FORM 7

MONTHLY PROGRESS REPORT

Name of Listed Issuer: **SONA Nanotech Inc.** ("Sona" or "Issuer").

Trading Symbol: **SONA**

Number of Outstanding Listed Securities: **61,246,778**

Date: **September 4, 2020** ***(for the month of August 2020)***

Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

   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 that will improve performance over existing tests in the market.

   Sona's gold nanorod particles are CTAB (cetyltrimethylammonium) free, eliminating the toxicity risks associate 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, pending the approval of various regulatory boards including Health Canada and the FDA.

   Sona is a research and development company that owns proprietary gold nanorod technology that 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 gold nanorods (GNR) are used to bind to biological materials and carry them along a test strip, producing a positive or negative result. Sona holds a global patent (pending) on 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 often 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 can 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.*

   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.

2. Provide a general overview and discussion of the activities of management.

The Company is working with a consortium of international and Canadian partners to develop a functional COVID-19 rapid detection antigen lateral flow test that is expected to provide in-field test results in minutes, without the use of specialized laboratory equipment or technicians. The consortium includes The Native Antigen Company, Bond Digital Health, MRIGlobal and its Scientific Advisory Team.

On March 31, 2020, the Company was awarded a $4.1 million grant from NGen, Canada's Advanced Manufacturing Supercluster, to develop and commercialize its COVID-19 rapid-response antigen test. This non-repayable grant is being used to accelerate the development of a prototype and scale manufacturing capabilities with a view to deploying this COVID-19 virus-detecting, point-of-care test with Canadian medical authorities as soon as possible.

The Supercluster funding is pursuant to a $50 million initiative led by NGen and announced by Prime Minister Trudeau. The initiative supports companies as they prepare to produce critically needed technologies, equipment, and medical products to aid in the fight against COVID-19.

NGen continues to play 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 gold nanorod technology towards a credible, easy to use, rapid response, point-of-care COVID-19 test that can be used to reduce the strain on testing laboratories and enhance the capacity of health care systems. NGen's involvement also helped to engage other Canadian suppliers and partners.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

Rapid Screening Test for Coronavirus

Sona is deploying its proprietary nanotechnology in the development of a rapid screening test for the current coronavirus, "COVID-19". Sona is developing a quick-response lateral flow test to screen patients for the COVID-19 virus. There are currently very limited lateral flow antigen tests specific to the COVID-19 strain of the coronavirus, which was first detected in Wuhan, Hubei Province, China and continues to spread across the globe. Sona will integrate its technology into a disposable lateral flow test platform (similar to pregnancy tests that can be administered without skilled technicians or additional laboratory equipment) for use as a screening tool to help triage individuals.

The Company has an ongoing, open dialogue with regulators to ensure the Sona's test is being developed within the parameters regulators have outlined. This approach will allow Sona to be eligible for FDA review through their Emergency Use Authorization (EUA) pathway and a fast-track to market.

The Sona COVID-19 test will directly detect the COVID-19 virus, confirming active infection which we believe will result in the most accurate rapid response test available. Some 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, tests that are NOT specific to a COVID-19 infection will likely 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 negatives.

When complete, the Sona COVID-19 rapid screening test could be ideal for use in a variety of scenarios, 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 early July, the Company announced that its rapid detection, COVID-19 antigen test's laboratory validation studies of performance levels have resulted in a test sensitivity of 96%, test specificity of 96% and a Limit of Detection ("LOD") of 2.1 x 102 $TCID^{50}$. Sales of the tests will now be permitted under a 'research use only' label until full regulatory authority is granted, in relevant territories, at which time the 'research use only' label requirement would be lifted, as discussed below.

MRIGlobal, using live COVID-19 viral cultures, determined the test to have a limit of detection of 2.1 x 10^2 $TCID^{50}$ which corresponds to an ability to detect the virus in patients with 'low' viral loads in 10-15 minutes, as compared to RT-PCR testing which typically takes 24-48 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.

