ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED
OCTOBER 31, 2021
(unless otherwise expressly stated)

Sona Nanotech Inc.
Suite 2001 – 1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7

February 28, 2022

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SONA NANOTECH INC.

ANNUAL INFORMATION FORM

INTRODUCTORY NOTES

Documents Incorporated by Reference

Incorporated by reference into this Annual Information Form ("AIF") of Sona Nanotech Inc. (the "Company" or "Sona") are the following documents:

(a) Audited Financial Statements of the Company for the years ended October 31, 2021, 2020, and 2019;

(b) Management Discussion and Analysis of the Company for the year ended October 31, 2021 dated February 28, 2022; and

(c) Management Discussion and Analysis of the Company for the year ended October 31, 2020 dated February 26, 2021; and

(d) Management Discussion and Analysis of the Company for the year ended October 31, 2019 dated February 28, 2020.

copies of which may be obtained online from SEDAR at www.sedar.com, under the Company's profile.

All financial information in this AIF has been prepared in accordance with IFRS (as defined below) as published by the International Accounting Standards Board.

Effective Date of Information

Throughout this AIF, references to "Sona", the "Company", "its", "our", "us" and "we", or related terms refer to Sona Nanotech Inc., and includes, where the context requires, its subsidiaries.

All information contained herein is as at October 31, 2021, unless otherwise stated, being the date of our most recently completed financial year, and the use of the present tense and of the words "is", "are", "current", "currently", "presently", "now" and similar expressions in this Annual Information Form is to be construed as referring to information given as of that date.

Currency

All dollar amounts referenced in this AIF are expressed in Canadian Dollars, unless otherwise indicated.

Cautionary Note Regarding Forward-Looking Information

Certain statements contained in this AIF and the documents incorporated by reference herein constitute forward-looking information or forward-looking statements (collectively, "forward-looking statements") within the meaning of applicable Canadian securities laws. Forward-looking statements include statements concerning the Company's current expectations, estimates, projections, assumptions and beliefs, and, in certain cases, can be identified by the use of words such as "seeks", "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will be taken", "occur" or "be achieved", or the negative forms of any of these words and other similar expressions.

When we discuss our strategy, plans, future financial and operating performance, financing plans, growth in cash flow and operating margins, planned production, research and development and related expenses, or other events that have not yet happened, we are making forward-looking statements. All statements in this Annual Information Form that address events or developments that we expect to occur in the future are forward-looking statements, including projections of future financial and operational performance; statements with respect to

future events or future performance; supply, production, inventory and sales estimates; anticipated operating costs and revenue; estimates of capital expenditures; future market demand; costs of goods sold and currencies; and statements regarding anticipated research and development, production, permitting and other activities.

Forward-looking information is necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors, many of which are beyond our ability to control, that may cause our actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Such factors include, without limitation, risks of not achieving production, costs of goods sold or other estimates; risks and uncertainties associated with product development; discrepancies between actual and estimated sales; political, economic and other uncertainties in the jurisdiction where we operate or conduct business activities; fluctuations in the price and availability of infrastructure and energy and other commodities we use; inherent hazards and risks associated with our operations, including risks related to infrastructure, accidents and equipment breakdowns; risks of obtaining and maintaining necessary licenses, permits and approvals from various governmental authorities; risks related to compliance with environmental regulations and environmental hazards; risks related to compliance with stringent laws and regulations and the effect of changes in law and regulatory environment; fluctuations in foreign currency exchange rates; ability to obtain additional financing; risks related to community relations and community action; reliance on outside contractors to conduct certain activities; defects in or loss of intellectual property rights, loss of key personnel and our inability to attract and retain qualified personnel; potential losses, liabilities and damages related to our business which are uninsured or uninsurable; competition with other companies; risks associated with litigation; volatility of global financial conditions; taxation, including changes in tax laws and interpretation of tax laws; as well as other risks, uncertainties and other factors, including, without limitation, those referred to in this AIF under the heading “Description of the Business – Risk Factors” and elsewhere herein.

Forward-looking statements are not a guarantee of future performance but, rather, reflect the Company’s current expectations and assumptions, and are subject to a number of known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from those anticipated in such statements. All of the forward-looking statements contained in this Annual Information Form are qualified by these cautionary statements.

Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking statements, there may be other factors that cause actual results to differ materially from those which are anticipated, estimated, or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on the forward-looking statements or the assumptions on which the Company’s forward-looking statements are based. Readers are further cautioned that the foregoing list of risks and assumptions is not exhaustive and prospective investors should consult the more complete discussion of the Company’s business, financial condition and prospects that is included in this AIF, including the documents incorporated by reference herein.

Our forward-looking statements reflect current expectations regarding future events and operations and speak only as of the date of this AIF. The Company assumes no obligation to update publicly or otherwise revise any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable securities laws. If the Company does update one or more forward-looking statements, no inference should be drawn that the Company will make additional updates with respect to those or other forward-looking statements.

The forward-looking statements contained in this AIF and the documents incorporated by reference herein are expressly qualified in their entirety by the foregoing cautionary statements and those made in our other filings with applicable securities regulators in Canada.

Glossary of Terms

In this AIF, the following terms have the meanings set forth below:

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, as amended between Sona and Stockport providing for the Amalgamation.
BCBCA	British Columbia Business Corporations Act.
Board of Directors	Board of Directors of the Company.
CBCA	The *Canada Business Corporations Act*, as amended, including all regulations promulgated thereunder.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
Common Shares	The common shares without par value in the capital stock of Sona as the same are constituted on the date hereof.
CSE	The Canadian Securities Exchange.
Director	A member of the Board of Directors of Sona.
Executive Officer	When used in relation to any issuer, including Sona, means an individual who is: (a) a chair, vice chair or president; (b) a vice-president in charge of a principal business unit, division or function; (c) an officer of the issuer or any of its subsidiaries that performs a policy-making function in respect of the issuer; or (d) performing a policy-making function in respect of the issuer.
GNR	Gold nanorods.
IFRS	International Financial Reporting Standards.
IVD	In-vitro diagnostics, or tests done on samples such as blood or tissue that have been taken from the human body.
Lateral flow assay, or LFA	Also known as a lateral flow immunochromatographic assay, is a simple paper-based device intended to detect the presence (or absence) of a target analyte in liquid sample (matrix) without the need for specialized and costly equipment.

MD&A	Management's discussion and analysis on Form 52-102F1.
Numus	Numus Financial Inc.
R&D	Research and development.
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.
Sona	Refers to Sona Nanotech Inc. or the Company, the amalgamated continuing corporation of Sona and Stockport.
Sona Nanotech	Refers to Sona Nanotech Ltd., an amalgamating corporation prior to the Amalgamation.
SR&ED	Scientific research and experimental development tax credits as defined under the *Income Tax Act* (Canada).
Stock Options	The issued and outstanding stock options of the Company to purchase 4,591,200 common shares of the Company as at October 31, 2021 and 5,396,250 common shares as at February 28, 2022.
Stockport	Refers to Stockport Exploration Inc., an amalgamating corporation prior to the Amalgamation.
Stock Option Plan	The Company's Stock Option Plan dated August 8, 2018.
Transfer Agent	Computershare Investor Services Inc.
UK	United Kingdom

CORPORATE STRUCTURE

Name, Address and Incorporation

The full corporate name of the Company is “Sona Nanotech Inc.” The corporate office of the Company is located at Suite 2001 - 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7. The registered office of the Company is located at Nova Centre – South Tower 1500 – 1625 Grafton Street, Halifax, Nova Scotia, B3J 0E8. The research and development office is located at 1 Research Drive, Bay 2, Dartmouth, Nova Scotia, B2Y 4M9.

Sona Nanotech Inc., (the “Company” or “Sona”) and Sona Nanotech Ltd. ("Sona Nanotech"), a private company involved in the nanotechnology life sciences industry, entered into a definitive agreement dated March 22, 2018 to amalgamate the two companies to form Sona Nanotech Inc. The boards of directors of the Company and Sona Nanotech each unanimously approved the terms of the Amalgamation. The amalgamation of these predecessor companies formed "Sona Nanotech Inc." as a federally amalgamated corporation, with shareholder approval, effective August 8, 2018. The Company submitted its final listing application to the CSE on September 28, 2018 and commenced trading on October 4, 2018 under the trading symbol “SONA”. Effective April 8, 2020, the Company’s common shares were approved for trading on the OTCQB Marketplace under the trading symbol “SNANF”.

The Company has no subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

As a result of the Amalgamation outlined above, the business of the Company became or continued to be research and development, and commercialization of its nanotechnologies. Since the Amalgamation, the Company has divested the former mineral resource properties of Stockport in an orderly manner.

Sona’s proprietary gold nanorod (“GNRs”) technology can be used in a variety of lateral flow applications, specifically rapid diagnostic testing devices. In a lateral flow tests, particles such as Sona’s GNRs are used to bind to biological materials and carry them along a test strip, producing a positive or negative result. Sona has applied for patent protection in eight major jurisdictions on its technology for the manufacture of GNRs that offers several functional performance advantages over other particles currently in the market, such as:

- Sona GNRs are designed to maximize the ability to detect bio markers in low concentration levels, essentially meaning Sona tests may be able to detect a condition earlier than many other particles.

- Sona GNRs typically move though lateral flow test membranes at a faster pace than other particles types, meaning the Sona test may be able to produce results faster than many other lateral flow tests.

- Sona GNRs can be manufactured in various sizes which allow multiple colour test lines to be generated, providing a simple differentiation between test and control results, whereas competitive spherical gold nanoparticles can only present as a red line.

- Sona GNRs are manufactured without the use of CTAB (cetyltrimethylammonium), a known toxin, that is typically used in GNR production. The absence of CTAB in Sona’s proprietary manufacturing process may confer on Sona GNR’s an advantage over other GNR in terms of their biocompatibility which may be important for various developing in vivo medical applications of GNRs.

Activity will continue with third party companies looking at generating their own next generation of assays and are keen to integrate Sona’s nanotechnology into their new and existing tests. 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.

Three Year History

Over the three most recently completed financial years, the significant events described below contributed to the development of our business.

Fiscal 2021 Developments

Rapid Screening Test for Coronavirus

On October 28, 2020, the Company received notice from the FDA that the Company's request for an EUA for the marketing of its rapid, COVID-19 antigen test in the United States "is not a priority" and consequently no such authorization was issued at this time. The FDA cited current EUA request prioritization criteria as including "the public health need for the product" and did not comment on the performance of the Sona test.

On November 25, 2020, the Company withdrew its application for an Interim Order authorization ("IO") from Health Canada for the marketing of its rapid, COVID-19 antigen test based on feedback from Health Canada and to obtain more clinical data to augment its submission.

The Company appointed Obelis S.A ("Obelis") as its Authorized Representative in the European Union, to complete the CE Marking process for its In-Vitro Diagnostic Devices. Obelis, a regulatory and compliance consulting service provider operating since 1988, certified both under ISO 9001 & 13485, has successfully helped more than 3,000 manufacturers in over 60 countries to introduce their products to the European market. As part of the CE Marking compliance process, the Company worked with Obelis, to compile its technical documentation to serve as evidence of conformity with the CE Marking requirements, and with Sona's contract manufacturer to complete its technology transfer batch production runs.

On December 31, 2020, Sona declared its CE Mark status for its rapid, COVID-19 antigen test. The CE Mark declares the conformity of the Sona test with EU regulations and allows Sona to commercialize its test throughout Europe and potentially other territories in which the CE Mark is recognized.

