NANOSPHERE
HEALTH SCIENCES

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

THREE MONTHS ENDED MARCH 31, 2020

NOTICE TO READER

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 the condensed consolidated interim financial statements have not been reviewed by an auditor.

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 interim financial statements in accordance with standards established by the Canadian Institute of 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, 2020	December 31, 2019
ASSETS		
Current		
Cash	$ 11,982	$ 33,456
Receivables, net (Note 4)	45,197	47,494
Prepayment (Note 4)	25,000	58,689
	82,179	139,639
Equipment and right-of-use asset, net (Note 6)	41,349	44,789
Investment in sublease, net (Note 8)	123,062	149,294
	$ 246,590	$ 333,722
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 9)	$ 1,192,904	$ 1,103,756
Current portion of lease liability (Note 7)	113,205	109,997
Short-term loan (Note 9)	21,253	-
	1,327,362	1,213,753
Lease liability (Note 7)	9,970	39,463
	1,337,332	1,253,216
Shareholders' equity (deficiency)		
Share capital (Note 10)	18,018,939	18,018,939
Reserves (Note 10)	1,179,926	1,147,716
Accumulated other comprehensive income	35,143	3,317
Deficit	(20,324,750)	(20,089,466)
	(1,090,742)	(919,494)
	$ 246,590	$ 333,722

Nature of business and going concern (Note 1)

Approved and authorized by the Board of Directors on July 13, 2020:

"Toby Lim" Director *"Michael Iverson"* Director
Toby Lim Michael Iverson

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,	2020	2019
REVENUE		
Licensing, net (Note 5)	$ -	$ 265,060
	-	265,060
EXPENSES		
Depreciation (Note 6)	3,441	15,359
Foreign exchange	8,701	57
Lease accretion (Note 7&8)	(53)	4,961
Investor relation and marketing	1,223	130,594
Office and administrative	8,792	22,688
Professional fees	70,631	77,319
Regulatory and filing	4,517	5,395
Rent	-	28,267
Research and development	-	1,459
Salaries and consulting (Note 9)	105,822	342,662
Share-based payment (Note 10)	32,210	70,686
Shipping and delivery	-	5,368
Supplies and materials	-	8,590
Travel	-	49,023
	(235,284)	(497,368)
OTHER		
Gain on settlement of debt	-	15,787
Allowance for note receivable (Note 5)	-	(247,377)
Loss for the period	(235,284)	(728,958)
Exchange differences on translating foreign operations	31,826	42,631
Comprehensive loss for the period	$ (203,458)	$ (686,327)
Basic and diluted loss per share	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding	108,355,051	108,355,051

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,	2020	2019
CASH FROM OPERATING ACTIVITIES		
Loss for the period	$ (235,284)	$ (728,958)
Items not affecting cash:		
Depreciation (Note 6)	3,440	15,359
Gain on settlement of debt	-	15,787
Lease accretion	(53)	-
Share-based payment (Note 10)	32,210	70,686
Allowance for note receivable (Note 5)	-	247,377
Unrealized foreign exchange loss (gain)	24,743	35,847
Changes in non-cash working capital items:		
Receivables	2,297	(10,405)
Prepaids	33,689	(90,662)
Accounts payable and accrued liabilities	89,148	(178,595)
Net cash used in operating activities	(49,810)	(623,564)
CASH FROM INVESTING ACTIVITIES		
Line of credit advance	-	(247,377)
Acquisition of equipment (Note 6)	-	(64,025)
Net cash used in investing activities	-	(311,402)
CASH FROM FINANCING ACTIVITIES		
Private placement (Note 10)	-	1,405,237
Share issuance costs (Note 10)	-	(31,545)
Short-term loan	21,253	-
Net cash provided by financing activities	21,253	1,373,692
Change in cash during the period	(28,557)	438,726
Effect on foreign exchange on cash	7,083	6,784
Cash, beginning of period	33,456	211,628
Cash, end of period	$ 11,982	$ 657,138

Supplemental disclosure with respect to cash flows (Note 14)

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

NANOSPHERE HEALTH SCIENCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICENCY)
(Presented in United States Dollars)
(Unaudited)