Validation studies were also conducted in-house 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). All specimen samples tested generated negative results, except for one, generating the above result of 96%. 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%.

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 will enter into independent clinical, in-field evaluation studies to generate the data to support its analytical and clinical data as part of the submission it will make to Health Canada and the FDA for emergency use authorization ("EUA"). In-field collection of a minimum of 30 confirmed negative and 30 confirmed positive specimens and the associated data analysis has been completed. The Company engaged the King Fahd Research Center lab at King Abdulaziz University within SaudiVax, a life sciences joint venture between PnuVax Inc. of the United States and UYC Inc. of Saudi Arabia, to deliver the results of the study.

In late August, the Company announced that its rapid detection COVID-19 antigen test achieved a sensitivity of 84.6% and a specificity of 90.0% in a study across 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 is being used to support the Company's analytical and clinical data as part of the submission it will make to Health Canada and the FDA for EUA approval for its COVID-19 antigen test.

In addition to its in-field clinical evaluation study, the Company has also provided prototype tests to several potential customers, under 'research use only' labelling, with whom it has entered into letters of intent for larger purchases of its tests. These smaller studies are part of the Company's commitment to maintaining ongoing evaluations of its test in order to understand its performance in a wide range use case scenarios. The Company is committed to maintaining ongoing evaluations of its test in order to understand its performance in a wide range of testing environments.

Rapid, point-of-care, antigen tests can make a significant contribution to reducing the spread of COVID-19 by detecting the presence of the virus in individuals. The tests use a nasopharyngeal swab to collect samples, which are then placed in a proprietary reagent solution and added to the sample port of the lateral flow test cassette. Blue colored lines will appear to indicate either a positive (2 lines) or negative result (1 line) within 15 minutes.

During this time, technology transfer will continue and quality assurance manufacturing batches are expected to be run with manufacturing partners.

The Company cautions that its COVID-19 rapid antigen test is not yet approved by the FDA or other regulatory bodies and will update the market as appropriate. 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.

Other Lateral Flow Tests

The Company's product portfolio of other proprietary lateral flow tests will continue upon completion and commercialization of the Company's COVID-19 antigen test. These other tests leverage the Company's proprietary gold nanorod technology's highly sensitive ability to detect various biomarkers in the Pico gram range.

Sona's Concussion Test

An estimated 10 million concussions occur each year globally, with 2.9 million/year in the US alone, including 837,000 incidents involving children. Sona's concussion test is ready to enter the prototype development stage, however, industry standard timelines for a test to reach commercialization is estimated at 12-24 months, subject to regulatory approvals.

The Sona concussion test will detect the presence of GFAP, (Glial fibrillary acidic protein), 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 gold nanorod 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 lead to a patient to suffer a concussion. Sona expects this test will be in the form of a lateral-flow assay, similar to its COVID19 rapid 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.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

Not applicable

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

Bonham/Wills & Associates

The Company has engaged Bonham/Wills & Associates ("Bonham/Wills"), a leading sports consulting firm, to assist in securing test development sponsorship partners for its next rapid-response test R&D project, leveraging the Company's proprietary gold nanorod technology. Bonham/Wills is tasked with identifying partners to participate in the development of a prototype and eventual field validation for a test for mild-traumatic brain injury ("mTBI"), commonly referred to as concussion. Partners will be asked to support on-going test development, optimization, validation, and field studies with a view to obtaining regulatory approval around the globe.

MRIGlobal

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 will be used for submission to Health Canada for regulatory approval and the FDA for 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 will take place in MRIGlobal's Kansas City laboratories and will assess Sona's test using live SARS-CoV-2 virus following its past, successful internal evaluation using gamma irradiated virus. The EUA studies will follow 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 will be included as part of the Company's regulatory submissions to Health Canada and the FDA for EUA. The Company expects to benefit from the regulatory relief offered by the FDA to expedite the availability of diagnostics associated with the COVID-19 disease, subject to certain conditions.