Sona recommends that users consult the CDC Interim Guidance for Antigen Testing for SARS-CoV-2: https://www.cdc.gov/coronavirus/2019-ncov/lab/resources/antigen-tests-guidelines.html.

In April 2021, the Company was granted Health Canada Investigational Testing Authorization for a clinical trial of the Sona Saliva C-19 Rapid Test and received approval from the research ethics board of the Humber River Hospital in Toronto for its clinical trial of the Sona Saliva C-19 Rapid Test. The trial was designed to evaluate the ability to detect the COVID-19 virus in saliva samples using a novel collection device and a rapid antigen test cassette. The trial's objective is to determine the clinical performance of the test when compared to RT-PCR, in symptomatic patients. Analytical validation studies would still be required to support any regulatory submissions.

On June 11, 2021, however the Company discontinued its clinical trial of its COVID-19 rapid antigen saliva test after a review of the interim results data, due to inadequate test sensitivity with clinical saliva samples and challenges with patient recruitment and enrollment into the study, as local prevalence of the virus had diminished significantly.

During the summer and fall of 2021, the Company undertook a thorough analysis and optimization work for its rapid saliva COVID-19 test which resulted in modifications being made to its design. A preliminary evaluation of the resulting test, run by ASI, compared thirty-seven live viral samples from patients that had generated a positive result with a BinaxNow COVID-19 rapid antigen test. Of the thirty-seven samples tested, thirty-four generated a positive result on both tests. Further testing in a independent lab using PCR confirmed frozen positive samples with CT cut-off of 30 cycles and frozen, pre-COVID-19 negative samples, generated 93% sensitivity (14/15) and 100% specificity (30/30). Further evaluation against PCR test-confirmed COVID-19 positive samples will be required for any regulatory submission or declaration.

With the emergence of the Omicron variant, there is growing consensus that testing will still be required to screen of virus outbreaks to keep economies open while still protecting the population. Leveraging on its expertise and experience in developing rapid antigen tests and network of key material suppliers, Sona has developed a quick-response lateral flow test to screen patients for the COVID-19 virus that uses saliva samples. Sona's rapid COVID-19 antigen saliva test is a device designed to be used at point-of-care to detect the presence of the SARS-Cov2 virus in a patient within 20 minutes.

The Company cautions that its rapid detection COVID-19 antigen test has not been approved by Health Canada or the United States Food and Drug Administration. The Company is not making any express or implied claims that its product has the ability to eliminate, cure or contain the COVID-19 virus (or SARS-2 Coronavirus) at this time. Sona recommends that users consult the CDC Interim Guidance for Antigen Testing for SARS-CoV-2: https://www.cdc.gov/coronavirus/2019-ncov/lab/resources/antigen-tests-guidelines.html.

At-The-Market Share Offering ("ATM")

In April 2021, the Company announced that, pursuant to an equity distribution agreement with Canaccord Genuity Corp., the Company may, from time to time, sell up to $10 million of common shares in the capital of Sona. Under the ATM Offering, common shares will be distributed at trading prices prevailing at the time of the sale and therefore prices may vary between purchases and during the period of distribution. The volume and timing of sales are determined at the sole discretion of the Company's management and in accordance with the terms of the Equity Distribution Agreement.

During the period ended May 31, 2021, the Company sold 1,312,400 common shares pursuant to the ATM for gross proceeds of $2,271,427. Costs of the shares sold under the ATM were $286,935 during the period, for net proceeds to the Company of $1,984,492. Under the ATM Offering, for the remainder of the fiscal year ended October 31, 2021, the Company has issued no shares following the expiry of its first Placement Notice on May 31, 2021. Subsequent to October 31, 2022, the Company has issued 1,147,000 common shares at a weighted average price of $0.49 for net proceeds to the Company of $550,148. Sona intends to use the net proceeds of the ATM for general corporate and working capital requirements and funding ongoing operations including research and development.

Financing

In December 2020, the Company closed a non-brokered private placement financing with the issuance of 2,259,200 units at $1.00 per unit, for gross proceeds of $2,259,200. Directors and officers subscribed for 250,000 units pursuant to the financing. Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant is exercisable to purchase one common share of the Company at a price of $1.25 per share for a period of 24 months from the closing date of the financing. Proceeds of the financing were used to pursue a European regulatory self-certification CE Mark declaration, which was received on December 31, 2020, as well as to produce further clinical trial data for the Company's rapid COVID-19 antigen nasal pharyngeal test and its saliva-based prototype version of the test, and for general working capital purposes.

Fiscal 2020 Developments

Rapid Screening Test for Coronavirus

Sona has deployed its scientific experience personnel and assets in the development of a rapid screening 'lateral flow assay' test for the current coronavirus, COVID-19, and has developed a quick-response lateral flow test to screen patients for the COVID-19 virus. Such tests can be administered without skilled technicians or additional laboratory equipment for use as a screening tool to help triage individuals.

The Sona COVID-19 test directly detects the COVID-19 virus, confirming active infection. Competitors are developing alternative COVID-19 rapid response tests (serological assays) that detect increased levels of IgM and IgG antibodies (immune markers) in a patient sample. Patients infected with COVID-19 may produce increased levels of these markers, however, the serological tests that are NOT specific to a COVID-19 infection can cross-react if a person is suffering from a recent infection (e.g. food poisoning, ear infection) or has an underlying health condition, leading to an incorrect result (false positive and false negatives). Patients most vulnerable to the COVID-19 virus include the elderly or those with underlying health conditions. The use of serological tests on this patient group is risky due to their susceptibility to common infections. A false negative may produce unintended outcomes that could result in a delayed patient intervention and treatment. Further, the use of alcohol, recreational drugs and certain medications can also interfere with test results, increasing the likelihood of false positives.

As many countries prepare for a re-opening of their economies, there is growing consensus that testing will be required to keep economies open while still protecting the population. Sona's rapid COVID-19 antigen test is a

device designed to be used at point-of-care to detect the presence of the SARS-Cov2 virus in a patient within 20 minutes, which could make it a critical component of testing protocols being considered by governments, companies or individuals as plans to relax social distancing measures are implemented. The Company's test will not require either specialized equipment or lab-based professionals to interpret its test results.

The Sona rapid detection COVID-19 antigen test could be ideal for use in a variety of scenarios for diagnostic, screening and assurance testing - such as:

- To identify if patients require further testing or treatment in a clinical setting;
- To verify if patients are ready for release from quarantine; and
- To screen individuals prior to entering closed public venues such as cruise ships and airplanes.

Validation Results for COVID-19 Antigen Test

In May 2020, the Company engaged MRIGlobal, a leading applied scientific research organization, to provide analytical and clinical validation studies for Sona's COVID-19 rapid detection, point-of-care, antigen test which has been used for submission to Health Canada for an Interim Order (IO) and the United States Food and Drug Administration (FDA) for an Emergency Use Authorization (EUA). MRIGlobal has three ISO 9001, CLIA certified, and FDA compliant BSL-3 laboratories located throughout the United States and works with government and corporate clients from around the world.

The project work occurred in MRIGlobal's Kansas City laboratories and assessed Sona's test using live SARS-CoV-2 virus following its past, successful internal evaluation using gamma irradiated COVID-19 virus. The EUA studies followed the FDA's guidance for antigen testing, including assessments for sensitivity, specificity, cross-reactivity, and interfering substances using patient samples and contrived (live viral culture) samples. The results of this assessment were included as part of the Company's regulatory submissions to Health Canada for an IO and the FDA for an EUA.

MRIGlobal, using live COVID-19 viral cultures, determined the test to have a Limit of Detection ("LOD") of 2.1 x 10^2 $TCID^{50}$ which corresponds to an ability to detect the virus in patients with 'low' viral loads in 15 minutes, as compared to RT-PCR testing which typically takes 24 to 48 hours to detect the virus. LOD is the minimum amount of target microorganisms that can be reliably detected under optimal conditions and is an essential step in determining the sensitivity of any assay. Current studies show positive COVID-19 patients presenting symptoms have viral loads in the 10^4 – 10^6 range.

In-house validation studies were also conducted to assess potential clinical performance of the test using 30 nasopharyngeal samples from healthy individuals who were presumed negative for COVID-19. Results from the study generated a specificity of 96% (29/30) and a sensitivity of 96% (28/29) and a Limit of Detection ("LOD") of 2.1 x 10^2 $TCID^{50}$. All specimen samples tested generated negative results, except for one, generating the above result of 96% specificity. To generate the sensitivity data, the remnants of each negative sample were spiked with gamma irradiated COVID-19 virus and the tests rerun to determine the positive results, generating the above result of 96% sensitivity.

As the pandemic continues and the understanding of COVID-19 improves, regulators have placed greater emphasis on clinical, 'in-field' evaluations of rapid tests at the point of care to ensure they can be deployed with confidence. Following consultation with MRIGlobal and the FDA, Sona entered into an independent clinical, in-field evaluation study ("CES") to generate the data to support its analytical and clinical data as part of the submission it has made to Health Canada for an IO and the FDA for EUA. In-field collection of a minimum of 30 confirmed negative and 30 confirmed positive specimens and the associated data analysis was completed. The Company engaged the King Fahd Research Center lab at King Abdulaziz University through SaudiVax, a life sciences joint venture between PnuVax Inc. of the United States and UYC Inc. of Saudi Arabia, to carry out the CES.

In late August, from its CES, the Company announced that its rapid detection COVID-19 antigen test achieved a sensitivity of 84.6% and a specificity of 90.0%. The CES collected 99 collected clinical patient samples, which included 39 positive samples and 60 negative samples, as determined by RT-PCR testing. The data from this study was used to support the Company's analytical and clinical data as part of the submission it has made to Health Canada for an IO and the FDA for an EUA approval for its rapid detection COVID-19 antigen test.

On October 28, 2020, the Company received notice from the FDA that the Company's request for an EUA for the marketing of its rapid, COVID-19 antigen test in the United States "is not a priority" and consequently such authorization will not be issued at this time. The FDA cited current EUA request prioritization criteria as including "the public health need for the product" and did not comment on the performance of the Sona test.

On November 25, 2020, the Company withdrew its application for an Interim Order authorization ("IO") from Health Canada for the marketing of its rapid, COVID-19 antigen test based on feedback from Health Canada and to obtain more clinical data to augment its submission.

Funding - Next Generation Manufacturing Canada

In March 2020, Sona was awarded a $4.1 million grant from Canada's Next Generation Manufacturing ("NGen"), Canada's Advanced Manufacturing Supercluster, to develop and commercialize its rapid detection COVID-19 antigen test. This non-repayable grant was effective to November 15, 2020 and has been used to accelerate the development of the Company's COVID-19 antigen test.

The Supercluster funding is pursuant to a $50 million initiative led by NGen to support companies as they prepare to produce critically needed technologies, equipment, and medical products to aid in the fight against COVID-19. The Company received funding of $3,508,376 from NGen during the year ended October 31, 2020 and received $387,919 during the year ended October 31, 2021. Total reimbursable expenditures covered by the grant to the end of the project were $3,896,295. $3,868,977 of eligible expense recoveries were incurred during the year ended October 31, 2020, and $27,318 were incurred during the year ended October 31, 2021.

NGen played a valuable role in project funding, enabling the acceleration of the development, and enhancing the scope of the Company's project to deploy its proprietary GNRs technology. NGen's involvement has also helped to bring other Canadian suppliers and partners to the Company's efforts.