	Share capital						
	Number	**Amount**	**Subscriptions received in advance**	**Reserves**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**
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 10)	-	-	-	70,686	-	-	70,686
Other comprehensive loss	-	-	-	-	42,632	-	42,631
Loss for the period	-	-	-	-	-	(728,958)	(728,958)
Balance at March 31, 2019	108,355,051	$ 18,023,762	$ -	$ 897,939	$ 60,633	$ (17,349,680)	$ 1,632,654
Private placements	-	-	-	-	-	-	-
Shares for debt	-	4,286	-	-	-	-	4,286
Share issuance costs, cash	-	(9,109)	-	-	-	-	(9,109)
Share issuance costs, warrants	-	-	-	-	-	-	-
Share-based payments (Note 10)	-	-	-	249,777	-	-	249,777
Other comprehensive loss	-	-	-	-	(57,317)	-	(57,317)
Loss for the period	-	-	-	-	-	(2,739,786)	(2,739,786)
Balance at December 31, 2019	108,355,051	$ 18,018,939	$ -	$ 1,147,716	$ 3,317	$ (20,089,466)	$ (919,494)
Share-based payments (Note 10)	-	-	-	32,210	-	-	32,210
Other comprehensive loss	-	-	-	-	31,826	-	31,826
Loss for the period	-	-	-	-	-	(235,284)	(235,284)
Balance at March 31, 2020	108,355,051	$ 18,018,939	$ -	$ 1,179,926	$ 35,143	$ (20,324,750)	$ (1,090,742)

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 biologically active compounds through licensing and joint venture arrangements. The Company has a wholly owned subsidiary. NanoSphere Health Sciences, LLC (NanoSphere LLC) is the Company's operating division in the United States. The Company's operations were focused in the years ended December 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, 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 3V7.

These condensed interim 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, 2020, the Company had a cumulative deficit of $20,324,750, working capital deficit of $1,245,183 and cash of $11,982. 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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments may adversely affect workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

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 and joint venture 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.

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

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.

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.

2. BASIS OF PREPARATION

Statement of Compliance

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

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

2. BASIS OF PREPARATION (cont'd…)

Going concern

The Company's condensed consolidated interim 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 $235,284 during the period ended March 31, 2020 and as of that date, the Company's had an accumulated deficit of $20,324,750. 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. During the year ended December 31, 2019, the Company as licensor entered into two additional licensing arrangements for the use of its prospective technology in Canada and Oregon.

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 applied in these condensed interim financial statements are the same as those applied in the most recent audited annual financial statements as at and for the year ended December 31, 2019 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

(Presented in United States Dollars)

4. RECEIVABLES AND PREPAID EXPENSES

	March 31, 2020	December 31, 2019
GST receivable	$ 44,196	$ 46,494
Lease revenue receivable, net	1,000	1,000
Total	$ 45,197	$ 47,494

As at March 31, 2020, prepaid expenses consisted of $25,000 in prepaid rent.

5. 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, 2020 was $Nil (December 31, 2019 - $Nil) which includes accrued interest of $Nil (December 31, 2019 - $Nil). During the year ended December 31, 2019, the Company recognized a provision against LOC receivable of $1,069,380 (December 31, 2018 - $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. The sub-license agreement with CCBA provides for a license fee in an amount mutually agreed to on a quarterly basis, during the period ended March 31, 2020, no revenues have been recorded.

During the year ended December 31, 2019, the Company signed Definitive Master Licensing Agreements with Delta 9 Cannabis Inc. and Pure Cascade LLC. and received $263,060. The Company recognized licensing revenue of $188,060 related to agreement with Delta 9 Cannabis Inc.

During the year ended December 31, 2019, the Company and Pure Cascade LLC have terminated the agreement and the Company recognized the $75,000 received within accounts payable.

(Presented in United States Dollars)

6. EQUIPMENT AND RIGHT-OF-USE ASSET

		Equipment		Right-of-use asset		Total
Cost						
Balance, December 31, 2018	$	315,735	$	-	$	315,735
Additions		59,927		-		59,927
Adoption of IFRS 16 (Note 3)		-		247,339		247,339
Balance, December 31, 2019 and March 31, 2020	$	375,662	$	247,339	$	623,001
Accumulated depreciation						
Balance, December 31, 2018	$	49,654	$	-	$	49,654
Depreciation for the year		54,742		79,502		134,244
Recognition of impairment loss		226,477		-		226,477
Recognition of net investment on sublease		-		167,837		167,837
Balance, December 31, 2019	$	330,873	$	247,339	$	578,212
Depreciation for the period		3,440		-		3,440
Balance, March 31, 2020	$	334,313	$	247,339	$	581,652
Carrying amounts						
As at December 31, 2019	$	44,789	$	-	$	44,789
As at March 31, 2020	$	41,349	$	-	$	41,349

During the year ended December 31, 2019, the Company is in negotiation with CCBA and other licensee to return the equipment. The Company recognized an impairment loss of $226,477 on equipment.

