NANOSPHERE
HEALTH SCIENCES

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)

YEAR ENDED DECEMBER 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
NanoSphere Health Sciences Inc.

We have audited the accompanying consolidated financial statements of NanoSphere Health Sciences Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of operations and comprehensive loss, cash flows and changes in shareholders' equity (deficit) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of NanoSphere Health Sciences Inc. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

April 30, 2018

NANOSPHERE HEALTH SCIENCES INC. (Formerly Corazon Gold Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Presented in United States Dollars)

AS AT	December 31, 2017	December 31, 2016
ASSETS		
Current		
Cash	$ 3,701,673	$ 436,383
Receivables	46,073	75,000
	3,747,746	511,383
Line of Credit Agreement (Note 7)	91,988	-
Equipment (Note 6)	8,682	5,112
	$ 3,848,416	$ 516,495
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 167,400	$ 214,330
Due to Canosphere, LLC (Note 8)	-	60,000
Due to Williston Trust Group, LLC (Note 5)	-	571,514
	167,400	845,844
Shareholders' equity (deficit)		
Share capital (Note 9)	15,174,964	-
Members Contributions (Note 9)	-	1,334,000
Reserves (Note 9)	559,862	533,040
Accumulated other comprehensive income	52,207	-
Deficit	(12,106,017)	(2,196,389)
	3,681,016	(329,349)
	$ 3,848,416	$ 516,495

Nature of business and going concern (Note 1)
Subsequent events (Note 15)

Approved and authorized by the Board of Directors on April 30, 2018:

"Robert Sutton"	Director	*"David Sutton"*	Director
Robert Sutton		David Sutton	

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

NANOSPHERE HEALTH SCIENCES INC. (Formerly Corazon Gold Corp.)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Presented in United States Dollars)

For the year ended December 31	2017	2016
EXPENSES		
Depreciation (Note 6)	$ 1,515	$ 1,212
Foreign exchange	7,682	-
Interest expense	10,718	-
Investor Relations	21,668	-
Office and administrative	222,818	26,357
Professional fees	268,357	92,640
Regulatory and filing	17,240	-
Rent	70,364	65,176
Salaries and consulting	425,272	267,626
Supplies and materials	47,937	41,200
Travel	71,015	19,940
	(1,164,586)	(514,151)
OTHER		
Gain on settlement of debt	60,000	-
Listing expense (Note 4)	(8,805,042)	-
Loss for the year	(9,909,628)	(514,151)
Exchange differences on translating foreign operations	52,207	-
Loss and comprehensive loss for the year	$ (9,857,421)	$ (514,151)
Basic and diluted loss per share	$ (0.90)	$ -
Weighted average number of common shares outstanding	10,998,628	-

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

NANOSPHERE HEALTH SCIENCES INC. (Formerly Corazon Gold Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Presented in United States Dollars)

For the year ended December 31	2017	2016
CASH FROM OPERATING ACTIVITIES		
Loss for the year	$ (9,909,628)	$ (514,151)
Items not affecting cash:		
Unrealized foreign exchange loss	35,162	-
Listing expense (Note 4)	8,805,042	-
Depreciation (Note 6)	1,515	1,212
Gain on settlement of debt (Note 8)	(60,000)	-
Changes in non-cash working capital items:		
Receivables	(40,080)	-
Prepaids	3,911	-
Accounts payable and accrued liabilities	(97,039)	214,330
Net cash used in operating activities	(1,261,117)	(298,609)
CASH FROM INVESTING ACTIVITIES		
Acquisition of Corazon Gold Corp. (Note 4)	152,309	-
Acquisition of equipment (Note 6)	(5,085)	-
Net cash provided by investing activities	147,224	-
CASH FROM FINANCING ACTIVITIES		
Proceeds on issuance of capital stock (Note 9)	4,545,017	-
Members contributions	150,000	530,000
Loans received by the Company	491,911	166,366
Loans repaid by the Company	(1,063,425)	-
Loans received from Corazon Gold Corp. prior to RTO (Note 4)	571,697	-
Share issuance costs (Note 9)	(241,074)	-
Line of credit advance	(91,988)	-
Net cash provided by financing activities	4,287,138	696,366
Effect on foreign exchange on cash	17,045	-
Change in cash during the year	3,265,290	397,757
Cash, beginning of year	436,383	38,626
Cash, end of year	$ 3,701,673	$ 436,383

Supplemental disclosure with respect to cash flows (Note 13)

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

NANOSPHERE HEALTH SCIENCES INC. (Formerly Corazon Gold Corp.)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Presented in United States Dollars)

