



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in United States Dollars)

THREE MONTHS ENDED MARCH 31, 2019

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

AS AT	March 31, 2019	December 31, 2018
ASSETS		
Current		
Cash	\$ 657,138	\$ 211,628
Receivables, net (Note 6)	36,329	25,924
Prepayment (Note 6)	<u>166,279</u>	<u>75,617</u>
	859,746	313,169
Line of Credit Agreement , net (Note 7)	740,000	740,000
Right of Use Lease Asset , net (Note 3)	235,563	-
Equipment , net (Note 8)	<u>303,719</u>	<u>266,081</u>
	<u>\$ 2,139,028</u>	<u>\$ 1,319,250</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	<u>\$ 281,839</u>	<u>\$ 481,322</u>
Lease liabilities (Note 3)	<u>224,535</u>	<u>-</u>
	506,374	481,322
Shareholders' equity		
Share capital (Note 11)	18,023,762	16,526,266
Subscriptions received in advance	-	100,000
Reserves (Note 11)	897,939	814,382
Accumulated other comprehensive income	60,633	18,002
Deficit	<u>(17,349,680)</u>	<u>(16,620,722)</u>
	<u>1,632,654</u>	<u>837,928</u>
	<u>\$ 2,139,028</u>	<u>\$ 1,319,250</u>

Nature of business and going concern (Note 1)

Subsequent events (Note 17)

Approved and authorized by the Board of Directors on May 28, 2019:

<u>“Robert Sutton”</u> Robert Sutton	Director	<u>“David Sutton”</u> David Sutton	Director
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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NANOSPHERE HEALTH SCIENCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Presented in United States Dollars)
(Unaudited)

For the three months ended March 31,	2019	2018
REVENUE, net (Note 7)	\$ 265,060	\$ -
EXPENSES		
Depreciation (Note 8)	15,359	477
Foreign exchange	57	2,455
Interest expense	4,961	-
Investor relation and marketing	130,594	324,653
Office and administrative	22,688	170,161
Professional fees	77,319	108,701
Regulatory and filing	5,395	19,798
Rent	28,267	43,103
Research and development	1,459	-
Salaries and consulting (Note 10)	342,662	275,855
Share-based payment (Note 11)	70,686	-
Shipping and delivery	5,368	-
Supplies and materials	8,590	-
Travel	49,023	55,372
	(497,368)	(1,000,575)
OTHER		
Gain on settlement of debt	15,787	-
Allowance for note receivable (Note 7)	(247,377)	-
Interest income (Note 7)	-	5,386
	-	5,386
Loss for the period	(728,958)	(995,189)
Exchange differences on translating foreign operations	42,631	(17,261)
	(686,325)	(1,012,450)
Loss and comprehensive loss for the period	\$ (686,325)	\$ (1,012,450)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	108,355,051	96,217,828

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

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

For the three months ended March 31	2019	2018
CASH FROM OPERATING ACTIVITIES		
Loss for the period	\$ (728,958)	\$ (995,190)
Items not affecting cash:		
Depreciation (Note 8)	15,359	477
Lease Amortization (Note 3)	28,267	
Gain on settlement of debt	15,787	-
Share-based payment (Note 11)	70,686	-
Unrealized foreign exchange loss (gain)	28,468	(18,712)
Changes in non-cash working capital items:		
Receivables	(10,405)	15,743
Allowance for note receivable	(247,377)	-
Prepays	(90,662)	-
Accounts payable and accrued liabilities	<u>(199,483)</u>	<u>(108,190)</u>
Net cash used in operating activities	<u>(623,564)</u>	<u>(1,105,872)</u>
CASH FROM INVESTING ACTIVITIES		
Acquisition of equipment (Note 8)	<u>(64,025)</u>	<u>(2,500)</u>
Net cash provided by investing activities	<u>(64,025)</u>	<u>(2,500)</u>
CASH FROM FINANCING ACTIVITIES		
Exercise of options	-	85,862
Exercise of warrants	-	23,268
Line of credit advance	(247,377)	(412,922)
Private placement (Note 11)	1,405,237	-
Share issuance costs (Note 11)	<u>(31,545)</u>	<u>-</u>
Net cash provided by financing activities	<u>1,126,315</u>	<u>(303,792)</u>
Change in cash during the period	438,726	(1,412,164)
Effect on foreign exchange on cash	6,784	-
Cash, beginning of period	<u>211,628</u>	<u>3,701,673</u>
Cash, end of period	<u>\$ 657,138</u>	<u>\$ 2,289,509</u>

Supplemental disclosure with respect to cash flows (Note 15)

