NANOSPHERE
HEALTH SCIENCES

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)

YEAR ENDED DECEMBER 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Nanosphere Health Sciences Inc.

We have audited the accompanying consolidated financial statements of Nanosphere Health Sciences Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, cash flows and changes in shareholders' equity (deficit) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to the consolidated financial statements, which indicates that the Company has a cumulative deficit of $16,620,722 and a working deficit of $168,153 as at December 31, 2018. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Managements, Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 30, 2019

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

AS AT	December 31, 2018	December 31, 2017
ASSETS		
Current		
Cash	$ 211,628	$ 3,701,673
Receivables, net (Note 6)	25,924	12,073
Prepayment (Note 6)	75,617	34,000
	313,169	3,747,746
Line of Credit Agreement, net (Note 7)	740,000	91,988
Equipment (Note 8)	266,081	8,682
	$ 1,319,250	$ 3,848,416
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	$ 481,322	$ 167,400
	481,322	167,400
Shareholders' equity		
Share capital (Note 11)	16,526,266	15,174,964
Subscriptions received in advance	100,000	-
Reserves (Note 11)	814,382	559,862
Accumulated other comprehensive income	18,002	52,207
Deficit	(16,620,772)	(12,106,017)
	837,928	3,681,016
	$ 1,319,250	$ 3,848,416

Nature of business and going concern (Note 1)
Subsequent events (Note 17)

Approved and authorized by the Board of Directors on April 30, 2019:

"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.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Presented in United States Dollars)

For the year ended December 31	2018	2017
REVENUE, net (Note 7)	$ 37,881	$ -
EXPENSES		
Depreciation (Note 8)	44,770	1,515
Foreign exchange	1,944	7,682
Interest expense	-	10,718
Investor relations and marketing	996,238	21,668
Office and administrative	155,719	222,818
Professional fees	688,011	268,357
Regulatory and filing	34,180	17,240
Rent	150,668	70,364
Research and development	123,961	62,455
Salaries and consulting (Note 10)	1,172,206	362,817
Share-based payment (Note 11)	355,890	-
Shipping and delivery	23,766	-
Supplies and materials	19,458	47,937
Travel	320,343	71,015
	(4,049,273)	(1,164,586)
OTHER		
Gain on settlement of debt	-	60,000
Listing expense (Note 4)	-	(8,805,042)
Allowance for note receivable (Note 7)	(552,804)	-
Interest income (Note 7)	87,372	-
Loss for the year	(4,514,705)	(9,909,628)
Exchange differences on translating foreign operations	(34,205)	52,207
Loss and comprehensive loss for the year	$ (4,548,910)	$ (9,857,421)
Basic and diluted loss per share	$ (0.05)	$ (0.90)
Weighted average number of common shares outstanding	96,771,881	10,998,628

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

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

For the year ended December 31	2018	2017
CASH FROM OPERATING ACTIVITIES		
Loss for the year	$ (4,514,705)	$ (9,909,628)
Items not affecting cash:		
Depreciation (Note 8)	44,770	1,515
Gain on settlement of debt	-	(60,000)
Share-based payment (Note 11)	355,890	-
Listing expense (Note 4)	-	8,805,042
Allowance for note receivable	552,804	-
Unrealized foreign exchange loss	6,848	35,162
Changes in non-cash working capital items:		
Receivables	(13,850)	(40,080)
Prepaids	(41,617)	3,911
Accounts payable and accrued liabilities	370,980	(97,039)
Net cash used in operating activities	(3,238,880)	(1,261,117)
CASH FROM INVESTING ACTIVITIES		
Acquisition of Corazon Gold Corp. (Note 4)	-	152,309
Line of credit advance	(1,200,816)	(91,988)
Acquisition of equipment (Note 8)	(302,169)	(5,085)
Net cash provided by investing activities	(1,502,985)	55,236
CASH FROM FINANCING ACTIVITIES		
Exercise of options	116,069	-
Exercise of warrants	83,913	-
Loans received by the Company	-	491,911
Loans repaid by the Company	-	(1,063,425)
Loans received from Corazon Gold Corp. prior to RTO (Note 4)	-	571,697
Private placement (Note 11)	1,010,014	4,545,017
Members contributions	-	150,000
Share issuance costs (Note 11)	(17,122)	(241,074)
Subscriptions received in advance (Note 11)	100,000	-
Net cash provided by financing activities	1,292,874	4,362,138
Change in cash during the year	3,448,991	3,248,245
Effect on foreign exchange on cash	(41,055)	17,045
Cash, beginning of year	3,701,673	436,383
Cash, end of year	$ 211,628	$ 3,701,673