	Share capital						
	Number	**Amount**	**Members contributions**	**Reserves**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**
Balance at December 31, 2015	-	$ -	729,000	$ 533,040	$ -	$ (1,682,238)	$ (420,198)
Contributions	-	-	605,000	-	-	-	605,000
Loss for the year	-	-	-	-	-	(514,151)	(514,151)
Balance at December 31, 2016	-	-	1,334,000	533,040	-	(2,196,389)	(329,349)
Contribution	-	-	75,000	-	-	-	75,000
Acquisition of Corazon Gold. Corp. (Note 4)	84,259,176	10,897,843	(1,409,000)	-	-	-	9,488,843
Private placements (Note 9)	11,811,370	4,545,017	-	-	-	-	4,545,017
Share issuance costs, warrants (Note 9)	-	(26,822)	-	26,822	-	-	-
Share issuance costs, cash (Note 9)	-	(241,074)	-	-	-	-	(241,074)
Accumulated other comprehensive income	-	-	-	-	52,207	-	52,207
Loss for the year	-	-	-	-	-	(9,909,628)	(9,909,628)
Balance at December 31, 2017	96,070,546	$ 15,174,964	-	$ 559,862	$ 52,207	$ (12,106,017)	$ 3,681,016

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

1. NATURE OF BUSINESS AND GOING CONCERN

Nanosphere Health Sciences Inc. (formerly Corazon Gold Corp.) (the "**Company**"), was incorporated on April 20, 2005, under the laws of the province of Alberta, Canada. The Company's shares are listed on the Canadian Stock Exchange ("**CSE**") under the symbol NSHS. The Company is a nano-biotechnology company focused on providing next generation delivery of nutritive elements and medicants through licensing arrangements. In March 2018, the Company was issued its patent for the NanoSphere Delivery System, protecting the Company's core technology of nanoencapsulation and delivery of bioactive compounds.

The Company's head office and principal address is 488 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3B7.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

As at December 31, 2017, the Company had a cumulative deficit of $12,106,017, working capital of $3,580,346 and cash of $3,701,673. The Company believes it will have sufficient liquidity to fund its operating activities, capital expenditures, debt service and working capital needs for at least twelve months from December 31, 2017.

The Company plans to indirectly derive the majority of its revenues from the cannabis industry in certain United States ("U.S.") states, which industry is illegal under U.S. federal law. The Company will be indirectly involved in the cannabis industry in the United States where local state law permits such activities, as well the medical cannabis industry in Canada.

Canada has regulated medical use and commercial activity involving cannabis and recently released Bill C-45, which proposes the enactment of the Cannabis Act, to regulate the production, distribution and sale of cannabis for unqualified adult use, with a target implementation date of no later than July 1, 2018. Currently, the Company uses a licensing model for its technology and product offerings and is not directly engaged in the manufacture, importation, possession, use, distribution or sale of cannabis in the medicinal nor recreational cannabis marketplace in either the United States or Canada.

Almost half of the U.S. states have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC with nine states allowing the use of recreation cannabis. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "CSA") in the United States and as such, may be in violation of federal law in the U.S.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the U.S. Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future investments of the Company in the United States. As such, there are a number of risks associated with the Company's existing and future investments in the United States.

For the reasons set forth above, the Company's existing interests in the United States cannabis market, and future investments, if any, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada.

1. NATURE OF BUSINESS AND GOING CONCERN (cont'd…)

Reverse Takeover

On November 17, 2017, the Company and Nanosphere Health Sciences LLC ("**Nano LLC**"), entered in to a Share Exchange Agreement ("**SEA**") whereby the Company acquired all of the outstanding units of Nano LLC in consideration for 60,000,000 common shares of the Company (Note 4). After completion of the SEA, the shareholders of Nano LLC held approximately 71.21% of the Company. Accordingly, Nano LLC is considered to have acquired the Company with the SEA being accounted as a reverse takeover of the Company by Nano LLC shareholders (the "**RTO**").

As Nano LLC is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation are included in the consolidated financial statements at their historical carrying value. The Company's results of operations are included from November 17, 2017 onwards, the closing date.

Concurrent with the RTO, the Company completed a $4,620,017 private placement (the "**Financing**") (Note 9).

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial liabilities measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements of the Company are presented in U.S. dollars, which is the functional currency of Nano LLC. The parent company, Nanosphere Health Sciences Inc., has a functional currency of the Canadian Dollar.

Significant accounting judgements, estimates and assumptions

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgement uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

Going concern

The assessment of the Company's ability to continue as a going concern involves critical judgement based on historical experience. Significant judgements are used in the Company's assessment of its ability to continue as a going concern which is described in Note 1.

