or in the countries in which Sona operates; local and community impacts and issues; labour disputes; environmental costs and risks; competitive factors; availability of external financing at reasonable rates or at all; and the other risk factors discussed in this MD&A under the heading *Risk Factors*. Many of these factors are beyond Sona's ability to control or predict. These factors are not intended to represent a complete list of the general or specific factors that may affect Sona. Sona may note additional factors elsewhere in this MD&A. All forward-looking statements and information speak only as of the date made. All subsequent written and oral forward-looking statements attributable to Sona, or persons acting on Sona's behalf, are expressly qualified in their entirety by these cautionary statements. Readers are cautioned not to put undue reliance on forward-looking information due to the inherent uncertainty therein. Sona disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

COMPANY OVERVIEW

Sona was incorporated on January 21, 2014 under the laws of Nova Scotia and was continued under the Canada Business Corporations Act on May 16, 2018. The Company is in the business of researching and developing gold nanorod 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.

Sona was incorporated in Nova Scotia to create a separate entity to spin out the gold nanorod product development business of GMS Surface Tech Inc.

Operational overview

Sona is the manufacturer of the Gemini™ and Omni™ Gold Nanorod ("GNR") product lines. Sona is the world's first company to develop the ability to synthesize high volumes of gold nanorods without the use of the cytotoxin, 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.

Working in co-operation with several key collaborators including DCN Diagnostics, Innova Biosciences, Bioassay works, Scienion, PRIMA Labs, Mologic, Operon, Biotech Africa, Cardiff University, University College London, Waterloo University and Clemson University, Sona plans to disrupt the existing lateral flow market with the introduction of Sona powered, multiplexed lateral flow devices. The Company is also working towards providing the life science market with a step change in in-vivo imaging, drug delivery and photothermal therapies by offering the world's first non-toxic gold nanorod product range.

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 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 in the diagnostics market 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.

The offering to the life sciences market will include the supply of existing 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.

Corporate developments

On March 22, 2018 the Company entered into a definitive agreement with Stockport Exploration Inc. ("Stockport") relating to the proposed acquisition of the Company by Stockport, a public company incorporated and domiciled in Canada. The transaction with Stockport will be effected through an amalgamation with the Company (the "Transaction").

Pursuant to the Transaction with Stockport, Stockport intends to complete an amalgamation on the basis of four (4) old common shares of Stockport for one (1) new common share of the amalgamated company (the "Amalgamation"). Post-Amalgamation, Stockport, subject to the acceptance of the appropriate stock exchange, will issue approximately 22,036,238 common shares (post-Amalgamation) to the security holders of Sona on the basis of 1.5802 old common shares of Sona for one (1) new common share of the amalgamated company. This will represent approximately 50% of the issued and outstanding common shares after completion of the Amalgamation. The Transaction is subject to regulatory and shareholder approvals prior to completion. As at the date of these financial statements, the transaction was not yet completed.

Effective on October 13, 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 $200,000 to $5.5 million with $4 million 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.

BUSINESS OBJECTIVES

Sona plans to use its financial resources for the following key business objectives:

Future Diagnostics
The primary objective of the future diagnostic project is to identify and work with third parties interested in applying Sona's gold nanorod technology to their established platforms to enhance the commercial potential of their product lines. Sona's technology will be further developed to allow companies to provide the next generation of assays to the market and provide tests that perform better and are easier to interpret and connect with. Sona's enhanced products will also empower healthcare professionals and individuals to make better diagnostics decisions and take control of their own health.

Sona's primary approach to market entry involves targeting firms that have established and ubiquitous platforms in place for lateral flow assays. By utilizing 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.

The Company's objectives in the future diagnostic project 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 a model system that will be used as a comparator to existing technologies in the market;
- Demonstrate the feasibility of new nanoparticle technologies in Sona's lateral flow assay platform;
- Integrate data capture and automation technologies into production processes;
- Advance existing production techniques to a more automated, continuous production process; and
- Demonstrate proof of concept of using Surface Enhanced Raman Spectroscopy ("SERS") technology alongside Sona's nanorod technology in a lateral flow platform for detection of single molecule analytes.