Supplemental disclosure with respect to cash flows (Note 15)

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

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

	Share capital							
	Number	**Amount**	**Members contributions**	**Subscriptions received in advance**	**Reserves**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**
Balance at December 31, 2016	-	$ -	$ 1,334,000	-	$ 533,040	$ -	$ (2,196,389)	$ (329,349)
Contributions	-	-	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	11,811,370	4,545,017	-	-	-	-	-	4,545,017
Share issuance costs, warrants	-	(26,822	-	-	26,822	-	-	-
Share issuance costs, cash	-	(241,074	-	-	-	-	-	(241,074)
Other comprehensive	-	-	-	-	-	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
Private placements	4,452,254	1,010,014	-	-	-	-	-	1,010,014
Warrants exercised	273,185	83,913	-	-	-	-	-	83,913
Options exercised	565,017	218,031	-	-	(101,962)	-	-	116,069
Shares for debt	206,330	57,058	-	-	-	-	-	57,058
Share issuance costs, cash	-	(17,122	-	-	-	-	-	(17,122)
Share issuance costs, warrants	-	(592	-	-	592	-	-	-
Subscription received in advance	-	-	-	100,000	-	-	-	100,000
Share-based payments (Note 11)	-	-	-	-	355,890	-	-	355,890
Other comprehensive loss	-	-	-	-	-	(34,205)	-	(34,205)
Loss for the year	-	-	-	-	-	-	(4,514,705)	(4,514,705)
Balance at December 31, 2018	101,567,332	$ 16,526,266	-	$ 100,000	$ 814,382	$ 18,002	$ (16,620,722)	$ 837,928

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

1. NATURE OF BUSINESS AND GOING CONCERN

Nanosphere Health Sciences Inc. (the "**Company**"), was incorporated on April 20, 2005, under the laws of the province of Alberta, Canada and re-domiciled to British Columbia, 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. The Company has two wholly owned subsidiaries NanoSphere Health Sciences, LLC (NanoSphere LLC) and NanoSphere Cannabis International Inc. (NCI), NanoSphere LLC is the Company's operating division in the United States. NCI was established in November 2018 in Canada and is responsible for overseeing the Licensing of the NanoSphere Delivery System, specifically in cannabis, in Canada and for seeking international license opportunities globally outside the United States. NanoSphere LLC through NCI completed the Master License agreement with Delta 9 in January 2019 and Delta 9 received preliminary approval from Health Canada for the first of a number of products to be introduced to the Canadian market in 2019. The Company's operations were focused in the years ended December 31, 2018 and 2017 on the United States ("U.S.") cannabis industry, 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 cannabis industry in Canada.

In March 2018, the Company's wholly owned subsidiary NanoSphere Health Sciences, LLC (NanoSphere LLC) was issued its patent for the NanoSphere Delivery System, protecting the Company's core technology of nanoencapsulation and delivery of bioactive compounds. In July 2018 NanoSphere LLC was issued its second patent which provides exclusivity for cannabinoid delivery.

The Company's head office and principal address is 488-1090 West Georgia Street, Vancouver, British Columbia, V6E 3B7. The Company operating headquarters are 5445 DTC Parkway, Suite 1130 Greenwood Village, CO 80111, USA.