Financing

During the fourth quarter of the year ended October 31, 2020, the Company entered into a loan agreement with Numus Financial. The loan is for up to $600,000, has an annual interest rate of prime plus 1% and has a 2% lender fee. The loan is repayable in full, including all interest and lender fees, on demand. The Company has drawn $510,000 on the loan, including a lender fee of $10,000, and has accrued interest of $2,461 during the year ended October 31, 2020. The remaining $100,000 of the loan was drawn subsequent to October 31, 2020. Interest expense on long-term debt during the prior year was $8,000, which was related to a loan from an arm's length creditor that was settled during the year ended October 31, 2019.

New CEO

On July 8th 2020, the Company appointed David Regan as CEO, replacing Darren Rowles, who assumed the role of President and Chief Scientific Officer ("CSO"). Mr. Regan continues to work closely with founding CEO Mr. Rowles and was tasked with continuing to drive the development of the Company's previously announced rapid, point-of-care COVID-19 antigen test, and others in the development pipeline.

Mr. Regan previously served the Company as a strategic advisor. Mr. Regan brings to the position more than 15 years of experience with capital markets, mergers and acquisitions, and international business, having served as an officer and director of public companies, and previously as a management consultant in both New York and London.

Conversion of Notes Payable

Effective December 31, 2019, the Company retired its Convertible Notes and the corresponding accrued interest through the issuance of common shares. 2,520,270 common shares were issued at the Conversion Price of $0.20 per share to repay the total Convertible Notes and accrued interest of $504,054 as at the date of conversion. On the conversion date, the closing price of the Company's common shares on the CSE was $0.125 per share. Of the common shares issued, 1,665,942 common shares were issued to related parties of the Company with a value of $333,188. Costs associated with the conversion were legal fees of $2,279. $42,000 of the Equity Portion of Convertible Debt was reclassified to Share Capital as of the date of the Note conversion.

Fiscal 2019 Developments

In late 2018, the Company completed the relocation of its laboratory facilities to Halifax, NS, as it seeks to capitalize on recent business success and further expand its business in the diagnostics market. Following this period of recent growth, the Company agreed to a three-year lease with Innovacorp for laboratory space at the Technology Innovation Centre on Research Drive.

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.

On August 6, 2019, the Company entered a commercial agreement with Expedeon Ltd ("Expedeon") to address limitations in development of complex, multiplex point-of-care lateral flow assay diagnostic tests. Under the terms of the agreement, Expedeon will provide gold nanoparticle, bioconjugation technologies and expertise and the Company will offer its LFA development services, leading to immediate and ongoing revenue generation. The collaboration will enable the rapid development of more complex/multiplex immunoassays into LFAs, from proof of principle, through scale-up and transfer to manufacturing and will further expose Sona to Expedeon's global customer base.

The Company also entered a collaboration with Soma BioScience ("Soma"), a UK-based life sciences company that specializes in real-time, saliva-based analytics to produce new diagnostic tests using lateral flow assay technology. Under the terms of the agreement, Sona and Soma will work collaboratively in two projects, one to improve performance in a test in Soma's current product range and one to improve performance in a new test Soma plans to bring to market.

The Company arranged a debt settlement of $799,953 in amounts owed to certain non-arm's length creditors, previously included in accounts payable to related parties in the consolidated financial statements of Sona (the "Debts"). The Debts were settled in full by the issuance to these creditors of an aggregate of 3,199,812 Common Shares at a price of $0.25 per share. The Company also arranged a debt conversion of $137,093 in amounts owed to an arm's length creditor as shown in the consolidated financial statements of Sona (the "Convertible Debt"). The Convertible Debt has been settled in full based on its conversion price of $0.158 per share resulting in the issuance of 867,677 Common Shares to the debt holders and $80,000 loss on debt settlement.

Subsequent Developments

Rapid Screening Test for Coronavirus

In November 2021, the Company entered a binding licensing agreement with U.S. Food and Drug Administration ("FDA") registered Arlington Scientific Inc. ("ASI") of Springville, Utah, an in-vitro diagnostics developer, manufacturer and distributor, to bring Sona's rapid saliva COVID-19 test to market. Under the terms of the agreement, Sona licenses the intellectual property for its rapid saliva COVID-19 test and ASI undertakes to secure an FDA Emergency Use Authorization ("EUA") for point-of-care and at-home use for the test and any necessary associated activities, including medical ethics review board approval, the coordination and underwriting of US-based clinical and any other studies, and FDA EUA application submissions and follow-up. If an FDA EUA is granted, ASI will coordinate manufacturing and distribution of the test in the U.S. exclusively on a profit-sharing basis by which it would also earn a share of any of Sona's profits from international sales.

Under the terms of the licensing agreement, Sona provides ASI with a license to the test technology, its documentation and ancillary support, as well as providing key biological materials for the test at its cost. ASI is responsible for securing an FDA EUA and all associated data required as outlined in the FDA EUA templates or requested by the FDA during the review and approval process. If ASI secures an FDA EUA for the test within six months, ASI will be permitted to manufacture and distribute the test in the US exclusively, subject to certain

conditions, and will pay Sona a set percentage of profits from its test sales under a formula that accounts for certain costs of goods sold from each party. Further, ASI will receive from Sona a set percentage of its profits of other sales not facilitated by ASI. The agreement has a term of five years, after which it is annually renewable by mutual agreement of the Parties, and provides both parties with customary audit rights.

Since entering into the licensing agreement with ASI, Sona has been working actively with ASI to support their efforts to generate the data necessary to support an EUA filing with the FDA via a clinical trial in the United States, as well as to prepare for scaled manufacturing in the United States for more than 500,000 units per week.

Continuing Research and Development

Sona leverages on its core GNR manufacturing technology, scientific experience, and laboratory asset to focus on two strategic priorities for its business: the development of rapid diagnostic tests and biologic reagents, and the advancement of its GNR intellectual property towards important medical in vivo applications.

For its GNR IP advancement strategic priority, Sona is undertaking an R&D program to enhance its understanding of its proprietary biocompatible, GNR manufacturing technology with the goal of identifying the most promising advanced biomedical applications for it to pursue. To accomplish this, Sona plans to partner with leaders in the bioengineering and nanotechnology fields to conduct a series of experiments and studies to better understand the effects of using its GNRs in medical therapies to gain insights into which would be best to pursue.

This is an important priority given that Sona's biocompatible GNRs address the primary concern in the development and adoption of medical therapies involving the use of GNRs within the body, or 'in vivo'. That concern is for the toxicity associated with the preparation of other GNRs, and potential negative health impacts. The manufacture of Sona's GNRs, meanwhile, uniquely does not involve the use of CTAB (cetrimonium bromide), a substance well-known to be toxic. Continuing to strengthen Sona's IP is a key element in its ambition for the leadership position for its GNRs for in vivo medical applications.

Management continues to guide the development of rapid diagnostic tests and advanced discussions with potential partners for the development and commercialization of rapid tests, as well as for R&D associated with the Company's GNR manufacturing technology, scientific experience, and laboratory asset.

In November 2021, the Company launched a new research program to explore the leading attributes of its unique, proprietary gold nanorod technology together with leading experts in the field of bioengineering. The Company has entered a collaboration with Dr. Warren Chan, distinguished professor, and Canada Research Chair in Nanobioengineering & Director of the Institute of Biomedical Engineering at the University of Toronto. Under the terms of the memorandum of understanding executed with the University of Toronto, Dr. Chan will provide Sona with consultation on the design and execution of appropriate studies to determine the biocompatibility of its gold nanorod technology. Under the collaboration, the parties have submitted an application for funding of a study to determine the clearing and biocompatibility of Sona GNRs in vivo.

Sona's research collaborations will leverage the expertise and scientific leadership of a group of third-party, respected scientists and entrepreneurs to work with Sona's team, bringing together nanoparticle production technology with advanced physical chemistry techniques and biological studies. This program will seek to substantiate the biocompatibility of Sona's proprietary, gold nanorod manufacturing processes and provide a foundation for further research programs, with a view to identifying the most promising potential medical applications for Sona's technology.

Debt Settlement

In January 2022, the Company arranged a debt settlement of $1,452,724 in amounts owed to Numus. These amounts include accounts payable to Numus of $813,895 pursuant to its services agreement with the Company dated October 31, 2018 (the "Services Agreement") for rent, and advisory, controller and administrative services provided to Sona, and a loan payable (with fees and accrued interest) of $638,829 (the "Debts"). Numus will forgive $302,400 and the remaining Debts of $1,150,324 will be settled in full by the issuance to these creditors

of an aggregate of 2,556,276 common shares at a deemed price of $0.45 per share. All of these shares will be subject to resale restrictions prohibiting resale for a period of 4 months and a day from their date of issue.

New Directors and Option Grant

On January 5, 2022, the Company appointed Mr. Neil Fraser and Dr. Walter Strapps, Ph.D. to the Company's Board of Directors. Mr. Fraser and Dr. Strapps are replacing Mr. Dan Whittaker and Mr. Robert McKay, who have both been long serving members on the Company's Board, the former having served as chairman. The Company has granted 125,000 incentive stock options to each of Mr. Fraser and Dr. Strapps under the Company's Stock Option Plan. Each option is exercisable into one common share at a price of $0.45 per share and will vest at the rate of 25% every six months. The options will expire five years from the date of grant. All other terms and conditions of the options are in accordance with the terms of the Company's Stock Option Plan

Significant Acquisitions

Since the commencement of the Company's last completed fiscal year, Sona did not complete any significant acquisitions for which disclosure is required under Part 8 of National Instrument 51-102.

DESCRIPTION OF THE BUSINESS

General

Summary

Sona is a nano technology life sciences firm that has developed two proprietary methods for the manufacture of rod-shaped gold nanoparticles. The principal business carried out and intended to be continued by Sona is the research and development of its proprietary technology for use in multiplex diagnostic testing platforms and advanced biomedical applications. Sona's gold nanorod particles are uniquely manufactured without the use of CTAB (cetyltrimethylammonium), eliminating the toxicity risks associated with the use of other gold nanorod technologies in medical applications. It is expected that Sona's gold nano technologies may be adapted for use in applications as a safe and effective delivery system for multiple medical treatments, subject to, among other factors, the approval of various regulatory boards.

Sona will also drive the development and production of its own lateral flow tests. Sona's initial focus will be on the development of tests for emerging infectious diseases in humans and animals as well as novel and emerging areas of biomarker discovery that can be translatable into immunoassay formats.

The potential advantages of the Company's GNR products are:

- allows one test to detect multiple conditions;
- allows one test to maximize use from a single sample;
- individual, distinct colours appear for quantification measurement;
- generates amplified visual signals for simpler interpretation;
- generates increased sensitivity, specificity and time to results;
- Sona nanorods have a longer shelf life and resistance to hot temperatures than the current technology; and
- non-toxic, CTAB free.

Sona's approach to market entry involves direct selling to test buyers/consumers as well as targeting companies that have established and ubiquitous distribution network in place for sales of lateral flow assays.

The following discussion sets out the Company's product lines, their stage of development, who is conducting the R&D, the estimated timing to completed R&D and bring them to market, estimated R&D costs, and the additional steps required to achieve commercial production:

Products and Services

Sona's business to date has been the research and development of its gold nanoparticle technology. Sona has and continues to rely primarily on funding through the form of repayable government loans and debt, non-repayable government grants and proceeds from the issuance of Common Shares.

Gemini™ and Omni™ Nanorods

Sona's core technology is rod shaped nanoparticles manufactured at scale with proprietary surfactants that allow the production of two different product lines (Gemini™ and Omni™) for use in both in-vitro and in-vivo applications such as lateral flow diagnostics and cell imaging respectively.