Manufacturing Service Agreements

The Company entered into service and supply agreement with a contract manufacturing organization (CMO) in Europe for the manufacture of its COVID-19 virus-detecting, rapid-response test. The manufacturing service and supply agreement is a firm commitment requiring the Company to fund the manufacturing set-up and transfer its test technology for the purposes only of test kit manufacturing. The Company has begun technology transfer activities in order to prepare for manufacturing run set-up.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

   Not applicable

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

   Not applicable

8. Describe the acquisition of new customers or loss of customers.

   The Company entered into a letter of intent agreement with an international distributor representing the health authority of a G20 country for the purchase of 2,000,000 test kits. The Company also entered non-binding letters of intent for an additional 2,700,000 of the Company's antigen detecting, rapid-response test.

   These letters of intent for a sale represent an expression of interest between the parties to supply the Company's tests at a price to be agreed in good faith following validation of the test and confirmation of manufacturing economics.

   The Company cautions that its COVID-19 rapid antigen test is not yet approved by the FDA or other regulatory bodies and will update the market as appropriate.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trademarks.

   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, 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.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

    In August 2020, the Company hired a VP of Supply Chain. During the month of April 2020, the Company hired an additional Senior Scientist, two Lab technicians, a Supply Chain Analyst, and a Business Development Analyst.

11. Report on any labour disputes and resolutions of those disputes if applicable.

    Not applicable.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

Not applicable.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

Not applicable.

14. Provide details of any securities issued and options or warrants granted.

The Company secured approval for its common shares to trade on the OTCQB Marketplace under the symbol "SNANF" at the opening of trading on April 13, 2020. The Company continues to trade on the Canadian Securities Exchange under "SONA".

In August 2020, the Company issued 35,000 common shares on the exercise of options priced at $0.35 per share.

In July 2020, the Company issued 25,000 common shares on the exercise of options priced at $0.35 per share and 196,250 common shares on the exercise of warrants priced at $0.25 per share. The Company also granted 1,000,000 incentive stock options under the Company's Stock Option Plan of which 900,000 have been granted to Officers. Each option is exercisable into one common share at a price of $7.47 per share and will vest at the rate of 25% every six months. The options will expire five years from the date of grant.

In June 2020, the Company issued 122,500 common shares on the exercise of options priced at $0.20 per share and 90,000 common shares on the exercise of options priced at $0.35 per share.

In April 2020, the Company issued 400,000 common shares on the exercise of warrants priced at $0.25 per share and 127,500 common shares on the exercise of options priced at $0.20 per share.

In March 2020, the Company granted 1,100,000 incentive stock options under the Company's Stock Option Plan of which 540,000 have been granted to Directors and Officers. Each option is exercisable into one common share at a price of $0.60 per share and will vest at the rate of 25% every six months. The options will expire five years from the date of grant.

15. Provide details of any loans to or by Related Persons.

In August 2020, a related party - Numus Financial Inc. provided a working capital loan in the amount of $300,000. This loan bears interest at bank prime plus 1% and is repayable on demand. There was also a 2% lender fee.

16. Provide details of any changes in directors, officers, or committee members.

In July 2020, Mr. David Regan was appointed CEO of the company. Mr. Regan has served as a strategic advisor to the Company for the past four months and will continue to work closely with founding CEO Darren Rowles who will assume the role of President and Chief Scientific Officer. Mr. Regan brings to the position more than 15 years of experience with capital markets, mergers & 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.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

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.

As many countries prepare for a re-opening of their economies, there is growing consensus that an increase in 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 15 minutes which could make it a critical component of testing protocols being considered by governments as they devise plans to relax social distancing measures. The Company's test will not require either specialized equipment or lab-based professionals to interpret its test results.

Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.

2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in Policy 1).

4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: September 4, 2020.

Name of Director or Senior Officer

Rob Randall

(Signed) *Rob Randall*
CFO & Corporate Secretary

Issuer Details Name of Issuer SONA Nanotech Inc.	For Month End August, 2020	Date of Report YY/MM/DD 2020/09/04
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