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, 2018, the Company had a cumulative deficit of $16,620,722, working deficit of $168,153 and cash of $211,628. In February 2019, the Company raised $1,505,818 (CAD$1,999,918).). Of the total proceeds, $100,000 (CAD$132,000) was received in advance as at December 31, 2018. The proceeds received after advances and the portion related to shares for debt, the Company received a net amount of approximately $1,154,400 (CAD 1,560,000). Management anticipates the need to raise additional funds within the next 12 months to pay operational costs and fund any investing activities. To the extent financing is not available, lease payments, rental payments, and other payments may not be satisfied and could result in a loss of earning opportunities for the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

Canada recently regulated medical use and commercial activity involving cannabis. Bill C-45, the Cannabis Act, which was released on October 17, 2018. Subject to provincial or territorial restrictions, the enactment of the Cannabis Act allows for the production, distribution and sale of cannabis for unqualified adult use. 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 United 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.

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

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.

Reverse Takeover

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

As NanoSphere 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 $4,620,017 (approximately CA$ 6,328,800) 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 NanoSphere 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.

2. BASIS OF PREPARATION (cont'd…)

Significant accounting judgements, estimates and assumptions (cont'd…)

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 Company's consolidated financial statements have been prepared with the assumption 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. Ongoing operations of the Company are dependent upon its ability to receive continued financial support, complete public equity financings, or generate profitable operations in the future. The Company incurred a loss of $4,514,705 during the year ended December 31, 2018 and as of that date, the Company's had an accumulated deficit of $16,620,722. Management is actively targeting sources of additional financing which would assure the continuation of the Company's operations. The Company anticipates the need to raise additional funds within the next 12 months to pay operational costs and fund any investing activities. To the extent financing is not available, lease payments, rental payments, and other payments may not be satisfied and could result in a loss of earning opportunities for the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

Licensing agreement

During the year ended December 31, 2018 the Company as licensor, entered into two licensing arrangements for the use of proprietary technology in Colorado and California. Management concluded that a licensing arrangement does not result in control of the licensee.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. The carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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
Nanosphere Cannabis International Inc	Canada	100%	Operating

IFRS 9 – Financial Instruments

The Company adopted IFRS 9 effective January 1, 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through profit and loss, at fair value through other comprehensive income, and at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings.

The adoption of IFRS 9 has resulted in changes in classification of some of the Company's financial assets but did not change the classification of the Company's financial liabilities. There is no difference in the measurement of these instruments under IFRS 9.

As a result of the adoption of this standard, the Company has changed its accounting policy for financial assets:

Financial assets

Financial assets are classified as either financial assets at affair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

a) Fair value through profit or loss ("FVTPL") – financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Changes in fair value are recognized in the consolidated statement of operations and comprehensive income (loss).

b) Amortized cost – financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL: 1) The objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the assets contractual cash flow represents solely payments of principal and interest.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial liabilities (*cont'd)*

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.

The Company's cash and cash equivalents, account receivables, and accounts payable and accrued liabilities are recorded at amortized cost. The change did not impact the carrying value of any financial assets on the transition date, January 1, 2018.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit loss for performing assets and the lifetime expected credit loss if the credit risk on the financial assets has increased significantly since initial recognition. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the expected credit losses are reversed after the impairment was recognized.

Income taxes

Income tax on the profit or loss for the periods presented 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, in which case it is recognized in equity. Current tax expense is the expected tax payable on the 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. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and 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 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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Cash and equivalents

Cash consists of cash on hand and demand deposits that are subject to an insignificant risk of change in value.

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:

Production equipment	Straight line 7 years
Computer equipment	Straight line 3 years

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Provisions are recorded when a present legal, statutory or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimate to settle the present obligation, if the effect is material, its carrying amount is the present value of those cash flows.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Share-based payments (cont'd…)

share capital. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from reserves.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

Licensing fees

License fee revenues are generated Company's patented nanoencapsulation technology for the delivery of nutritive elements and medicants through licensing arrangements. The license agreements may vary between each licensee, to comply with jurisdictional legal requirements. For the base license fee revenue is recognized on a pro rata basis over the term of the license. Royalties, in jurisdictions where legally allowed, are recognized when the licensee has transferred the significant risks and rewards of ownership to the customer, and it is probably that the Company will received the agreed upon payment.