Life Sciences
The Company's life sciences project deals with selected issues related to the diverse range of properties of gold nanorods. Specific projects will provide practical applications of the gold nanorod technology. The Company's objectives in the life sciences project include the following:

- Establish development programs to utilize Sona's nanorods in life science research with commercial partners;

- 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 wide range of commercial applications;
- Develop expertise and know-how in the important area of nanotechnology; and
- Develop a graduate training center for next generation nanotechnologists to collaborate with Sona on existing projects.

SELECTED FINANCIAL INFORMATION

	Three-month period ended Apr 30, 2018	Three-month period ended Jan 31, 2018	Three-month period ended Apr 30, 2017	Three-month period ended Jan 31, 2017	Ten-month period ended Oct 31, 2017	Year ended Dec 31, 2016
	$	**$**	**$**	**$**	**$**	**$**
Expenses						
Consulting and wages	65,842	67,531	41,296	54,699	171,576	282,003
Professional fees	66,320	32,590	7,559	24,807	29,550	75,899
Management services	54,000	54,000	54,000	54,000	180,000	218,000
Research and development costs	43,596	1,962	1,107	1,371	6,449	29,156
Financing fee	-	-	-	-	-	75,000
Accreted interest on repayable government loans	11,144	7,232	1,380	1,380	5,521	-
Accreted interest on the convertible loan	-	-	-	1,586	-	10,800
Interest on long-term debt	3,092	3,427	3,000	3,000	10,325	7,093
Depreciation expenses	7,208	4,240	1,132	309	3,735	61
General administrative expenses	53,003	18,465	9,455	13,600	41,970	49,855
Total Expenses	**(304,205)**	**(189,447)**	**(118,929)**	**(154,752)**	**(449,126)**	**(747,867)**
Other income						
Repayable government loans fair value adjustment	37,398	47,950	12,630	29,563	21,115	41,660
Scientific research and experimental development tax credits ("SR&ED")	1,627	-	-	63,447	-	63,447
Other income	**39,025**	**47,950**	**12,630**	**93,010**	**21,115**	**105,107**
Net loss	**(265,180)**	**(141,497)**	**(106,299)**	**(61,742)**	**(428,011)**	**(642,760)**
Net loss per common share	**(0.008)**	**(0.004)**	**(0.004)**	**(0.002)**	**(0.02)**	**(0.02)**

Sona expects to record losses until such time as it further develops its gold nanorod products and secures customers. See the *Risk Factors* section of this MD&A and note 1, *Nature of operations and going concern,* of the unaudited condensed interim financial statements for the six-month period ended April 30, 2018 for further details.

RESULTS OF OPERATIONS

Three-month period ended April 30, 2018

Expenses

During the three-month period ended April 30, 2018, the Company recorded expenses of $304,205, an increase of $185,276 from the $118,929 expenses incurred during the three-month period ended April 30, 2017. The increase can be attributed to the following items:

- Consulting and wages increased by $24,546 as a result of the hiring of additional employees due to the increase in business activities.
- Professional fees increased by $58,761 primarily due to an increase in legal fees and the engagement of additional consultants as a result of the increase of business activity.

- Management services for the three-month periods ended April 30, 2018 and 2017 were both $54,000. The management service fees relate to consulting services provided by Numus Financial Inc. ("Numus"). See “Related Party Transactions”.
- Research and development costs increased by $43,080 as a result of increased business activities.
- General administrative expenses increased by $43,548, due to the increase in sales and marketing costs and travel costs as a result of increased business activities.
- Depreciation expense increased by $6,076, due to the depreciation on the acquisitions of laboratory and office equipment during the past year.