Licensing agreement

Subsequent to December 31, 2017 the Company entered into two licensing arrangements for the use of proprietary technology. Management concluded that licensing arrangement does not result in control of the licensee.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiary controlled by the Company. Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

The consolidated financial statements include the financial statements of the Company and its subsidiaries:

Company	Place of Incorporation	Effective Interest	Principal Activity
Nanosphere Health Sciences LLC	United States	100%	Operating

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the excess.

Financial instruments

The Company considers cash and cash equivalents to include amounts held in banks. The Company places its cash with major financial institutions in the United States and Canada.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("**FVTPL**").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash is classified as loans and receivables. Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Property, plant and equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The following table outlines the methods used to depreciate property, plant and equipment:

Equipment	Straight line 7 years

New standards not yet adopted

Certain pronouncements were issued by the IASB or IFRIC. Those not applicable to or that do not have a significant impact on the Company have been excluded from the list below. The following is a description of the new or amended standards that have not yet been adopted by the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards not yet adopted (cont'd…)

International Financial Reporting Standards ("IFRS") 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in International Accounting Standards ("IAS") 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized costs, fair value through other comprehensive income ("OCI") and fair value through profit and loss. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The Standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The adoption of this standard is not expected to have a significant impact on the Company.

IFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles of reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when the customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaces IAS 18 Revenue, and IAS 11 Construction Contracts and related interpretations. FRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The adoption of this standard is not expected to have a significant impact on the Company.

IFRS 16 Leases will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15 Revenue from Contracts with Customers. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. ACQUISITION OF CORAZON GOLD CORP.

On November 17, 2017, the Company and Nano LLC completed a share exchange agreement ("SEA") whereby the Company acquired all of the issued and outstanding shares of Nano LLC, in consideration for 60,000,000 common shares of the Company. After the completion of the SEA, the shareholders of Nano LLC held approximately 71.21% of the Company. Accordingly, Nano LLC is considered to have acquired the Company with the SEA being accounted as a reverse takeover of the Company by Nano LLC shareholders.

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, Business Combination. Additionally, as a result of the RTO, the statement of financial position has been adjusted for the elimination of the Company's share capital, contributed surplus and accumulated deficit within shareholders' equity.

(Presented in United States Dollars)

4. ACQUISITION OF CORAZON GOLD CORP. (cont'd…)

As a result of this asset acquisition, a listing expense of $8,805,042 has been recorded. This reflects the difference between the estimated fair value of the Nano LLC shares deemed to have been issued to the Company's shareholders less the net fair value of the assets of the Company acquired.

In accordance with reverse acquisition accounting:

i) The assets and liabilities of Nano LLC are included in the statement of financial position at their carrying values.

ii) The net assets of the Company are included at their fair value of $683,801.

Net assets acquired:		
Cash	$	4,601,319
Accounts receivable		5,993
Reclamation bond		3,911
Loan receivable		571,697
Subscription receipts		(4,449,010)
Accounts payable and accrued liabilities		(50,109)
Fair value of net assets	$	683,801

iii) The listing expense of $8,805,042 was determined as follows:

a. The number of Company common shares held by former Nano LLC shareholders outstanding is 60,000,000 or 71.21% of the combined entity.

b. Number of outstanding shares of the Company prior to the Financing was 24,259,176 or 28.79% of the combined entity.

c. The fair value of the shares issued to acquire the Company under the reverse acquisition accounting was $9,488,843 calculated as 24,259,176 common shares at approximately $0.391 per share.

d. The difference between the fair value of $9,488,843 being the consideration paid, and the fair value of the net assets of the Company of $683,801 amounted to a net listing expense of $8,805,042.

5. DUE TO WILLISTON TRUST GROUP, LLC

The Company entered into a financing agreement with Williston Trust Group, LLC ("Williston") on January 31, 2015. Under the agreement, the Company promises to pay the sum of up to $550,000 together with 41,260 Class C equity units totalling 3.86%. On January 31, 2017, the agreement was amended and the requirement to deliver 41,260 Class C equity units was eliminated. The amounts payable were unsecured and non-interest bearing. The agreement was further amended and upon the completion of the Company's private placement in December 2017, the Company paid the balance of $571,514 in full.