The unique surfactant technology, that underpins the production of the SONA gold nanorods (GNR's), has a significant advantage over GNR's prepared using cetyltrimethylammonium bromide, or CTAB synthesis method. SONA'S surfactant technologies reduce toxicity and provide extremely stable gold nanorods – key requirements for both types of applications.

Both Gemini™ and Omni™ products are at the commercialization phase and can be sold as a reagent to the diagnostics and research market. Sona has a signed distribution agreement with Expedeon AG who have a global distribution network servicing the research market with similar products. No further R&D costs are expected for these products.

Covid-19 Test

The Company is nearing the final stages in preparations to have it rapid Covid-19 saliva test submitted for regulatory approval, for which there can be no assurances of receiving approval. If submitted and approved, Sona would intend to work with partners to commercialize the test.

Contract Test Development

Sona also offers development services to help lateral flow producers create new lateral flow tests and/or improve existing tests for their next product iteration.

For its test and reagent development business, Sona will continue to develop proprietary rapid diagnostic tests and associated biologic reagents for the medical and other industries. The Company has also begun to offer the same services to third parties. Providing this service is an important addition as it is highly complementary to the laboratory-based work for Sona's proprietary development business and is expected to be undertaken on a 'fee for service' basis, which has the potential to generate revenue in the near-term. The Company aims to use its network and reputation for quickly developing rapid diagnostic test prototypes and reagents to secure profitable business opportunities.

Sona's Lateral Flow Assay (LFA) Development Service will take a customer's initial idea through to R&D and then transfer to trusted partners for bulk manufacturing. This service is a natural follow on for customers who have purchased our Gemini™ and Omni™ products for use in their own labs. The service is divided into four modules (proof of principle, feasibility, optimisation, verification and validation), so customers have the flexibility to pick and choose only the services they require. The full service (all four modules) is a multistep project providing different options, from proof of principle (PoP) LFA using a dipstick format to full strips format including sample pad, conjugate pad and absorbent pad.

Specialized Skill and Knowledge

All aspects of our business require specialized skills and knowledge. Such skills and knowledge include the areas of bio-chemistry, biology, micro-biology, bio-technologies, and nano-technologies, as well as legal compliance, finance and accounting. The Company has found that it can locate and retain competent employees and consultants in such fields and believes it will continue to be able to do so at a reasonable cost.

Competitive Conditions

All of the raw materials we require to carry on our business are readily available through normal supply or business contracting channels in North America, Europe and other foreign jurisdictions. The Company has secured, or reasonably believes that it will be able to secure, personnel and materials to conduct its planned activities.

Additionally, the life sciences business is a competitive business. We compete with numerous other larger companies and firms in the search for and scientific and technical advances in nano-technologies, as well as the recruiting and retaining qualified employees.

Critical components for developing lateral flow tests are the biological materials (antigens, antibodies, control panel reagents) used within test development and production. Risks associated with such materials relate to differences in source supply, and the materials being subject to batch to batch variability due to their natural condition, therefore extensive testing is typically conducted to minimise such risks across multiple batches from various suppliers. These activities can increase initial development costs significantly.

The Company operates in a highly competitive COVID-19 environment. There are currently 108 approved COVID-19 tests in Canada, including 30 rapid tests, with a total of 357 emergency use authorizations issued by the FDA, including 34 for rapid antigen tests, the Company's target market. In both jurisdictions, further tests are being considered for approval, including those using saliva samples. The roll out of vaccines may also have a materially negative impact on demand for the Company's COVID-19 tests.

New Products in Development

Other Lateral Flow Tests

The Company's product portfolio of other proprietary lateral flow test prototypes continues to be advanced. These other tests leverage the Company's proprietary GNRs technology's highly sensitive ability to detect various biomarkers in the Pico gram range.

Sona's Bovine TB Test

In May 2021, the Company announced that it is receiving advisory services and up to $457,830 in funding support from the National Research Council of Canada ("NRC") Industrial Research Assistance Program ("IRAP") to support a research project in association with a consortium of UK companies to develop a bovine tuberculosis ("bTB") rapid test. NRC's IRAP contribution was approved under a program to promote collaborative projects with UK partners through the Canada-UK industrial research and development call for proposals delivered by the National Research Council of Canada and UK Research and Innovation.

As part of the multi-year project, Sona will work closely with other consortium members to leverage bTB biomarker research from Aberystwyth University to develop a rapid, lateral flow assay to identify bTB that differentiates between vaccinated and unvaccinated cows. The consortium also intends to develop a data collection infrastructure system to enable authorities to detect, manage and control movement of infected animals. UK Research and Development are supporting other members of the consortium with funding to assist in the goal of eradicating bTB in the UK.

Accurate and timely detection, herd management and movement control are critical to eradicating this communicable disease which is still prevalent in many areas of the World. Currently, a diagnosis is made through post-mortem examination and tissue culture, which can take up to 12 weeks. Once bTB is confirmed, all infected and exposed animals in a herd are typically destroyed. bTB control measures cost over £500 million in the last 10 years and without intervention, the UK government expects costs to top £1 billion over the next decade if no new action is taken. bTB is also an issue in the European Union where, in 2018, 7.5 million statutory bTB lab-based, screening tests were carried out across seven countries, including France, Belgium, Italy and the UK.

In September 2021, Sona announced that its bovine tuberculosis ("bTB") test has been advanced with the identification of multiple biomarkers that can not only be used to detect the presence of bTB bacteria, but, as set,

are able to differentiate whether the bacteria is present due to an ongoing infection or as a result of vaccination. The biomarkers that have been identified to be used in the assay have been synthesized into two different antigens which will be used to develop the polyclonal and monoclonal antibodies for use in a multiplex lateral flow assay. Sona's research has confirmed the presence of the biomarkers in both blood and milk and further assessment will be required to determine the final assay matrix, while antibody development is concurrently pursued over the next 4-6 months.

Sona's Concussion Test

An estimated 10 million concussions occur each year globally, with 2.9 million per year in the US alone, including 837,000 incidents involving children. As its next rapid-response test R&D project, leveraging the Company's proprietary GNRs technology, Sona's concussion test has entered the prototype development stage. Industry standard timelines for such a test to reach commercialization is estimated at one to two years, subject to regulatory approvals.

The Sona concussion test seeks to detect the presence of Glial fibrillary acidic protein ("GFAP"), a biological marker associated with concussions, typically released into the blood stream within minutes of an impact to the head. GFAP appears at trace amounts within minutes following a head impact, and the ability of Sona's proprietary GNRs technology to detect biomarkers at very low levels is ideally suited for such a test. GFAP has been approved by the FDA as an effective indicator that may indicate a patient has suffered a concussion. Sona expects this test will be in the form of a lateral-flow assay, similar to its rapid detection COVID-19 antigen test and will be designed to be administered in-field within a few minutes of a causality event, without the need for laboratory equipment or medical expertise.

In September 2021 Sona announced that it's concussion test for mild traumatic brain injury ("mTBI") will aim to detect a series of biomarkers enabling the test to be used to screen for mild concussions. After a study of multiple alternatives, three such biomarkers that corelate with concussions have been selected to be used in the test. Sona's test is intended to work by first identifying the presence or absence of one key biomarker, that, if present, indicates the patient may be suffering from something more severe than a mild concussion. If this marker is absent, yet a second or third biomarker is present, this would indicate that the patient may be suffering from a mild concussion and further medical help should be sought. These biomarkers have been carefully selected and the corresponding antibody pairings and antigens have been acquired. The next phase of the project will take up to six months and include initial screening of the antibody pairings, performance assessment against various antigens and the creation of a multiplexed prototype device.

Key Components

Sona tracks and conducts diligence on all its key component/raw material suppliers and ensures, where possible, multiple sources are available and tested in its production processes.

The only key critical component for Sona's nanorod technology is Gold (III) chloride trihydrate, which is commercially available from multiple sources in Canada and worldwide. Sona currently sources this material from distributors Sigma Aldrich and Thermo Fisher.

Components for lateral flow devices are universally available from multiple sources, with each manufacturer having minor differences in performance dependent on the test being developed. Typically, a variety of suppliers and SKU's are kept in stock for test membranes and pads to allow for simple iteration assessment during R&D phases.

Intangible Properties

Sona filed an International (PCT) Patent Application on November 2, 2018, with a priority date of November 4, 2017, to protect their core gold nanorod technology. Patent protection is now being pursued in Australia, Canada, China, Europe, India, Japan, South Korea, and US based on the International (PCT) Patent Application. Upon issuance, the patents are expected to expire no earlier than November 2038 and will provide patent protection for Sona's gold nanorod technology.

Economic Dependence

Our business is not substantially dependent on any contract such as a contract to sell the major part of its products or services or to purchase the major part of its requirements for goods, services or raw materials, or on any franchise or license or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends.

Environmental Protection

Our activities currently generate a very small level of waste material as part of our nanoparticle fabrication process that is stored separately and collected by licensed chemical disposal companies on an annual basis. In result, our activities have little to no effect on the environment, and we do not store or utilize any hazardous substances. However, our activities are and will be subject to extensive laws and regulations governing the protection of the environment and human health and safety. These laws address, among other things, emissions into the air, discharges into water, management of waste, and management of hazardous substances. Violations of environmental, health and safety laws may be subject to civil sanctions and, in some cases, criminal sanctions, including the suspension or revocation of permits. Failure to comply with environmental laws and regulations or liabilities related to hazardous substance contamination could result in project development delays, material financial impacts or other material impacts to our projects and activities, fines, penalties, lawsuits by the government or private parties, or material capital expenditures.

Employees

Our business is administered from our offices located in Halifax, Nova Scotia, Canada. The Company currently has eight full-time employees, plus its VP of Supply Chain (50%), Chief Financial Officer (25%) and the Company's Board of Directors. In late 2019, the Company was down to three full-time employees and expanded to eleven full-time employees in early 2020 when it commenced its work on the Covid 19 rapid test. Sona also utilizes other temporary and/or contract consultants with respect to various work programs on our projects.

Foreign Operations

Our principal operations and assets are located in Halifax, Nova Scotia, and we currently have no foreign operations or assets; however, we do have collaboration and supply agreements with foreign companies. As such, our operations may be exposed to foreign political, economic, and other risks and uncertainties, such as but not limited to, foreign government regulations (or changes to such regulations), with respect to restrictions on imports or exports, sales or income taxes, expropriation of property, or environmental legislation.

Reorganizations

Sona Nanotech Inc., (the "Company" or "Sona") and Sona Nanotech Ltd. ("Sona Nanotech"), a private company involved in the nanotechnology Life Sciences industry, entered into a definitive agreement dated March 22, 2018 to amalgamate the two companies to form Sona Nanotech Inc. The boards of directors of the Company and Sona Nanotech each unanimously approved the terms of the Amalgamation. The amalgamation of these predecessor companies formed "Sona Nanotech Inc." as a federally amalgamated corporation, with shareholder approval, effective August 8, 2018. The Company submitted its final listing application to the CSE on September 28, 2018 and commenced trading on October 4, 2018 under the trading symbol "SONA". Effective April 8, 2020, the Company's common shares were approved for trading on the OTCQB Marketplace under the trading symbol "SNANF".

RISK FACTORS

Prior to making an investment decision, investors should consider the investment risks set out below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of the Company consider the risks set out below to be the most significant to potential investors in the Company, but not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware or which they consider not to be material in relation to the Company's business, actually occur, the Company's assets, liabilities,

financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected.