Other income
During the three-month period ended April 30, 2018, the Company recorded other income of $39,025, an increase of $26,395 from the $12,630 other income earned during the three-month period ended April 30, 2017. The increase can be attributed to the following items:

- During the three-month period ended April 30, 2018, the Company recorded $37,398 of other income relating to the fair value adjustment on repayable government loans (the “ACOA loans”). The value recorded in other income are a result of the difference between the face value of the ACOA loans and the initial fair value of the ACOA loans. The initial fair value of the loans is determined using the present value of the projected repayment of the loan, based on a 3 - 5% royalty on the estimated gross product revenues. The ACOA loans increased by $24,768 due to an increase in eligible costs incurred during the three-month period ended April 30, 2018.
- During the three-month period ended April 30, 2018, there was an increase of $1,627 in other income relating to SR&ED as a SR&ED claim was finalized during the three-month period ended April 30, 2018.

Six-month period ended April 30, 2018

Expenses
During the six-month period ended April 30, 2018, the Company recorded expenses of $493,652, an increase of $219,971 from the $273,681 expenses incurred during the six-month period ended April 30, 2017. The increase can be attributed to the following items:

- Consulting and wages increased by $37,378 as a result of the hiring of additional employees due to the increase in business activities.
- Professional fees increased by $66,544 primarily due to an increase in legal fees and the engagement of additional consultants due to the increase of business activities.
- Management services for the six-month periods ended April 30, 2018 and 2017 were both $108,000. The management service fees relate to consulting services provided by Numus Financial Inc. ("Numus"). See “Related Party Transactions”.
- Research and development costs increased by $43,080 as a result of increased business activities.
- General administrative expenses increased by $48,413, due to the increase in travel costs and business activities.
- Depreciation expense increased by $10,007, due to the depreciation on the acquisitions of laboratory and office equipment during the past year.

Other income
During the six-month period ended April 30, 2018, the Company recorded other income of $86,975, an decrease of $18,665 from the $105,640 other income earned during the six-month period ended April 30, 2017. The increase can be attributed to the following items:

- During the six-month period ended April 30, 2018, the Company recorded $85,348 of other income relating to the fair value adjustment on repayable government loans (the “ACOA loans”). The value recorded in other income are a result of the difference between the face value of the ACOA loans and the initial fair value of the ACOA loans. The initial fair value of the loans is determined using the present value of the projected repayment of the loan, based on a 3 - 5% royalty on the estimated gross product revenues. The ACOA loans increased by $43,155 due to an increase in eligible costs incurred during the six-month period ended April 30, 2018.

- During the three-month period ended April 30, 2018, there was an decrease of $61,820 in other income relating to SR&ED as a SR&ED claim was completed during the six-month period ended April 30, 2017 and finalized during the six-month period ended April 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

	April 30, 2018	**October 31, 2017**	**December 31, 2016**
	$	**$**	**$**
Total assets	454,298	336,145	143,466
Current financial liabilities	863,382	962,024	664,811
Non-current financial liabilities	396,398	172,246	86,507
Shareholders' Equity	(805,482)	(798,125)	(607,852)

Sona's liquidity depends on existing cash reserves, supplemented as necessary government loans and grants, and equity and/or debt financings. As of April 30, 2018, Sona had cash of $167,122 compared to $173,323 as at October 31, 2017. The negative working capital balance at April 30, 2018 was $546,337 as compared to the negative working capital balance of $646,195 at October 31, 2017 due primarily operating and investing costs incurred through the normal course of operations, netted against the cash received from the private placement completed in during the six-month period ended April 30, 2018.

During the six-month period ended April 30, 2018, Sona used net cash of $437,108 to fund operating activities. In addition, Sona raised net funds through financing activities of $559,292 during this six-month period ended 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 $128,385 for the six-month period ended April 30, 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. 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 unaudited condensed interim financial statements for the six-month period ended April 30, 2018.

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.

OUTSTANDING SHARE INFORMATION

The Company has authorized an unlimited number of common shares without par value. As of April 30, 2018, and July 16, 2018, the Company had 34,821,662 common shares outstanding.

RELATED PARTY TRANSACTIONS

During the six-month period ended April 30, 2018, 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 $108,000 (period ended October 31, 2017 – $180,000) and incurred rent and office costs from Numus in the amount of $nil (period ended October 31, 2017 – $12,150), incurred administrative fees of $456 (period ended October 31, 2017 - $nil), received a loan in the amount of $nil (period ended October 31, 2017 – $44,959), accrued interest on the loan of $519 (period ended October 31, 2017 – $325) and made loan repayments of $45,803. As at April 30, 2018, the amount owing to Numus was $436,983 (October 31, 2017 – $589,669).