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

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

	<u>Share capital</u>		Subscriptions received in advance	Reserves	Accumulated other comprehensive income (loss)	Deficit	Total
	Number	Amount					
Balance at December 31, 2017	96,070,546	\$ 15,174,964	\$ -	\$ 559,862	\$ 52,207	\$ (12,106,017)	\$ 3,681,016
Exercise of warrants	75,000	23,268	-	-	-	-	23,268
Exercise of stock options	410,017	159,227	-	(73,365)	-	-	85,862
Accumulated other comprehensive income	-	-	-	-	(18,712)	-	(18,712)
Loss for the period	-	-	-	-	-	(995,190)	(995,190)
Balance at March 31, 2018	96,555,563	15,357,459	-	486,497	33,495	(13,101,207)	2,776,244
Private placements	4,452,254	1,010,014	-	-	-	-	1,010,014
Warrants exercised	198,185	60,645	-	-	-	-	60,645
Options exercised	155,000	58,804	-	(28,597)	-	-	30,207
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	-	-	-	-	(15,493)	-	(15,493)
Loss for the period	-	-	-	-	-	(3,519,515)	(3,519,515)
Balance at December 31, 2018	101,567,332	16,526,266	100,000	814,382	18,002	(16,620,722)	837,928
Private placements	6,666,394	1,505,237	(100,000)	-	-	-	1,405,237
Shares for debt	121,325	36,675	-	-	-	-	36,675
Share issuance costs, cash	-	(31,545)	-	-	-	-	(31,545)
Share issuance costs, warrants	-	(12,871)	-	12,871	-	-	-
Share-based payments (Note 11)	-	-	-	70,686	-	-	70,686
Other comprehensive loss	-	-	-	-	42,631	-	42,631
Loss for the period	-	-	-	-	-	(728,958)	(728,958)
Balance at March 31, 2019	108,335,051	\$ 18,023,762	\$ -	\$ 897,939	\$ 60,633	\$ (17,349,680)	\$ 1,632,654

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

NANOSPHERE HEALTH SCIENCES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2019

(Presented in United States Dollars)

(Unaudited)

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. The Company’s operations were focused in the periods ended March 31, 2019 and 2018 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 March 31, 2019, the Company had a cumulative deficit of \$17,349,680, working capital of \$577,907 and cash of \$657,138. In February 2019, the Company raised \$1,505,237 (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.

NANOSPHERE HEALTH SCIENCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2019
(Presented in United States Dollars)
(Unaudited)

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.

NANOSPHERE HEALTH SCIENCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2019
(Presented in United States Dollars)
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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 \$728,958 during the three months ended March 31, 2019 and as of that date, the Company's had an accumulated deficit of \$17,349,680. 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

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2018 except for those policies noted below.

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

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.

All aspects of our accounting policies for financial instruments as disclosed in Note 3 to the audited consolidated financial statements for the year ended December 31, 2018 are unaffected.

New standards adopted

IFRS 16 - Leases

The Company adopted IFRS 16 - Leases ("IFRS 16") on January 1, 2019. The objective of the new standard is to eliminate the classification of leases as either operating or financing leases for a lessee and report all leases on the statement of financial position. The only exemption to this will be for leases that are one year or less in duration or for leases of assets with low values. Under IFRS 16 a lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligations to make lease payments. IFRS 16 also changes the nature of expenses relating to leases, as lease expenses previously recognized for operating leases are replaced with depreciation expense on capitalized right-of-use assets and finance or interest expense for the corresponding lease liabilities associated with the capitalized right-of-use leased assets.

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. For all leases, the lease liability was measured at January 1, 2019 as the present value of any future minimum lease payments discounted using the appropriate incremental borrowing rate. The associated right of use assets was measured at the amount equal to the lease liability on January 1, 2019. The Company's accounting for finance leases remained substantially unchanged.

The following leases accounting policies have been applied as of January 1, 2019 on adoption of IFRS 16. For comparative periods prior to 2019, we applied leases policies in accordance with IAS 17, Leases and IFRS 4, Determining Whether an Arrangement Contains a Lease.

At inception of a contract, we assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We assess whether the contract involves the use of an identified asset, whether we have the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if we have the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, we allocate the consideration in the contract to each lease component on the basis of their relative standalone prices.

NANOSPHERE HEALTH SCIENCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 March 31, 2019
 (Presented in United States Dollars)
 (Unaudited)

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

As a lessee, we recognize a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

As part of the initial application of IFRS 16, we have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

We adopted IFRS 16 as at January 1, 2019 in accordance with the transitional provisions outlined in the standard, using a cumulative catch-up approach where we have recorded leases from that date forward and have not restated comparative information.

We have recorded an office lease right-of-use asset of \$263,830 within property, plant and equipment, measured at either an amount equal to the lease liability or their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using our incremental borrowing rate on January 1, 2019. We have recorded lease liabilities of \$248,024 as at January 1, 2019.

Reconciliation of lease liabilities as of January 1, 2019:

Reconciliation of lease liabilities	January 1, 2019
Future aggregate minimum lease payments under operating leases at December 31, 2018	\$ 310,942
Effect of discounting at the incremental borrowing rate	<u>(47,112)</u>
Total lease liabilities as at January 1, 2019	\$ 263,830

For the period ended March 31, 2019, the Company recorded \$28,267 in Lease Amortization.