Life science technology businesses are highly speculative in nature and are subject to significant risks. The risk factors noted below do not necessarily comprise all risks faced by us. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business, operations, and future prospects. If any of the following risks actually occur, our business may be harmed, and our financial condition and results of operations may suffer significantly.

Risks Related to our Business

Limited Operating History and Continuing Losses

The Company 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 sciences company.

The Company has incurred substantial losses since its inception, and has derived no revenue from operations. The Company 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.

Additional Funding Requirements

The Company will require additional financing in order to carry out its research and development and commercialization activities. Failure to obtain such financing on a timely basis could cause the Company to delay or indefinitely postpone further research and development of its projects, with the possible loss of intellectual property rights, curtail or terminate its operations, or miss certain acquisition opportunities. If the Company is not successful in generating significant revenues, or if future revenues decrease as a result of lower product margins or otherwise, it will affect the Company's ability to raise the necessary capital to replace its financial resources or to maintain its research and development activities and fund production of its products. If the Company's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or be available on favorable terms. The Company may issue securities on less than favorable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into Common Shares would result in dilution, possibly substantial, to present and prospective holders of Common Shares.

Intellectual Property Rights and Infringement

Sona has pending applications for patents outstanding. The Company intends to continue to seek patent protection for, or maintain as trade secrets, all of its commercially promising nanotechnology platforms and technologies. The Company's success depends, in part, on our and our collaborative partners' ability to obtain and maintain patent protection for products and product candidates, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Without patent and other similar protection, other companies could offer substantially identical products without incurring sizeable development costs which could diminish our ability to recover expenses of and realize profits on our developed products. If our pending patent applications are not approved, or if we are unable to obtain patents for additional developed technologies, the future protection for our technologies will remain uncertain. Furthermore, third parties may independently develop similar or alternative technologies, duplicate some or all of our technologies, design around our patent pending technologies or challenge our patents when issued. Such third parties may have filed patent applications, or hold issued patents, relating to products or processes competitive with those we are developing or otherwise restricting our ability to do business in a particular area. If we are unable to obtain patents or otherwise protect our trade secrets or other intellectual property and operate without infringing on the proprietary rights of others, our business, financial condition and results of operations could be materially adversely affected.

Third parties may claim we have infringed their patents, trademarks, copyrights or other rights. We may be unsuccessful in defending against such claims, which could result in the inability to protect our intellectual property rights or liability in the form of substantial damages, fines or other penalties such as injunctions precluding our manufacture, importation or sales of products. The resolution of a claim could also require us to change how we do business or enter into burdensome royalty or license agreements; provided, however, we may not be able to obtain the necessary licenses on acceptable terms, or at all. Insurance coverage may be denied or may not be adequate to cover every claim that third parties could assert against us. Even unsuccessful claims could result in significant legal fees and other expenses, diversion of management's time and disruptions in our business. Any of these claims could also harm our reputation. Any of the foregoing may have a material adverse effect upon our business and financial condition.

COVID-19 Pandemic

Since very early in 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and conditions of the Company in future periods. During this time, the Company has been constrained in its ability to pursue and secure partnerships, collaborations and clinical trials due to travel restrictions and quarantine requirements.

Medical Device Regulation

The Company's COVID-19 antigen test is a medical device requiring approval of regulatory authorities, including Health Canada in Canada and the FDA in the U.S., before it can be sold for other than research purposes in those jurisdictions. The approval process can be lengthy and require significant data collection and conduct of clinical trials, which can involve significant costs. Both Health Canada and the FDA have established expedited processes for approval of COVID-19-related products, and the Company submitted its product for approval under both regimes. On October 28, 2020, the Company received notice from the FDA that the Company's request for an EUA for the marketing of its rapid, COVID-19 antigen test in the United States "is not a priority" and consequently that such authorization will not be issued at this time. The FDA cited current EUA request prioritization criteria as including "the public health need for the product" and did not comment on the performance of the Sona test. On November 25, 2020, the Company withdrew its application for an Interim Order authorization ("IO") from Health Canada for the marketing of its rapid, COVID-19 antigen test based on feedback from Health Canada and to obtain more clinical data to augment its submission. There can be no assurance that the Company will be successful in completing the clinical trials necessary to support its regulatory approval applications on a timely basis or at all. If the Company is successful in collecting the required data, and the data supports the performance of the COVID-19 antigen test at the levels previously reported by the Company, there is still no assurance that approvals from Health Canada of the FDA will be granted on a timely basis or at all. In addition to reviewing clinical trial results and third-party analytical studies, regulators may request additional studies/experiments or conduct their own clinical and analytical studies over which the Company may have no control. Also, regulatory requirements for test approvals may change over time given the evolving understanding of the virus and view on societal needs and what is in the public interest. Without regulatory approvals, the Company cannot make sales in these markets, and any delay in obtaining approvals may adversely affect the Company's ability to compete with other tests available in these markets, which may adversely affect its business and operating results.

Potential Litigation

As a growing company with expanding operations, we increasingly face the risk of litigation and other claims against us. Litigation and other claims may arise in the ordinary course of our business and, in addition to product-oriented allegations and personal injury claims, include securities law compliance, employee and customer claims, commercial disputes, landlord-tenant disputes and intellectual property issues. These claims can raise complex factual and legal issues that are subject to risks and uncertainties and could require significant management time.

On December 17, 2020, a putative shareholder class action lawsuit was filed in the United States District Court for the Central District of California. The complaint asserts claims under Sections 10(b) and 20 of the Securities Exchange Act of 1934 on behalf of a putative class of investors who purchased or otherwise acquired stock of the Company in US transactions between July 2, 2020 and November 25, 2020 (the "US action"). The suit alleges that the Company made material misstatements regarding its rapid detection Covid-19 antigen test. On October 28, 2021 the United States District Court for the Central District of California issued an order granting the Company's motion to dismiss and granted leave to the plaintiff to file an amended complaint within 14 days. During November, the plaintiffs filed an amended complaint which the Company has refuted with motion to dismiss the amended action.

On December 18, 2020, a Notice of Action and Statement of Claim was filed in the Supreme Court of Nova Scotia. The Statement of Claim purports to assert claims on behalf of a class of persons or entities who purchased stock of the Company based on similar allegations of material misrepresentations and omissions as alleged in the US action. The case is in its early stages.

The Company believes these claims are without merit and intends to contest the claims and mount a vigorous defence.

Litigation and other claims against us, even if we are ultimately successful, could result in unexpected expenses and liabilities, which could materially adversely affect our operations, reputation and financial condition.

Competition

The life sciences business in general is intensely competitive in all of its phases and we compete with many companies possessing greater financial and technical resources. The severe impacts of the COVID-19 pandemic have led to significant research and development activity by companies pursuing COVID-19 tests. There are currently 108 approved COVID-19 tests in Canada, including 30 rapid tests, with a total of 357 emergency use authorizations issued by the FDA, including 34 for rapid antigen tests, the Company's target market. Many of these tests are produced by companies with greater resources than Sona, and such tests may have demonstrated higher levels of specificity and sensitivity than Sona's COVID-19 Antigen test. Certain of such tests have established market acceptance and supply channels, which may make it difficult for Sona to secure customers for its product if it is successful in obtaining regulatory approval in Canada and the United States. In addition, a number of COVID-19 vaccines have been approved for use in Canada, the United States and Europe, and jurisdictions are establishing programs aimed to immunize large portions of their populations. While the Company expects diagnostic testing, and rapid testing in particular, to remain an important part of the fight against COVID-19, there can be no assurance that increasing rates of vaccination will not reduce demand for diagnostic testing, including the Company's products.

Competition in the life sciences business in general is primarily for the following: securing intellectual property rights; technical expertise to find, develop, and manage such intellectual properties; labour to develop and produce products; and capital for the purpose of funding such projects. Many competitors not only conduct research and development, but also conduct product development and production operations on a world-wide basis. Such competition may result in us being unable to: acquire desired intellectual properties; recruit or retain qualified employees; or obtain the capital necessary to fund our operations and develop our intellectual properties. Existing or future discoveries in the life sciences industry could make our project technically obsolete, or may otherwise materially adversely affect our prospects for success in the future. Furthermore, increased competition could result in increased costs and lower prices for our products which, in turn, could reduce profitability. Consequently, our revenues, operations and financial condition could be materially adversely affected.

Confidentiality of its Trade Secrets

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.

Current Research and Development

The Company'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.

Management of Internal Resources During Periods of Company Growth

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.

Development and Sales and Marketing Capabilities

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.

Commercializing its Products

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 products. The Company does not have a sales or marketing infrastructure in place. To achieve commercial success for any of its products 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.

Debt Obligations

Sona has, and may continue to have and incur, a significant amount of indebtedness, including substantial interest free loans from the Atlantic Canada Opportunities Agency, to be recovered from annual repayments between 3% to 5% of gross product revenues. As a result of challenging economic or other conditions affecting

the Company, we may incur greater levels of indebtedness than currently exist. The amount of indebtedness that we currently have and which we may incur in the future could have a material adverse effect on our business, results of operations or financial condition, for example, by (i) limiting our ability to obtain additional financing, (ii) requiring us to dedicate a substantial portion of our cash flow generated from operations to payments on our indebtedness, thereby reducing the funds available for other purposes, (iii) making us more vulnerable to economic downturns, and (iv) limiting our flexibility in planning for, or reacting to, competitive pressures or changes in our business environment. Our ability to make scheduled payments under our indebtedness will depend on, among other things, our future operating performance and our ability to refinance our indebtedness, if necessary. In addition, as we incur indebtedness which bears interest at fluctuating interest rates, to the extent that these interest rates increase, our interest expense will increase. There can be no assurance that we will be able to generate sufficient cash from our operations to pay our debts and other financing obligations. Each of these factors is, to a large extent, subject to economic, financial, competitive, regulatory, operational and other factors, many of which are beyond our control.

New Products and Lack of any Manufacturing Facilities

Because our present operations are in the research and development stage, we have no manufacturing facilities for any new products which we may develop for commercial sale, and the design, development and establishment of such facilities will entail significant costs and risks at all stages for the future commercialization of such products. The development and introduction of new products requires substantial research, development and marketing expenditures, which we may be unable to recoup if such products do not gain widespread market acceptance or if the market for such products does not develop as expected. Efforts to accelerate our innovation capabilities may exacerbate risks associated with innovation. If we are unsuccessful in meeting our objectives with respect to our proposed products, our financial condition, reputation and results of operations could be harmed. There can be no assurance that we can successfully produce and bring to market for sale any new products at a commercially profitable level. The new products of our competitors may beat our products to market, be more potent or effective, have more features or be less expensive than our products. They may obtain better market acceptance than our products or render our products obsolete. If we do not introduce new products to meet the changing needs and tastes of consumers in a timely manner and more effectively than our competitors, we may experience declining sales, which could have an adverse effect on our operating results.

Political, Regulatory and Other Similar Risks

Political or legal changes within Canada, and to the extent that our operations may extend beyond Canada, foreign political or legal changes, including changes in regulatory oversight and approvals, public protests and blockades, may adversely affect or ability to produce, market, transport or sell our proposed new products. Failure to comply with or changes to applicable laws, regulations, and permitting requirements in respect of health and safety, consumer protection, or environmental matters, may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on our business, financial condition and results of operations.

Cyber Security Incidents and Privacy Breaches

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

The Company 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.