New standards

Adoption of IFRS 15 – Revenue from Contracts with Customers

For the period beginning January 1, 2018, the Company adopted IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. Under IFRS 15, revenue from the sale of cannabis and medical cannabis is recognized at a point in time when control over the goods have been transferred to the customer. The Company transfers control and satisfied its performance obligation upon delivery and acceptance by the customer within the State of Colorado. With regard to the initial licensing fee, which is charged to the licensees outside of the State of Colorado, it is recognized upon execution of the license agreement. Royalties are recognized when received. The above-noted revenue recognition consistent with the Company's previous revenue recognition policy under IAS 18. IFRS 15 is effective for the Company on January 1, 2018. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements. Note that as a result of IFRS 15, The Company's revenue is reported on a disaggregated basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Adoption of IFRS 9 – Financial Instruments

The Company adopted IFRS 9 effective January 1, 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through profit and loss, at fair value through other comprehensive income, and at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings.

The requirements in IAS 39 for classification and measurement were carried forward to IFRS 9 and the Company's accounting policy with respect to financial liabilities remains unchanged.

As a result of the adoption of this standard, the Company has changed its accounting policy for financial assets. The change did not impact the carrying value of any financial assets on the transition date, January 1, 2018.

New standards not yet adopted

Certain pronouncements were issued by the IASB or IFRIC that are not mandatory for accounting periods beginning on or after January 1, 2018 or later periods. They have not been early adopted in these consolidated financial statements, and they are expected to affect the Company in the period of initial application. In all cases the Company intends to apply these standards from application date as indicated below:

IFRS 16 Leases will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted. 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 NanoSphere LLC completed a share exchange agreement ("SEA") whereby the Company acquired all of the issued and outstanding shares of NanoSphere LLC, in consideration for 60,000,000 common shares of the Company. After the completion of the SEA, the shareholders of NanoSphere LLC held approximately 71.21% of the Company. Accordingly, NanoSphere LLC is considered to have acquired the Company with the SEA being accounted as a reverse takeover of the Company by NanoSphere 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.

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 NanoSphere LLC shares deemed to have been issued to the Company's shareholders less the net fair value of the assets of the Company acquired.

(Presented in United States Dollars)

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

In accordance with reverse acquisition accounting:

i) The assets and liabilities of NanoSphere 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 NanoSphere 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 promised to pay the sum 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. RECEIVABLES AND PREPAID EXPENSES

	December 31, 2018	December 31, 2017
GST receivable	$ 25,924	$ 12,073
License revenue receivable, net	-	-
Total	$ 25,924	$ 12,073

During the year ended December 31, 2018, the Company recognized a provision against license revenue receivable of $571,403 (2017 - $Nil) as a result of an assessment of the collectability of license revenue. Prepaid expenses consisted of $34,483 in prepaid rent and $41,134 in consulting expenses for investor relations. Prepaid expenses consisted of $34,000 for the year ended December 31, 2017 related to investor relations.

7. LINE OF CREDIT AGREEMENT AND LICENSING ARRANGEMENT

The Company entered into a revolving line of credit agreement (“LOC”) as the lender to CCBA LLC (“CCBA”), a laboratory with which the Company entered into a licensing arrangement with an interest rate set at 5%. During the year ended December 31, 2018, the Company and CCBA amended the terms of the LOC to increase in the maximum borrowing limit to $1.3 million. The outstanding balance due to the Company as at December 31, 2018 was $1,292,804 (December 31, 2017 - $91,988) which includes accrued interest of $87,372 (December 31, 2017 - $Nil). During the year ended December 31, 2018, the Company recognized a provision against LOC receivable of $552,804 (2017 - $Nil) as a result of an assessment of the collectability of LOC.

Included in revenue reported on the statement of operations and comprehensive loss was $609,284 (2017 - $Nil), of which $571,403 was provided for as a result of an assessment of the collectability that related to the licensing agreement with Evergreen Biosciences, LLC (“Evergreen”) and CCBA to sub-license the Company’s patented NanoSphere Delivery technology. Both the licensee, Evergreen and the sub-licensee, CCBA are located in Colorado. Due to Colorado state regulations, revenue derived from royalties is prohibited. Therefore, the sub-license agreement with CCBA is based on an estimated amount of projected revenues, which amount is mutually agreed to on a quarterly basis.

