FORM 7

MONTHLY PROGRESS REPORT

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

Trading Symbol: **SONA**

Number of Outstanding Listed Securities: **64,947,128**

Date: **June 6, 2021** ***(for the month of May 2021)***

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, subject to the approval of various regulatory boards.

   Sona is a research and development company that owns proprietary gold nanorod ("GNRs") technology that can be used in a variety of lateral flow applications, specifically rapid diagnostic testing devices. In a lateral flow test, 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 can move through 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.*

Activity will continue with third party companies looking to generate 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 may 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.

In 2020, Sona was awarded a $3.9 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. NGen has played a valuable role in project funding, enabling the acceleration of the development, and enhancing the scope of the Company's abilities to deploy its proprietary GNRs technology. NGen's involvement has also helped to bring other Canadian suppliers and partners to the Company's efforts.

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 has deployed its proprietary nanotechnology in the development of a rapid screening test for the current coronavirus, COVID-19, and has developed a quick-response lateral flow test to screen patients for the COVID-19 virus. Sona has integrated its technology in 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.

As many countries prepare for a re-opening of their economies, there is growing consensus that an increase in testing will still be required to screen of virus outbreaks 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, companies or individuals as plans to relax social distancing measures are implemented. 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.

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 late August 2020, 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 clinical trial of99 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.

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**

The Company intends its test to be used as a screening tool for organizations wishing to screen individuals in high-risk congregate settings in which testing could quickly identify persons with a SARS-CoV-2 infection to inform infection prevention and control measures to reduce risk of transmission. Individuals who have symptoms of COVID-19 or who have had close contact with someone with confirmed COVID-19 should be considered as candidates for screening. As a rapid screening test, all results should be assessed in the context of the local prevalence of the virus and considered 'presumed' positive or negative until confirmed by a physician.

With its CE Mark secured, the Company is able to take firm orders in territories accepting a CE Mark and is able to make corresponding manufacturing commitments from its contract manufacturer in the United Kingdom. The Company is currently also in the

process of technology transfer to a second manufacturer, in North America. The Company continues to solicit sales and will update the market as material developments occur.

The Company is continuing to validate the next evolution of its rapid COVID-19 antigen test which aims to use saliva samples, building on its existing technology, providing for less invasive sample collection.

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's objective is to determine the clinical performance of the test when compared to RT-PCR, in symptomatic patients. Analytical validation studies would also be required to support any regulatory submissions. The trial will seek to test up to 500 patients suspected of having COVID-19. The Company will update the market with results from the trial upon completion.

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.

Other Lateral Flow Tests

The Company's product portfolio of other proprietary lateral flow tests will continue upon regulatory approval and commercialization of the Company's rapid detection COVID-19 antigen test. 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 Industrial Research Assistance Program (NRC IRAP) to support a research project in association with a consortium of UK companies to develop a bovine tuberculosis ("bTB") rapid test. NRC IRAP's 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 (UKRI).

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 will also 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 United Kingdom.

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.

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 is ready to enter the prototype development stage. Industry standard timelines for such a test to reach commercialization is estimated at 12-24 months, 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.

The Company has engaged Bonham/Wills & Associates ("Bonham/Wills"), a leading sports consulting firm, to assist in securing test development sponsorship partners for Sona's concussion test. 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, 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.

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.

   Manufacturing

   The Company has completed its technology transfer activities with its UK based contract manufacturing organization partner providing Sona access to large scale production. Technology transfer activities continue with a second manufacturer, in North America to facilitate additional production capacity, if required.

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.

   Not applicable.

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, 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.

    Not applicable.

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.

    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 suit alleges that the Company made material misstatements regarding its rapid detection COVID-19 antigen test. The case is in its early stages.

    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.

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.

    In April, the Company announced that pursuant to an equity distribution agreement (the "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 the Company (the "ATM Offering"). Under the ATM Offering, common shares will be distributed at trading prices prevailing at the time of the sale. As such, prices may vary between purchasers and during the period of distribution. The volume and timing of sales, will be determined at the sole discretion of the Company's management and in accordance with the terms of the Equity Distribution Agreement.

The ATM Offering is being made pursuant to a prospectus supplement dated April 9, 2021 to the Company's short form base shelf prospectus dated March 31, 2021, filed with the securities regulatory authorities in each of the provinces and territories of Canada.

Under the ATM Offering, during the month of April, the Company has issued 621,000 common shares at a weighted average price of $1.87 for net proceeds to the Company of $1,127,321.

Under the ATM Offering, during the month of May, the Company has issued 691,400 common shares at a weighted average price of $1.60 for net proceeds to the Company of $1,075,963.

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 was increased to $500,000 in October 2020 and $600,000 in November 2020. This loan bears interest at bank prime plus 1% and is repayable on demand. There is also a 2% lender fee.

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

No current changes in directors, officers, or committee members.

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.

It is possible that developments related to the COVID-19 pandemic could have material adverse impacts on the Company's operations and financial condition, including loss of available labour, prolonged or temporary closures due to a COVID-19 outbreak, government orders that impact the operations of the Company's business. Since very early in 2020, the outbreak of 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. 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. In addition, the COVID-19 pandemic has had, and could continue to have, a negative impact on financial markets and economic conditions. 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. The duration and severity of the COVID-19 pandemic are not known at this time and these factors could have an unpredictable impact on our business, financial condition and operating results, which could be materially and adversely affected.

While vaccination rates in many countries are climbing, questions still remain as to each vaccines efficacy with evolving strains of the virus and whether vaccinated individuals can still transmit the virus. Furthermore, it is not expected that any population will reach 100% vaccination penetration and, in fact, many countries still have very low vaccination rates.

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 are 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: June 6, 2021.

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 May, 2021	Date of Report YY/MM/DD 2021/06/06
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