(Presented in United States Dollars)

6. EQUIPMENT

		Equipment
Cost		
Balance, December 31, 2015 and 2016	$	8,481
Additions		5,085
Balance, December 31, 2017	$	13,566
Accumulated depreciation		
Balance, December 31, 2015	$	2,157
Depreciation for the year		1,212
Balance, December 31, 2016		3,369
Depreciation for the year		1,515
Balance, December 31, 2017	$	4,884
Carrying amounts		
As at December 31, 2016	$	5,112
As at December 31, 2017	$	8,682

7. LINE OF CREDIT AGREEMENT AND LICENSING ARRANGEMENT

The Company entered into a revolving line of credit agreement as the lender to CCBA LLC, a laboratory with which the Company subsequently entered into a licensing arrangement (Note 15). The maximum borrowing limit is $200,000, with an interest rate set at 5%. Interest will be paid monthly commencing January 1, 2018. The outstanding principal balance due to the Company as at December 31, 2017 was $91,988 (2016 - $Nil).

8. RELATED PARTY TRANSACTIONS

Key management compensation

During the year ended December 31, 2017, the Company paid or accrued:

Salaries and consulting fees of $110,000 (2016 - $96,000) to manager of the Company, $100,000 (2016 – $84,000) to the Chief Science Officer of the Company, $78,000 (2016 - $78,000) to the Chief Marketing Officer of the Company, $12,500 (2016 - $Nil) to the President of the Company, $82,000 (2016 - $40,000) to Vice President of Finance of the Company, and $20,000 (2016 - $10,000) to the CFO of the Company.

Included in accounts payable and accrued liabilities is $7,875 (2016 - $Nil) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

During the year ended December 31, 2015, the Company received advances of $60,000 from Canosphere, LLC, a company controlled by the directors of the Company. The advances are unsecured, non-interest bearing and have been forgiven by Canosphere, LLC during the period ended December 31, 2017.

On April 2, 2018, the Company entered into a license agreement with Evergreen Biosciences, LLC to sub-license the Company’s patented NanoSphere Delivery technology. On April 2, 2018, Evergreen Biosciences, LLC (a related party) sub-licenced the Company’s NanoSphere Delivery technology to CCBA LLC. Additionally, on April 20, 2018, the Company entered into agreements to license the NanoSphere delivery technology to certain companies in the states of California and Nevada.

8. RELATED PARTY TRANSACTIONS (cont'd…)

During the year ended December 31, 2017 the Company received and repaid short term loans of $255,342 from the current and former directors of the company (Note 13).

During the year ended December 31, 2017 the Company accrued $152,380 to a company controlled by a director of the Company.

On April 2, 2018, the Company entered into a license agreement with Evergreen Biosciences, LLC to sub-license the Company's patented NanoSphere Delivery technology. Evergreen Biosciences is partially owned by Chief Operating Officer of the Company.

9. SHARE CAPITAL AND RESERVES

Members contributions

Prior to the SEA (Note 4), members' equity of the Company was governed by the terms and conditions of a limited liability company agreement.

As of December 31, 2016, the Company issued members' units in return for $1,334,000. Of this total, $75,000 was received in the year ended December 31, 2017.

As of December 31, 2017, the Company issued additional members' units shares for contributions of $75,000. As part of the RTO (Note 4), common shares were issued to replace all classes of members' units.

Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Issued share capital

As at December 31, 2017, the Company had 96,070,546 common shares issued and outstanding.

Pursuant to the SEA (Note 4), an aggregate of 59,000,000 common shares were issued to NanoSphere's members, and 1,000,000 common shares were issued as a finder fee.

Escrow

At December 31, 2017, the Company has 857,286 common shares subject to escrow restrictions.

Pooling

At December 31, 2017, the Company has 59,000,000 common shares subject to certain restrictions as a result of a pooling agreement dated November 17, 2017. Of these, 10% were released January 1, 2018, 10% are expected to be released November 17, 2019, and the final 80% are expected to be released November 17, 2020.

(Presented in United States Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd…)

Private placements

During the year ended December 31, 2017, the Company issued 11,811,370 units at CAD$0.50 per unit for gross proceeds of $4,620,017 (CAD$5,905,685). Each unit consisted of one common share and one half of one share purchase warrant entitling the holder to purchase one common share at a price of CAD$0.75. In connection with the financing, 284,550 finder warrants with a fair value of $26,822 using the Black-Scholes pricing model with a risk-free interest rate of 1.72%, term of 1 year, volatility of 36.62% and dividend rate of 0%. and cash of $241,074 (CAD$273,873) was recorded as share issuance costs.