(Presented in United States Dollars)

8. EQUIPMENT

		Equipment
Cost		
Balance, December 31, 2016	$	8,481
Additions		5,085
Balance, December 31, 2017	$	13,566
Additions		
Production equipment		294,599
Computer equipment		7,570
Balance, December 31, 2018	$	315,735
Accumulated depreciation		
Balance, December 31, 2016	$	3,369
Depreciation for the year		1,515
Balance, December 31, 2017		4,884
Depreciation for the year		44,770
Balance, December 31, 2018	$	49,654
Carrying amounts		
As at December 31, 2017	$	8,682
As at December 31, 2018	$	266,801

9. CAPITAL COMMITMENTS

In August 2018, the Company entered into a sub-lease agreement for approximately 7,000 square feet of office space located at 5445 DTC Greenwood Village, CO. The term of the lease is for three years, with a monthly base rent of approximately $9,500 per month for the first year, approximately $9,800 per month for the second year, and approximately $10,000 per month for the third year.

10. RELATED PARTY TRANSACTIONS

Key management compensation

During the year ended December 31, 2018, the Company paid or accrued:

a) Salaries and consulting fees of $150,000 (2017 - $110,000) to the CEO of the Company, $145,800 (2017 – $100,000) to the Chief Science Officer of the Company, $78,000 (2017 - $78,000) to the Chief Marketing Officer of the Company, $158,588 (2017 - $12,500) to the President of the Company, $111,125 (2017 - $82,000) to Vice President of Finance of the Company, and $23,151 (2017 - $20,000) to the CFO of the Company.

b) Share-based compensation of $170,812 (2017 - $Nil) to the officers and directors of the Company was recorded.

10. RELATED PARTY TRANSACTIONS *(Cont'd…)*

Included in accounts payable and accrued liabilities is $6,280 (2017 - $7,875) 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 were 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. Evergreen Biosciences is partially owned by Chief Operating Officer of the Company. 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.

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.

11. 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, 2018, the Company had 101,567,332 common shares issued and outstanding.

Pursuant to the SEA (Note 4), an aggregate of 60,000,000 common shares were issued to NanoSphere's members, and 1,000,000 common shares were issued as a finder fee.

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

Escrow

At December 31, 2018, the Company has 23,372,041 common shares subject to escrow restrictions.

Pooling

Upon closing of the SEA , 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.

Share issuances

During the year ended December 31, 2018, the Company

a) Completed a non-brokered private placement by issuing 4,452,254 units at CAD$0.30 per unit for gross proceeds of $1,010,014 (CAD$1,335,676). Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share at a price of CAD$0.50. In connection with the financing, 17,500 finder warrants with a fair value of $592 using the Black-Scholes pricing model with a risk-free interest rate of 1.91%, term of 2 years, volatility of 99.05% and dividend rate of 0%. and cash of $17,122 (CAD$22,636) was recorded as share issuance costs.

b) Received $100,000 subscription funds in advance for a non-brokered private placement completed subsequent to year ended December 31, 2018.

c) Issued 206,330 common shares for a total value of $57,058 to settle accounts payable with two vendors.

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.

(Presented in United States Dollars)

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

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, 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	$ 0.67	1,615,017	$ 0.27
Exercised	(273,185)	0.40	(565,017)	0.27
Expired/ Cancelled	(1,703,353)	0.40	-	-
Granted / Issued	4,469,754	0.50	3,665,555	0.63
Outstanding, December 31, 2018	10,659,989	$ 0.65	4,715,555	$ 0.55
Number currently exercisable	10,659,989	$ 0.65	2,318,703	$ 0.48

Stock options outstanding

The following incentive stock options were outstanding at December 31, 2018:

Number	Exercise price	Expiry date
1,050,000	$ CAD 0.27	September 21, 2021
3,065,555	$ CAD 0.65	May 17, 2023
100,000	$ CAD 0.50	May 17, 2023
500,000	$ CAD 0.52	November 16, 2023
4,715,555	$ CAD 0.55	

(Presented in United States Dollars)

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

Warrants outstanding

The following incentive warrants were outstanding and exercisable at December 31, 2018:

Number	Exercise price		Expiry date
6,190,235	$ CAD	0.75	December 4, 2019
4,469,754	$ CAD	0.50	December 17, 2020
10,659,989	$ CAD	0.65	

Share-based payments

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant.