Availability of Supplies, Transportation Providers, and Skilled Labour

Profitability is affected by the market prices and availability of supplies and commodities that we use or consume for our operations and new products, which are sourced from a limited number of suppliers. Prices for commodities used or which may be used in our business, like gold, electricity, steel, concrete, and chemicals can be volatile, and changes can be material, occur over short periods of time and be affected by factors beyond our control. Our operations depend on suppliers to meet those needs. We do not have long term contracts with our suppliers. We rely upon and will rely upon independent third party transportation providers for substantially all of our product shipments. Our use of outside delivery services for shipments is subject to risks, including increases in fuel prices, which would increase our shipping costs (freight and delivery), labour disruptions, inclement weather and shipment delays. Higher worldwide demand for critical supplies and skilled labour could affect our ability to acquire them and lead to delays in delivery and unanticipated cost increases, which could have an effect on our operating costs, capital expenditures and production schedules.

Additionally, we will be relying on certain key third-party suppliers and contractors for equipment, raw materials and services used in, and the provision of services necessary for our business activities. As a result, our operations will be subject to a number of risks, some of which are outside of our control, including negotiating agreements with suppliers and contractors on acceptable terms, the inability to replace a supplier or contractor and its equipment, raw materials or services in the event that either party terminates the agreement, interruption of operations or increased costs in the event that a supplier or contractor ceases its business due to insolvency or other unforeseen events, and failure of a supplier or contractor to perform under its agreement with us or to support our future demand. The occurrence of one or more of these risks could have a material adverse effect on our business, results of operations and financial condition.

Environmental Regulation

Our business activities are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial, and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases, or emissions of various substances produced in association which may result from our business operations. The legislation also requires that facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable health and safety regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of hazardous substances or other pollutants into the air, soil or water may give rise to liabilities to governments (both foreign and domestic), and third parties and may require us to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, research and development activities or otherwise adversely affect our financial condition, results of operations or prospects.

The Company believes it is in substantial compliance with all material environmental laws and regulations which currently apply to its current activities. Failure to comply with applicable laws, regulations and permitting requirements in the future may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions, and may result in civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of nanotechnology life sciences companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or costs, or require abandonment or delays in developments of new projects.

Reliance on Key Employees

The success of the Company's operations will be largely dependent upon the performance of our key officers, employees and consultants. Developing new lateral flow testing devices depend largely on the scientific and technical skills of the personnel involved. Failure to retain key personnel or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon our success. We do not have any key man insurance policies with respect to any of our directors, officers or key employees and have no current plans to do so. In assessing the risk of an investment in the Company's Common Shares, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the management of the Company. An investment in our Common Shares is suitable only for those investors who are willing to risk a loss of their entire investment and who can afford to lose their entire investment.

Conflict of Interest of Management

Certain of the Company's directors and officers also serve as directors, officers and/or advisors of and to other companies involved in scientific research and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. We expect that any decision made by any of such directors and officers relating to the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest.

Availability of Equipment and Access Restrictions

Scientific research and development and bio-technology companies rely heavily on the availability and access to required scientific or technical resources and related equipment in the particular fields of study. Demand for such scientific or technical resources or limitations on the supply of equipment or access restrictions may affect the availability of such scientific or technical resources and related equipment to the Company and may delay its business activities.

Uninsured or Uninsurable Risks

Although we maintain insurance to protect against certain risks in such amounts as we consider to be reasonable, our insurance will not cover all the potential risks associated with our operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all risks and we may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as loss of title to our intellectual properties, acts of war, labour interruptions, natural disasters, environmental pollution, or other hazards as a result of our research and development or future production may not be generally available to us or on acceptable terms. Losses from these events may cause us to incur significant costs that could have a material adverse effect upon our financial performance and results of operations.

Volatility of Current Global Economic or Financial Conditions

Current global economic or financial conditions have been subject to continued volatility. Trade wars, import tariffs, Brexit, public protests, rising consumer debt levels, epidemics, pandemics, or outbreaks of new infectious disease or viruses (including most recently, COVID-19), and the risk of sovereign debt defaults in many countries

have caused and continue to cause significant uncertainties in the markets. Although the Company takes appropriate measures and safeguards to protect its staff from infection, these events can result in volatility and disruption to global supply chains, operations, transportation, and mobility of people, which are beyond the control of the Company, and which could adversely affect the availability of components, supplies and materials, labour, interest rates, credit ratings, credit risk, inflation, business operations, financial markets, exchange rates, and other factors material to the Company.

Foreign Currency Risk

The Company conducts business with entities located in foreign jurisdictions, such as the United Kingdom and the United States of America. As a result, fluctuations in currency exchange rates could significantly affect our business, financial condition, results of operations and liquidity.

Risk Factors Related to our Shares

Potential Volatility of Market Price of Shares

Securities traded on the CSE have, from time to time, experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the Common Shares. In addition, the market price of the Shares is likely to be highly volatile. Factors such as metals prices, the average volume of shares traded, announcements by competitors, variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, cost estimates, results of research and development, production or operating results due to mechanical failure, labour unrest, legislative changes, and other events and factors outside of the Company's control.

The Company is unable to predict whether substantial amounts of its Shares will be sold in the open market. Any sales of substantial amounts of Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Shares.

Dilution through Raising Capital

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.

Securities or Industry Analysts Reports

The trading market for the Shares will depend in part on the research and reports that securities or industry analysts may publish about us or our business. We currently have no research coverage by securities and industry analysts. If any analysts who may cover us in the future downgrade the Shares or publish inaccurate or unfavorable research about our business, our trading price may decline. If one or more of these analysts later ceases coverage of us or fails to publish reports on us regularly, demand for the Shares could decrease, which could cause our trading price and volume to decline.

Shareholders have Limited Control

Shareholders have limited control over changes in our policies and operations, which increases the uncertainty and risks of an investment in our Company. Our Board of Directors determines major policies, including policies regarding financing, growth, debt capitalization and any future dividends to Shareholders. Generally, our Board of Directors may amend or revise these and other policies without a vote of the Shareholders. Shareholders will only have a right to vote, as a class, as may be required by applicable corporate and securities legislation. Our Board of Director's broad discretion in setting policies and the limited ability of Shareholders to exert control over those policies increases the uncertainty and risks of an investment in our Company.

Financial Reporting and Other Disclosure Requirements

We are subject to reporting and other obligations under applicable Canadian securities laws and rules of any stock exchange on which the Shares are listed, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations place significant demands on our management, administrative, operational and accounting resources. If we are unable to accomplish any such necessary objectives in a timely and effective manner, our ability to comply with our financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause us to fail to satisfy our reporting obligations or result in material misstatements in our financial statements. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in our reported financial information, which could result in a reduction in the trading price of the Shares.

Internal Controls and Procedures

We do not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be 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. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

DIVIDENDS

We have not declared any dividends or distributions on our Common Shares since our incorporation. Our present intention is to retain our earnings, if any, to finance growth and expand our operations. There are no restrictions which prevent the Company from paying dividends or distributions. Our Board of Directors, at its discretion, will determine if and when dividends should be declared and paid in the future, based upon our capital requirements, results of operations and such other factors as the board considers relevant.

DESCRIPTION OF CAPITAL STRUCTURE

Authorized and Issued Capital

The Company is authorized to issue an unlimited number of Common Shares without par value. As of the date hereof, the Company had 68,987,804 Common Shares issued and outstanding.

Common Shares

Registered holders of Common Shares are entitled to receive notice of and attend all shareholder meetings of shareholders and are entitled to one vote for each Common Share held. In addition, holders of Common Shares are entitled to receive on a *pro rata* basis dividends and/or distributions if, as and when declared by our Board of

Directors and, upon liquidation, dissolution or winding-up, are entitled to receive on a *pro rata* basis the remaining assets of Sona available for distribution to shareholders.

Stock Options

The Sona Nanotech Inc. Stock Option Plan is a "rolling" or "evergreen" plan pursuant to which 10% of the issued and outstanding common shares of the Company on the date of option grant are reserved for issuance upon the exercise of stock options.

The following table summarizes details of the stock options granted by the Company during the most recently completed financial year and the period from the most recent year-end to the date of this AIF:

Month Granted	Number of Securities	Security	Exercise Price per Security($)
January, 2022	250,000	Stock Options[(1)]	0.45
November, 2021	1,000,000	Stock Options[(1)]	0.44
September, 2021	335,000	Stock Options[(1)]	0.30
November, 2020	250,000	Stock Options[(1)]	3.36

(1) Options granted pursuant to the Company's Stock Option Plan for five (5) years from the date of the grants.

The following table sets out the outstanding options under the Stock Option Plan, as of the date of this AIF:

Number of Option Shares	Exercise Price ($)	Expiry Date
1,102,500	0.35	January 21, 2024
1,038,750	0.60	March 17, 2025
1,000,000	7.47	July 7, 2025
665,000	6.57	September 24, 2025
200,000	7.91	October 17, 2025
250,000	3.36	November 2, 2025
335,000	0.30	September 28, 2026
1,000,000	0.44	November 11, 2026
250,000	0.45	January 4, 2027

Warrants

The following table summarizes details of the warrants issued by the Company during the most recently completed financial year and the period from the most recent year-end to the date of this AIF:

Month Granted	Number of Securities	Security	Exercise Price per Security ($)
December, 2020	1,119,600	Warrant[(1)]	1.25

(1) Warrants issued pursuant to the Company's December 2020 private placement expire on December 16, 2022.

As at the date hereof, these warrants are outstanding.

MARKET FOR SECURITIES

Trading Price and Volume

The Company submitted its final listing application to the CSE on September 28, 2018 and commenced trading on October 4, 2018 under the trading symbol "SONA". Effective April 8, 2020, the Company's common shares were approved for trading on the OTCQB Marketplace under the trading symbol "SNANF".

The following sets out the price range and volumes traded or quoted on all trading platforms on which the Common Shares are traded[1] on a monthly basis for the most recently completed financial year and the period from the most recent year-end to the date of this AIF:

Month	High ($)	Low ($)	Volume
February 2022[2]	0.45	0.25	1,102,936
January 2022	0.55	0.32	3,314,753
December 2021	0.60	0.36	3,397,247
November 2021	0.70	0.30	6,675,561
October 2021	0.38	0.25	3,449,234
September 2021	0.39	0.25	2,238,966
August 2021	0.44	0.31	3,249,751
July 2021	0.38	0.22	6,367,713
June 2021	1.49	0.23	31,309,073
May 2021	1.82	1.41	2,843,108
April 2021	2.10	1.44	6,387,125
March 2021	2.07	1.55	7,332,653
February 2021	2.34	1.20	12,688,108
January 2021	4.44	1.60	17,068,442
December 2020	5.38	0.82	30,420,606
November 2020	4.00	0.78	25,841,339

(1) Trading Information sourced form TSX Infosuite, StockWatch and Yahoo Finance.

(2) To end of day February 25, 2022.