Stock options and warrants

Stock option and warrant transactions are summarized as follows:

	Warrants		Stock options	
	Number	Weighted Average Exercise Price (CAD)	Number	Weighted Average Exercise Price (CAD)
Outstanding, December 31, 2015	9,310,652	$ 0.10	2,390,017	$ 0.27
Exercised	(8,574,132)	0.08	-	-
Expired	(78,520)	0.19	-	-
Granted / Issued	1,976,538	0.40	-	-
Outstanding, December 31, 2016	2,634,538	$ 0.40	2,390,017	$ 0.27
Exercised	(359,000)	0.40	-	-
Expired/ Cancelled	(299,000)	0.40	(775,000)	0.27
Granted / Issued	6,190,235	0.75	-	-
Outstanding, December 31, 2017	8,166,773	$ 0.66	1,615,017	$ 0.27
Number currently exercisable	8,166,773	$ 0.66	1,615,017	$ 0.27

Stock options outstanding

The following incentive stock options were outstanding at December 31, 2017:

Number	Exercise price	Expiry date
1,615,017	$ CAD 0.27	September 21, 2021

(Presented in United States Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd…)

Warrants outstanding

The following incentive warrants were outstanding at December 31, 2017:

Number	Exercise price		Expiry date
1,976,538	$ CAD	0.40	September 30, 2018
6,190,235	$ CAD	0.75	December 4, 2019

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash, receivables and accounts payable and accrued liabilities approximate their carrying value due to the short-term maturity.

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

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

Liquidity risk

The Company has in place a planning and budgeting process to manage its liquidity risk and ensure it has sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash balance of $3,701,673 (2016 - $436,383) to settle current liabilities of $167,400 (2016 - $845,844). All of the Company's accounts payable and accrued liabilities and loans payable have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at December 31, 2017, the Company did not have any investments in investment-grade short-term deposit certificates or long term payables with floating interest rates.

b) Foreign currency risk

The Company's foreign exchange risk arises from transactions denominated in other currencies. Through this, the Company is exposed to foreign currency risk on fluctuations related to cash, receivables, accounts payable and accrued liabilities that are denominated in United States Dollar and Canadian Dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

11. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance current production of the Company's patented NanoSphere Delivery System and development of future products utility system. Capital is comprised of the Company's shareholders' equity. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on management to sustain future development and commercialization of the business. The Company will continue to assess sources of financing available and to assess the potential for collaboration with interested partners with a view to managing its current financial resources in the interest of sustaining the long-term viability of the Company's operations.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the stage of the Company, is reasonable.

12. SEGMENTED INFORMATION

The Company's operating activities are all located in the United States, with its registered office in Canada. All of the Company's capital assets, including property, plant and equipment are located in the United States.

(Presented in United States Dollars)

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2017, the Company issued warrants with a fair value of $26,822 (2016 - $Nil) as share issuance costs.

There were no non-cash transactions for the year ended December 31, 2016.

During the year ended December 31, 2017, the Company received $491,911 in short term loans bearing interest at 5% per annum. These loans along with amounts due to Williston of $571,514 (Note 5) were repaid during the year for total loans repaid of $1,063,425.

14. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes is as follows:

	2017	2016
Loss before income taxes	$ (9,909,628)	$ (514,151)
Expected income tax (recovery) at statutory tax rates	$ (2,577,000)	$ -
Non-deductible and other items	2,405,000	-
Impact of change in foreign exchange and income tax rates	(2,000)	-
Impact of SEA	(1,508,000)	-
Change in unrecognized deductible temporary differences	1,682,000	-
Income tax recovery	$ -	$ -

During the fiscal year 2016, the Company was organized and registered as a LLC in the State of Colorado and had elected to be taxed as a partnership under the Internal Revenue Code for federal and state income tax reporting purposes. The Company elected to be taxed as a corporation on completion of the SEA.

Significant components of deductible temporary differences, unused tax losses, and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	2017	Expiry Dates	2016
Share issue costs	$ 216,000	2038 to 2041	$ -
Non-capital loss carry-forwards	6,014,000	2026 to 2037	-
Total	$ 6,230,000		$ -

Tax attributes are subject to review and potential adjustments by tax authorities.

15. SUBSEQUENT EVENTS

Except as noted above, subsequent to December 31, 2017, the Company:

a) Issued 410,017 shares for proceeds of $CAD 110,705 from the exercise of options at $CAD 0.27;

b) Issued 25,000 shares for proceeds of $CAD 10,000 from the exercise of warrants at $CAD 0.40; and

c) Entered into a license agreement dated April 2, 2018 with Evergreen Biosciences, LLC to sub-license the Company's patented NanoSphere Delivery technology. On April 2, 2018, Evergreen Biosciences, LLC (a related party) sub-licenced the Company's NanoSphere Delivery technology to CCBA LLC. Additionally, on April 20, 2018, the Company entered into agreements to license the NanoSphere delivery technology to certain companies in the states of California and Nevada.