The following weighted average assumptions were used for the valuation of stock options:

	December 31, 2018	December 31, 2017
Risk-free interest rate	2.11%	-
Expected life of options	5 years	-
Annualized volatility	78.13%	-
Dividend rate	0.00%	-
Forfeiture rate	0.00%	-

12. 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.

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

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, 2018, the Company had a cash balance of $211,628 (2017 - $3,701,673) to settle current liabilities of $481,322 (2017 - $167,400). 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.

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, 2018, 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.

13. 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.

14. SEGMENTED INFORMATION

The Company's operating activities are primarily located in the United States, with its registered office in Canada. Substantially all of the Company's capital assets, including property, plant and equipment are located in the United States. In November 2018, the Company formed NCI which is responsible for overseeing the Licensing of the NanoSphere Delivery System in Canada and for seeking international license opportunities globally outside the United States. NanoSphere through NCI completed the Master License agreement with Delta 9 in January and Delta 9 received preliminary approval from Health Canada for the first of a number of products to be introduced to the Canadian market in 2019.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

In December 2018, the Company issued 206,330 shares for services to two vendors valued at approximately $58,000.

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

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.

(Presented in United States Dollars)

16. INCOME TAXES

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

	2017	2016
Loss before income taxes	$ (4,514,705)	$ (9,909,628)
Expected income tax (recovery) at statutory tax rates	$ (1,219,000)	$ (2,577,000)
Non-deductible and other items	122,000	2,405,000
Impact of change in foreign exchange and income tax rates	273,000	(2,000)
Impact of SEA	-	(1,508,000)
Change in unrecognized deductible temporary differences	824,000	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:

	2018	Expiry Dates	2017	Expiry Dates
Share issue costs	$ 189,800	2039 to 2042	$ 216,000	2038 to 2041
Non-capital loss carry-forwards	9,944,000	2026 to 2038	6,014,000	2026 to 2037
Total	$ 10,133,800		$ 6,230,000	

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

17. SUBSEQUENT EVENTS

Except as noted above, subsequent to December 31, 2018, the Company:

a) Completed a non-brokered private placement by issuing 6,666,394 units at CAD$0.30 per unit for gross proceeds of $1,505,818 (CAD$1,999,918). Of the total proceeds, $100,000 (CAD$132,000) was received in advance as at December 31, 2018. The proceeds received after advances and the portion related to shares for debt, the Company received a net amount of approximately $1,154,400 (CAD 1,560,000). Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share at a price of CAD$0.50. In connection with the financing, 106,050 finder warrants with the same terms as the private placement warrants and cash of $31,572 (CAD$41,931).

17. SUBSEQUENT EVENTS *(Cont'd…)*

b) In February 2019, the Company signed a Memorandum of Understanding with 4Evergrn, LLC of Oklahoma for a license agreement of the Evolve Formulas products and entered into a license agreement with Cascade Pure, LLC to license the Evolve Formulas products in Oregon utilizing the NanoSphere Delivery System^{TM}. Additionally, in February 2019 the Company signed a Definitive Master Licensing Agreement with Delta 9 Cannabis Inc.

c) In April 2019 the Company received formal Notice of Allowance from the Canadian Intellectual Property Office for Patent Application 2,970,91, covering "The Method of Treating Inflammatory Disorders and Global Inflammation with Phospholipid Nanoparticle Encapsulations of NSAIDs." NSAIDs being non-steroidal anti-inflammatory drugs, which include ibuprofen, aspirin, and naproxen among others.

d) The Company also issued 121,325 common shares to settle outstanding liabilities of $48,750.