During the six-month period ended April 30, 2018 and the ten-month period ended October 31, 2017, Numus Capital Corp. ("Numus Capital"), an exempt market dealer controlled by certain directors of Sona, assisted the Company in securing subscribers in the private placements completed by the Company. The Company incurred Numus Capital finders' fees of 8.0%, or $35,200, during the six-month period ended April 30, 2018 (October 31, 2017 – 8%, or $20,800). As at April 30, 2018, the amount owing to Numus Capital was $nil (October 31, 2017 – $10,400).

As at April 30, 2018 and October 31, 2017, the Company had a loan outstanding from Brigus Capital Inc. ("Brigus"), a company controlled by a director of Sona. During the six-month period ended April 30, 2018, the Company accrued interest of $6,000 (period ended October 31, 2017 – $10,000). As at April 30, 2018, the amount owing to Brigus was $123,093 (October 31, 2017 – $117,094).

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.

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 audited 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 April 30, 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 April 30, 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.

There were no changes in the Company's internal control over financial reporting during the six-month period ended April 30, 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.

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 April 30, 2018 would have been an estimated $11,200 lower or $11,700 higher, respectively. If the total forecasted revenue was reduced by 10% or increased by 10%, the carrying value of the long-term debt at April 30, 2018 would have been an estimated $1,700 higher or lower, respectively.

OTHER INFORMATION

Additional information regarding the Company is available on the Company's website at www.sonanano.com.

SONA NANOTECH INC.
(formerly, Stockport Exploration Inc.)

UNAUDITED PRO-FORMA
Consolidated Statement of Financial Position
(Prepared by Management)
(Expressed in Canadian dollars)

April 30, 2018

SONA NANOTECH INC.
UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30, 2018

	Sona NanoTech Inc. as at April 30, 2018	Sona NanoTech Ltd. as at April 30, 2018	Notes	Pro-forma Adjustments	Pro-forma Consolidated as at April 30, 2018
ASSETS	**$**	**$**		**$**	**$**
Current assets					
Cash	599,346	167,122	3(c)	1,825,000	2,491,468
			3(d)	(100,000)	
Receivables	9,120	149,923		-	159,043
Prepaid expenses and deposits	7,083	-		-	7,083
Marketable securities	77,140	-		-	77,140
	692,689	317,045		1,725,000	2,734,734
Capital assets	-	137,253		-	137,253
Resource properties	938,099	-		-	938,099
	1,630,788	454,298		1,725,000	3,810,086
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	1,410,940	740,289		-	2,151,229
Current portion of long-term debt	-	123,093		-	123,093
Current portion of convertible debentures	125,705	-		-	125,705
	1,536,645	863,382			2,400,027
Convertible notes	295,000	-		-	295,000
Long-term debt	-	396,398		-	396,398
	1,831,645	1,259,780		-	3,091,425
SHAREHOLDERS' EQUITY (note 4)					
Share capital	22,597,563	1,222,558	3(b)	(22,597,563)	6,422,107
			3(a)	3,501,799	
			3(c)	1,825,000	
			3(c)	(127,250)	
				(17,398,014)	
Equity portion of convertible notes	90,000	10,800	3(b)	(90,000)	183,576
			3(a)	172,776	
				82,776	
Contributed surplus	4,775,719	-	3(b)	(4,775,719)	251,396
			3(a)	14,565	
			3(a)	109,581	
			3(c)	127,250	
				(4,524,323)	
Accumulated other Comprehensive Income	(11,828)	-	3(b)	11,828	
Deficit	(27,652,311)	(2,038,840)	3(b)	27,652,311	(6,138,418)
			3(a)	(3,501,799)	
			3(a)	(200,857)	
			3(a)	(172,776)	
			3(a)	(14,565)	
			3(a)	(109,581)	
			3(d)	(100,000)	
				23,552,733	
	(200,857)	(805,482)		1,725,000	718,661
	1,630,788	454,298		1,725,000	3,810,086

The accompanying notes are an integral part of this unaudited pro-forma consolidated statement of financial position.