NANOSPHERE HEALTH SCIENCES INC.
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March 31, 2019
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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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.

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	<u>(50,109)</u>
Fair value of net assets	<u>\$ 683,801</u>

NANOSPHERE HEALTH SCIENCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2019
(Presented in United States Dollars)
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4. ACQUISITION OF CORAZON GOLD CORP. (cont'd...)

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.

6. RECEIVABLES AND PREPAID EXPENSES

	March 31, 2019	December 31, 2018
GST receivable	\$ 36,329	\$ 25,924
License revenue receivable, net	-	-
Total	\$ 36,329	\$ 25,924

During the year ended December 31, 2018, the Company recognized a provision against license revenue receivable of \$571,403 as a result of an assessment of the collectability of license revenue. Prepaid expenses consisted of \$34,483 in prepaid rent, \$35,000 in legal fee retainer, \$10,000 in prepaid shipping fee and \$86,796 in consulting expenses for investor relations.

NANOSPHERE HEALTH SCIENCES INC.
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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 March 31, 2019 was \$740,000 (December 31, 2018 - \$740,000) which includes accrued interest of \$87,372 (December 31, 2018 - \$87,372). During the year ended December 31, 2018, the Company recognized a provision against LOC receivable of \$552,804 as a result of an assessment of the collectability of LOC.

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.

8. EQUIPMENT

	Equipment
Cost	
Balance, December 31, 2017	\$ 13,566
Production equipment	294,599
Computer equipment	7,570
Balance, December 31, 2018	\$ 315,735
Production equipment	52,997
Balance, March 31, 2019	\$ 368,732
Accumulated depreciation	
Balance, December 31, 2017	\$ 4,884
Depreciation for the year	44,770
Balance, December 31, 2018	\$ 49,654
Depreciation for the period	15,359
Balance, March 31, 2019	\$ 65,013
Carrying amounts	
As at December 31, 2017	\$ 8,682
As at December 31, 2018	\$ 266,801
As at March 31, 2019	\$ 303,719

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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 three months period ended March 31, 2019, the Company paid or accrued:

- a) Salaries and consulting fees of \$37,500 (2018 - \$37,500) to the CEO of the Company, \$36,450 (2018 - \$40,000) to the Chief Science Officer of the Company, \$19,500 (2018 - \$9,750) to the Chief Marketing Officer of the Company, \$41,490 (2018 - \$37,500) to the President and COO of the Company, \$27,081 (2018 - \$28,800) to Vice President of Finance of the Company, and \$5,642 (2018 - \$5,788) to the CFO of the Company.
- b) Share-based compensation of \$70,686 (2018 - \$Nil) to the officers and directors of the Company was recorded

Included in accounts payable and accrued liabilities is \$38,119 (2018 - \$4,089) 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-licensed 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 March 31, 2019, the Company had 108,355,051 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.

Escrow

At March 31, 2019, 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 three months period ended March 31, 2019, 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 \$1,505,237 (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 \$31,545 (CAD\$41,931).
- b) The Company also issued 121,325 common shares to settle outstanding liabilities of \$48,750.

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

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) 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.

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, 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	<u>4,469,754</u>	0.50	<u>3,665,555</u>	0.63
Outstanding, December 31, 2018	10,659,989	\$ 0.65	4,715,555	\$ 0.55
Granted / Issued	<u>6,772,717</u>	0.50	-	-
Outstanding, March 31, 2019	17,638,869	\$ 0.59	4,715,555	\$ 0.55
Number currently exercisable	17,638,869	\$ 0.59	3,060,092	\$ 0.49

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

Stock options outstanding

The following incentive stock options were outstanding at March 31, 2019:

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
<u>4,715,555</u>	<u>\$ CAD 0.55</u>	

Warrants outstanding

The following incentive warrants were outstanding and exercisable at March 31, 2019:

Number	Exercise price	Expiry date
6,190,235	\$ CAD 0.75	December 4, 2019
4,675,917	\$ CAD 0.50	December 17, 2020
6,772,717	\$ CAD 0.50	February 21, 2021
<u>17,638,869</u>	<u>\$ CAD 0.59</u>	

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:

	March 31, 2019	December 31, 2018
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.

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 March 31, 2019, the Company had a cash balance of \$657,138 (December 31, 2018 - \$211,628) to settle current liabilities of \$281,839 (December 31, 2018 - \$481,322). 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.

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

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 March 31, 2019, 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.

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15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

In February 2019, the Company issued 121,325 shares for services to a vendor valued at approximately \$36,675.

During the three months period ended March 31, 2019, the Company issued warrants with a fair value of \$12,871 as share issuance costs.

16. SUBSEQUENT EVENTS

Except as noted above, subsequent to March 31, 2019, the Company:

- a) 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.