The following sets out the price range and volumes traded or quoted on the CSE on a monthly basis for the most recently completed financial year and the period from the most recent year-end to the date of this AIF:

PRIOR SALES

The following table summarizes the issuances of securities during the most recently completed financial year and the period from the most recent financial year end to the date of this AIF:

Month Issued	Type of Transaction	Number of Securities	Price per Security($)
January, 2022	At-The-Market share offering	308,500	0.50
December, 2021	Exercise of stock option	100,000	0.35
December, 2021	At-The-Market share offering	267,500	0.52
November, 2021	At-The-Market share offering	571,000	0.48
July, 2021	Exercise of stock options	187,500	0.20
June, 2021	Exercise of stock option	50,000	0.20
May 2021	At-The-Market share offering	691,400	1.60
April , 2021	At-The-Market share offering	621,000	1.87
April, 2021	Exercise of warrants	10,000	1.25
March, 2021	Exercise of stock option	25,000	0.60
March, 2021	Exercise of stock option	12,500	0.35
February, 2021	Exercise of stock option	18,750	0.35
January, 2021	Exercise of stock option	18,750	0.60
January, 2021	Exercise of stock option	18,750	0.35
December, 2020	Private placement	2,259,200	1.00

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As at October 31, 2021, there are no common shares of the Company that are subject to an escrow agreement or any contractual restriction on transfer.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth the name, province or state and country of residence, positions and offices held with us, date of appointment of each of our directors and officers, principal occupation within the immediately preceding five years and the shareholdings of each director and officer. The statement as to Common Shares beneficially owned, or controlled or directed, directly or indirectly, by the directors and officers named below is in each instance based upon information furnished by the person concerned and is as at the date of this Annual Information Form. Our directors hold office until the next annual general meeting of the shareholders or until their successors are duly elected or appointed.

Name, Province/State and Country of Residence[1]	Position with the Company	Principal Occupation During the Past Five Years	Director/Officer Since	Number of Voting Securities[1]
Harold James (Jim) Megann[2] Nova Scotia, Canada	Director	Managing Director of Numus Financial Inc. and Ultimate Designated Person of Numus Capital Corp.	December 2019	4,206,847[4]
Michael Gross[2][3] Nova Scotia, Canada	Director	Professor of Orthopedic surgery at Dalhousie University	March 2019	660,804[5]
Mark Lievonen[2] Ontario, Canada	Director	Corporate Director	November 2020	25,000
Neil Fraser Ontario, Canada	Director	President of Medtronic Canada	January 2022	-
Walter Strapps[3] Massachusetts, USA	Director	Chief Scientific Officer of Gemini Therapeutics	January 2022	-
David Regan Nova Scotia, Canada	CEO	CEO of Sona, previously the EVP Corporate Development and Strategy Wildbrain Ltd. (formerly DHX Media)	July 2020	225,000
Darren Rowles	CSO and former CEO	CSO and former CEO of the Company, previously the Nanoparticle and Lateral Flow Product Manager for BBI Solutions OEM Ltd.	2017	-
Rob Randall Nova Scotia, Canada	Chief Financial Officer & Corporate Secretary	Consultant providing accounting and regulatory assistance to public companies.	August 2018	282,500

Notes:

(1) Information as to the Province of residence, principal occupation, and shares beneficially owned, directly or indirectly, or controlled or directed, has been furnished by the respective directors and officers.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.
(4) Of which, 3,797,347 shares are held by John Street Capital Inc., a private investment company owned and controlled by Mr. Megann.
(5) Of which, 432,949 shares are held by private investment companies controlled by Dr. Gross.

Shareholdings of Directors and Officers

As of the date of this AIF, our directors and officers, as a group, beneficially owned or controlled or directed, directly or indirectly, 5,400,151 Common Shares, representing approximately 7.8% of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of our directors or executive officers is, at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Sona) that:

(a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of subsections (a) and (b), "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, and in each case that was in effect for a period of more than 30 consecutive days.

None of our directors or executive officers, or a shareholder holding a sufficient number of our securities to affect materially control of Sona:

(a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Sona) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, 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 its assets; or

(b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

(c) has been subject to:

(1) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(2) any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable securityholder in making an investment decision.

The foregoing information, not being within our knowledge, has been furnished by the respective directors, officers and shareholders holding a sufficient number of our securities to affect materially control of Sona.

Conflicts of Interest

Certain directors and executive officers of Sona are directors, officers and/or shareholders of other private and publicly listed companies, including companies that engage in biotechnology or research and development. To the extent that such other companies may participate in or be affected by ventures involving Sona, these directors and executive officers of Sona may have conflicting interests in negotiating, settling and approving the terms of such ventures. In the event that such a conflict of interest arises at a meeting of our Board of Directors, a director affected by the conflict must disclose the nature and extent of his interest and abstain from voting for or against matters concerning the matter in respect of which the conflict arises. Directors and executive officers are required to disclose any conflicts or potential conflicts to the Board of Directors as soon as they become aware of them.

Our directors and officers are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by the directors of conflicts of interest and we will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the CBCA and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. See "*Risk Factors*". Our directors and officers of are not aware of any such conflicts of interests.

Code of Ethics

We have adopted a code of ethics, which is applicable to all directors, officers and employees. A copy of the code can be obtained by contacting the Company.

PROMOTERS

We do not presently have and have not within the last two completed years had, any promoters.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

On December 17, 2020, a putative shareholder class action lawsuit was filed in the United States District Court for the Central District of California. The complaint asserts claims under Sections 10(b) and 20 of the Securities Exchange Act of 1934 on behalf of a putative class of investors who purchased or otherwise acquired stock of the Company in US transactions between July 2, 2020 and November 25, 2020 (the "US action"). The suit alleges that the Company made material misstatements regarding its rapid detection COVID-19 antigen test. On October 28, 2021 the United States District Court for the Central District of California issued and order granting the Company's motion to dismiss and granted leave to the plaintiff to file an amended complaint within 14 days. During November, the plaintiffs filed an amended complaint which the Company has refuted with motion to dismiss the amended action.

On December 18, 2020, a Notice of Action and Statement of Claim was filed in the Supreme Court of Nova Scotia. The Statement of Claim purports to assert claims on behalf of a class of persons or entities who purchased stock of the Company based on similar allegations of material misrepresentations and omissions as alleged in the US action. The case is in its early stages.

The Company believes these claims are without merit and intends to contest the claims and mount a vigorous defence.

Regulatory Actions

There have not been any:

(1) penalties or sanctions imposed against Sona by a court relating to securities legislation or by a securities regulatory authority during the financial year ended October 31, 2021;

(2) other penalties or sanctions imposed against Sona by a court relating to securities legislation or by a securities regulatory authority that would likely be considered important to a reasonable investor making an investment decision; or

(3) settlement agreements entered into by Sona before a court relating to securities legislation or with a securities regulatory authority during the financial year ended October 31, 2021.

AUDIT COMMITTEE

We have established an Audit Committee, comprised of three directors, two of which are independent, which operates under a charter approved by our Board of Directors. A copy of the Audit Committee Charter is set out in full in Schedule A to this AIF. It is the Board of Directors' responsibility to ensure that we have an effective internal control framework. The Audit Committee's primary function is to assist the Board of Directors to meet its oversight responsibilities in relation to our financial reporting and external audit function, internal control structure and risk management procedures. In doing so, it will be the responsibility of the Audit Committee to maintain free and open communication between the Audit Committee, the external auditors and our management.

The Audit Committee of the Board of Directors is principally responsible for recommending to the Board of Directors the external auditor to be nominated for election by the Company's shareholders at each annual meeting of shareholders and approving the compensation of such external auditor, overseeing the work of the external auditor, reviewing the Company's annual and interim financial statements and MD&A, reviewing material contracts, and providing an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

Composition of the Audit Committee

Two members of the Audit Committee are: (i) independent within the meaning of National Instrument 52-110 — *Audit Committees* ("**NI 52-110**"), which provides that a member shall not have a direct or indirect material relationship with us that could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment; and, (ii) considered to be financially literate under NI 52-110. The members of the Audit Committee are: Mark Lievonen, Michael Gross and James Megann, two of whom are considered to be independent, namely, Mark Lievonen and Michael Gross. Jim Megann is not independent since Numus, a related company in which he holds an interest and is a director and senior officer, receives management consulting fees and remuneration from the Company.

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as a member of the Audit Committee are as follows:

Mark Lievonen - Mr. Lievonen is the former President of Sanofi Pasteur Limited, the Canadian vaccine division of Sanofi. Under his leadership, Sanofi Pasteur became a billion dollar enterprise in Canada, manufacturing over 50 million doses of vaccines for both domestic and international markets. Mr. Lievonen began his career in the Finance Division and served as the Vice-President, Finance. He has also served on a number of public and not-for-profit boards and industry organizations including as Chair of BIOTECanada and Rx&D (now Innovative Medicines Canada). He holds a BBA in accounting and a MBA in finance and marketing from the Schulich School of Business, York University, and is a FCPA. Mr. Lievonen will Chair the Audit Committee.

Michael Gross – Dr. Gross has extensive capital markets experience, having served as either an executive or as a Director with a number of venture stage companies. He is a long serving director of Fortune Bay Corp. and predecessor companies where he serves as Chair of its Audit Committee. He is also Chair of the Board of Boomerswork, a start-up company working to provide a platform of benefits for Boomers as they transition from work to retirement. Dr. Gross has completed the Rotman Directorship program and is a member of the Institute of Directors.

James (Jim) Megann – Mr. Megann, a notable venture capital executive and business leader, has been Managing Director of Numus Financial since the company's inception in 2014. He also serves as the Ultimate Designated Person of Numus Capital Corp, is a Director of Antler Resources Inc., and E-Tech Resources. (formerly Battery Road Capital Corp.), and is a former Board Chair of Nwest Energy. In addition to this, he has over 25 years of experience in the communications and marketing industry. Coupled with his professional experience, Mr. Megann is active in his community serving as director for several charitable organizations. His extensive community work has earned him the Queens Jubilee medal. He also worked as a senior consultant on government, and community relations programs.

Audit Committee Oversight

At no time since the commencement of our most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by our Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of our most recently completed financial year have we relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110. The Company is relying upon the exemption in Section 6.1 of NI 52-110 from the requirements of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations).

Pre-Approval Policies and Procedures

The Audit Committee pre-approves all audit and audit-related services to be provided to us by our independent auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if: (i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided; (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the

Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee. All non-audit services performed by our auditor for the fiscal year ended October 31, 2021 have been pre-approved by our Audit Committee. No non-audit services were approved pursuant to the *de minimis* exemption to the pre-approval requirement.

External Auditor Service Fees

The aggregate fees billed by our external auditors in each of the last financial years are as follows:

Financial Year Ending	Audit Fees [(1)]	Audit Related Fees[(2)]	Tax Fees[(3)]	All Other Fees[(4)]
2021	$30,000	Nil	$5,000	$30,000
2020	$37,000	Nil	$3,000	Nil
2019	$25,000	Nil	$5,000	Nil

Notes:

(1) The aggregate audit fees billed.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements which are not included under the heading "Audit Fees", including review of interim financial statements, services provided in connection with regulatory filings and engagements relating to offering documents.

(3) The aggregate fees billed for tax compliance, tax advice and tax planning service.

(4) The aggregate fees billed for products and services other than as set out under the headings "Audit Fees", "Audit Related Fees" and "Tax Fees". The 2021 fees include $20,000 for interim reviews of the Company's quarterly financial reporting and $10,000 for the providing of consent and comfort letters in association with the Company's Prospectus filings.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or shareholder holding on record or beneficially, directly or indirectly, more than 10% of our issued shares, or any of their respective associates or affiliates has any material interest, direct or indirect, in any transaction in which we have participated prior to the date of this AIF, or in any proposed transaction, which has materially affected or will materially affect us, except as otherwise described in this AIF and as follows:

1. During the year ended October 31, 2021, the Company incurred costs for service fees from a related party, Numus, a company controlled by significant shareholders, including one director of Sona, in the amount of $228,000 (2020 – $228,000), controller services of $30,000 (2020 - $47,500), and incurred rent and administrative costs from Numus in the amount of $30,600 (2020 – $30,600). Subsequent to October 31, 2021, the monthly service fee was reduced from $19,000 to $4,000 per month (see note 11 below).