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").

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 connection 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 5,000,000 common shares at $0.40 per share.

The Transaction will be subject to certain customary conditions including various regulatory approvals.

The Company intends to adopt a financial year end of October 31st 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 quarterly financial statements as at and for the quarter ended April 30, 2018 and the Company's audited financial statements as at and for the year ended October 31, 2017;
- Sona Nanotech's quarterly financial statements as at and for the quarter ended April 30, 2018 and the 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.

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, April 30, 2018. Consequential adjustments to the accumulated deficit are based on the Transaction equation described in Note 3(a).

The unaudited pro-forma consolidated statement of financial position has been prepared based on the following assumptions:

a) 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 $3,501,799, 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 $14,565. The fair value of the 925,000 post-consolidation options exercisable at various prices ranging from $0.16 to $0.28 per option amounted to $109,581. The fair value of the equity portion of the convertible note notes, exchangeable at $0.20 per share, amounted to $172,776. 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	$	599,346
Other current assets		16,203
Investments		77,140
Resource properties		938,099
Accounts payable and accrued liabilities		(1,410,940)
Current portion of convertible notes		(295,000)
Current portion of convertible debentures		(125,705)
Net liabilities acquired		(200,857)
Consideration		(3,934,721)
Cost of Company's status as a Reporting Issuer charged to deficit	$	4,099,578
Consideration:		
Common shares deemed to be issued	$	3,501,799
Warrants deemed to be issued		14,565
Options deemed to be issued		109,581
Equity portion of convertible notes		172,776
Legal and other transaction costs		100,000
	$	3,934,721

3. UNAUDITED PRO-FORMA ASSUMPTIONS AND ADJUSTMENTS (continued)

b) 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 $4,775,719, the equity portion of the convertible notes of $90,000, the accumulated other comprehensive loss of $11,828 and the accumulated deficit of $27,652,311.

c) 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 $0.40 per common share, resulting in the issuance of 5,000,000 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 375,000 common shares at an exercise price of $0.40 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 $0.40, an exercise price of $0.40, 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.

d) 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 April 30, 2018 is comprised of the following:

		Share Capital					
	Notes	# of Shares	Capital Stock	Equity Portion of Convertible Stocks	Contributed Surplus	Deficit	Total
			$	$	$	$	$
Sona Nanotech balances prior to transactions below		34,821,662	1,222,558	10,800	-	(2,038,840)	(805,482)
Common shares of the Sona Nanotech exchanged	3(a)	(34,821,662)	-	-	-	-	-
for common shares of the Company	3(a)	22,036,238	-	-	-	-	-
Shares deemed to be issued re the Company	3(b)	22,163,282	3,501,799	-	-	(3,501,799)	-
Warrants deemed to be issued re the Company	3(b)	-	-	-	14,565	(14,565)	-
Options deemed to be issued re the Company	3(b)	-	-	-	109,581	(109,581)	-
Equity portion of convertible notes	3(b)	-	-	172,776	-	(172,776)	-
Net asset position assumed re the Company	3(b)	-	-	-	-	(200,857)	(200,857)
Shares issued in financing	3(c)	5,000,000	2,000,000	-	-	-	2,000,000
Share issue costs – Finder's fees	3(c)	-	(175,000)	-	-	-	(175,000)
Share issue costs – Broker warrants	3(c)	-	(127,250)	-	127,250	-	-
Transaction costs - cash	3(d)	-	-	-	-	(100,000)	(100,000)
		49,199,520	6,422,107	183,576	251,396	(6,138,418)	718,661

As a result of the transaction 299,000 warrants are deemed to be issued (Note 3 (a)), 925,000 options are deemed to be issued (Note 3 (a)), and 375,000 Broker Warrants are deemed to be issued (Note 3 (c)).

5. INCOME TAXES

The effective income tax rate applicable to the consolidated operations is estimated to be 31%.