2. As outlined in the Services Agreement between Numus and the Company, if the financial controller services are cancelled by the Company, a break fee of 45 days of remuneration, being $5,750, will be payable to Numus, in addition to the financial controller services fee applicable for the 90 day notice period. If the Office services are cancelled by the Company without notice to Numus, a break fee of three months of remuneration, being $7,650, will be payable to Numus.

3. In addition, Numus has a first right of refusal to act as an advisor on any Sona corporate transaction for a fee of 1.25% of the value of the transaction and Numus, or its subsidiary, shall have a first right of refusal to act as a finder on all financings conducted by Sona.

4. During the year ended October 31, 2020, the Company entered into a loan agreement with Numus. The loan is for up to $600,000, has an annual interest rate of prime plus 1% and has a 2% lender fee. The loan is repayable in full, including all interest and lender fees, on demand. The Company has drawn $612,000 on the loan, including a lender fee of $12,000, and has

accrued interest $23,310 as at October 31, 2021 (October 31, 2020 - $512,461, including a lender fee of $10,000 and accrued interest of $2,461) (see note 11 below).

5. As at October 31, 2021, the amount owing to Numus, including accounts payable, the loan balance and accrued interest, was $1,398,668 (October 31, 2020 – $944,344) (see note 11 below).

6. During the year ended October 31, 2021, the Company granted 585,000 stock options under the Company's stock option plan. 550,000 of the stock options were issued to directors and officers of Sona. 250,000 of the options, issued to directors, have an exercise price of $3.36 per share and 300,000 have an exercise price of $0.30. These options vest at the rate of 25% every six months and will expire in five years from the date of issuance. During the year ended October 31, 2021, officers and directors exercised 237,500 stock options at an exercise price of $0.20, for gross proceeds of $47,500. On the exercise date the share price was $0.30 per common share.

   During the year ended October 31, 2020, the Company granted 2,965,000 stock options under the Company's stock option plan. 1,740,000 of the stock options were issued to directors and officers of Sona. 840,000 of the options issued to related parties have an exercise price of $0.60 per share and 900,000 have an exercise price of $7.47 per share. These options vest at the rate of 25% every six months and will expire in five years from the date of issuance.

7. As at October 31, 2021, the amount owing to Randall Consulting Inc. ("RCI"), a company controlled by an officer of Sona, was $37,483 (October 31, 2020 - $131,294). As at October 31, 2021 and October 31, 2020, an amount of $38,750 was also owing to a director of the Company.

8. As a result of the Amalgamation, the Company acquired convertible notes (the "Notes") of $295,000 with accrued interest of $146,255. Certain directors and significant shareholders of the Company contributed $195,000 towards the Notes financing. During the year ended October 31, 2020, the Company accrued $4,888 of related party interest (October 31, 2019 - $29,250; October 31, 2018 - $7,373). The Notes and all accrued interest were converted to common shares of the Company effective December 31, 2019, resulting in the issuance of 2,520,270 Common Shares, of which 1,665,942 were issued to related parties with a value of $333,188.

9. Sona entered an agreement pursuant to which Antler Gold Inc. ("Antler") acquired from Sona a 100% interest in certain mineral claims comprising the Crescent Lake/KM61 molybdenum-copper-silver project located in Armstrong, Ontario (the "Property"). Under the agreement, Antler acquired the Property in consideration of the assumption of all liabilities of Sona associated with the Property and the future payment to Sona of contingent consideration if Antler disposes of the Property to a third party or enters into an agreement or arrangement with a third party to otherwise monetize the Property by way of joint venture, option or other form of transaction (a "Future Transaction"). The amount of the contingent consideration payable to Sona will be equal to 50% of the consideration received by Antler in the Future Transaction (net of Antler's aggregate expenses related to the marketing, selling, upkeep and maintenance of the Property incurred between the acquisition of the Property and the date of such Future Transaction), to a maximum of $3,000,000. Antler has also purchased two subsidiaries of Sona, 6321593 Canada Inc. and Minera Zapoteca, S.A. de C.V., that own technical and physical data on historical mineral interests in Mexico, and associated offsetting intercompany accounts, for a purchase price of $1.00. The assets and third-party liabilities are nominal for both subsidiaries. The purchase of these subsidiaries was completed during the year ended October 31, 2019.

10. The Company has an employment agreements with the CEO and the CSO which provide that, should a change in control event occur, as defined in the employment agreements, the CEO will receive a lump sum payment of up to 24 months of his then current base salary based on the value of the Company as of the date of the change of control, and the CSO will received a lump sum payment of 24 months of his then current base salary as of the date of the change of control.

11. On January 5, 2022, the Company arranged a debt settlement of $1,452,724 in amounts owed to Numus through the issuance of 2,556,276 common shares at a deemed price of $0.45 per share. These amounts include accounts payable to Numus of $813,895 pursuant to its services agreement with the Company and a loan payable (with fees and accrued interest) of $638,829. Numus will also forgive $302,400 and the remaining Debts as part of an agreement that includes amendments to the Services Agreement to reduce service fees.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent for its Common Shares is Computershare Investor Services Inc. located at 1500 Robert-Bourassa Boulevard, 7th Floor, Montreal QC, H3A 3S8.

MATERIAL CONTRACTS

Except as otherwise described in this AIF, there are no contracts, other than contracts entered into in the ordinary course of business, that are material to us and that were entered into in the most recently completed financial year, or before the most recently completed financial year, but are still in effect.

The following material contracts were entered into by us during the most recently completed financial year or before the most recently completed financial year but are still in effect:

1. Amended agreement dated January 4, 2022 between the Company and Numus (see: *Interest of Management and Others in Material Transactions* above); and

2. Definitive Agreement dated March 28, 2018 between Stockport and Sona Nanotech Ltd. to amalgamate to form Sona Nanotech Inc.

NAMES AND INTERESTS OF EXPERTS

The following persons, firms and companies are named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 - *Continuous Disclosure Obligations* by the Company during, or relating to, our most recently completed financial year ended October 31, 2020 and whose profession or business gives authority to the report, valuation, statement or opinion made by the person, firm or company.

Manning Elliott, Chartered Professional Accountants, provided an auditor's report in respect to our financial statements for the year ended October 31, 2021 dated February 28, 2022. Manning Elliott has advised us that they are independent with respect to us in accordance with the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

To our knowledge, none of the experts named in the foregoing section held at the time of or after such person prepared the statement, report or valuation, any registered or beneficial interests, direct or indirect, in any of our securities or other property or of one of Sona's associates or affiliates or is or is expected to be elected, appointed or employed as a director, officer or employee of Sona or of any associate or affiliate of Sona.

ADDITIONAL INFORMATION

Additional information relating to Sona may be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com, under the Company's profile. Further financial information is also provided in the Company's audited financial statements and management discussion & analysis for the year ended October 31, 2021 which are available on SEDAR at www.sedar.com.

Dated February 28, 2022

BY ORDER OF THE BOARD OF DIRECTORS

"David Regan"

David Regan
Chief Executive Officer

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

Under National Instrument 52-110 – Audit Committees ("**NI 52-110**") reporting issuers are required to provide disclosure with respect to its Audit Committee including the text of the Audit Committee's Charter, composition of the Committee, and the fees paid to the external auditor. The Company provides the following disclosure with respect to its Audit Committee:

Audit Committee Charter

Purpose

The Audit Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; and compliance with policies and laws. The committee will also be responsible for identifying principal risks of the business and ensuring appropriate risk management techniques are in place.

The Audit Committee charges management with developing and implementing procedures to:

- ensure internal controls are appropriately designed, implemented and monitored
- ensure reporting and disclosure of required information is complete, accurate, and timely.

The Audit Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls following the execution of the committee's responsibilities as described in the mandate.

Composition of Committee

The committee will be composed of a minimum of three (3) Directors from the Company's Board of Directors, with a majority of the members independent. Independence of the Board members will be as defined by applicable legislation and as a minimum each independent committee member will have no direct or indirect relationship with the Company which, in the view of the Board of Directors, could reasonably interfere with the exercise of a member's independent judgment.

All members of the committee will be financially literate as defined by applicable legislation. If, upon appointment, a member to the committee is not financially literate as required, the person will be provided a three month period in which to achieve the desired level of literacy.

If any member loses their independent status following their appointment to the committee, they will be required to resign from the committee within three months of becoming non-independent. The Board will be required to replace the member within that three month time frame. If it is the Chair of the Audit Committee that loses independent status, that person shall cease to be chair immediately and be replaced as chair by an existing member of the committee with the Board being asked to replace this member within the three month time frame.

Authority

The Committee has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties and the Committee will set the compensation for such advisors.

The Committee has the authority to communicate directly with and to meet with the external auditors and the internal auditor, without management involvement. This extends to requiring the external auditor to report directly to the Audit Committee.

Responsibilities

1. The Audit Committee will recommend to the Board of Directors:

    a. the external auditor to be nominated for purposes of preparing or issuing the auditor's report or performing other audit, review or attest services for the Company.

    b. the Compensation of the external auditor.

2. The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the Auditor's Report or performing other review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting. The Audit Committee will also ensure that the external auditor is in good standing with the Canadian Public Accountability Board ("**CPAB**") and will enquire if there are any sanctions imposed by the CPAB on the external auditor. The Audit Committee will also ensure that the external auditor meets the rotation requirements for partners and staff on the Company's audit.

3. The Audit Committee must pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor. The Audit Committee has delegated to the Chair of the committee the authority to pre-approve non-audit services up to an amount of $5,000, with such pre-approved services presented to the Audit Committee at the next scheduled Audit Committee meeting following such pre-approval.

    De *minimis* non-audit services satisfy the pre-approval requirement provided:

    a. the aggregate amount of all these non-audit services that were not pre-approved is reasonably expected to constitute no more than five percent of the total amount of fees paid by the Company and its subsidiaries to the external auditors during the fiscal year in which the services are provided;

    b. the Company or subsidiaries, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

    c. the services are promptly brought to the attention of the Audit Committee and approved, prior to the completion of the audit, by the Audit Committee or by the Chair of the Audit Committee, who has been granted authority to pre-approve non-audit engagements.

4. The Audit Committee will review and discuss with management and the external auditors the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, as well as the external auditors' written communications to the Committee and to management.

5. The Audit Committee reviews the Company's financial statements, MD&A as well as annual and interim earnings press releases and recommends such to the Board. This is prior to public disclosure of such information.

6. The Audit Committee ensures that adequate procedures are in place for the review of financial information extracted or derived from the Company's financial statements, contained in the Company's other public disclosures and must periodically assesses the adequacy of those procedures.

7. The Audit Committee establishes procedures for:

    a. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

b. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

8. The Audit Committee reviews and approves the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company. The Committee will ensure that the policies are in compliance with legal requirements, including Multi-National Instrument 52-110.

9. The Audit Committee will, with respect to ensuring the integrity of disclosure controls and internal controls over financial reporting, understand the process utilized by the Chief Executive Officer and the Chief Financial Officer to comply with Multilateral Instrument 52-109.

10. The Audit Committee will undertake a process to identify the principal risks of the business and ensure appropriate risk management techniques are in place. This will involve enquiry of management regarding how risks are managed.

Reporting

The reporting obligations of the Committee will include:

- Report to the Board on the proceedings of each Audit Committee meeting and on the Audit Committee's recommendations at the next regularly scheduled Board meeting.
- Review the disclosure required in the Company's Annual Information Form as Form 52-110FI.

Meetings

The Committee will meet at least four times per year and at least once every fiscal quarter. Meetings may also be convened at the request of the external auditor.