7. LEASE LIABILITIES

During the year ended December 31, 2018, the Company entered into a new head office lease. The Company has recorded an office lease right-of-use asset of $247,339 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 the incremental borrowing rate at 8.66% on January 1, 2019. The following is a reconciliation of the changes in the lease liabilities:

(Presented in United States Dollars)

7. LEASE LIABILITIES (cont'd…)

		March 31, 2020
Opening balance	$	-
Adoption of IFRS 16 (Note 3)		247,339
Lease accretion		20,281
Payments		(144,445)
Lease liabilities		123,175
Lease liabilities, current portion		113,205
Lease liabilities, non-current portion	$	9,970

8. NET INVESTMENT IN SUBLEASE

During the year ended December 31, 2019, the Company sub-leased the office space to an arm's length tenant with the same terms of the original office head lease. The Company has recorded a net investment in sublease of $174,966, measured at either an amount equal to the lease asset or their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the incremental borrowing rate on January 1, 2019. The Company recognized a gain of $7,129 as difference between the right-of-use asset and the net investment in the sublease and derecognized the right-of-use asset of $167,837. The following is a reconciliation of the changes in the net investment in sublease:

		March 31, 2020
Opening balance, December 31, 2019	$	149,294
Lease accretion		3,042
Receipts		(29,274)
Balance	$	123,062

9. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel comprise the Chief Executive officer, Chief Financial Officer, Chief Operating Officer, former Chief Executive officers, former Chief Marketing Officer and former President.

During the three months ended March 31, 2020, the Company paid or accrued the following to key management personnel:

a) Management, salaries, and consulting fees of $73,462 (2019 - $167,663) for services provided by the key management;

9. RELATED PARTY TRANSACTIONS (cont'd…)

b) Professional fees of $32,791 to a director of the Company (2019 - $38,119);

c) Share-based compensation of $8,201 (2019 - $70,686) to the officers and directors of the Company was recorded**.**

Included in accounts payable and accrued liabilities is $509,028 (December 31, 2019 - $403,209) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand. For three months ended March 31, 2020, the Company received a short-term loan of $21,253 from a director of the Company.

10. SHARE CAPITAL AND RESERVES

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, 2020, the Company had 108,355,051 common shares issued and outstanding.

Escrow

At March 31, 2020, the Company has 11,686,020 common shares subject to escrow restrictions.

Pooling

The Company had 60,000,000 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

No common shares were issued during the three months ended March 31, 2020.

During the year ended December 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 a fair value of $12,871 using the Black-Scholes pricing model with a risk-free interest rate of 1.77%, term of 2 years, volatility of 77.54% and dividend rate of 0%. and cash of $40,654 (CAD$54,118) was issued and paid;

b) and issued 121,325 common shares to settle outstanding liabilities of $36,750 (CAD$48,750). The shares were valued at $0.34 per share, and the Company recognized a loss on debt settlement of $4,211.

(Presented in United States Dollars)

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

Share issuances (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, 2018	10,659,989	$	0.53	4,715,555	$	0.55
Expired/ Cancelled	-		-	(2,065,555)		0.54
Granted / Issued	6,772,717		0.50	3,710,000		0.25
Outstanding, December 31, 2019	17,432,539	$	0.52	6,360,000	$	0.37
Expired/ Cancelled	-		-	(500,000)		0.53
Outstanding, March 31, 2020	17,432,539	$	0.52	5,860,000	$	0.36
Number currently exercisable	17,432,539	$	0.52	3,830,000	$	0.36

(Presented in United States Dollars)

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

Stock options outstanding

The following incentive stock options were outstanding at March 31, 2020:

Number	Exercise price		Expiry date
1,050,000	$ CAD	0.27	September 21, 2021
1,150,000	$ CAD	0.65	May 17, 2023
100,000	$ CAD	0.50	May 17, 2023
500,000	$ CAD	0.52	November 16, 2023
3,060,000	$ CAD	0.25	July 16, 2029
5,860,000	$ CAD	0.36	

Warrants outstanding

The following warrants were outstanding and exercisable at March 31, 2020:

Number	Exercise price		Expiry date
6,190,235	$ CAD	0.55	December 5, 2021
4,469,754	$ CAD	0.50	December 17, 2020
6,772,717	$ CAD	0.50	February 21, 2021
17,432,539	$ CAD	0.52	

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, 2020	December 31, 2019
Risk-free interest rate	-	1.49%
Expected life of options	-	10 years
Annualized volatility	-	100%
Dividend rate	-	0.00%
Forfeiture rate	-	0.00%

11. 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

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through its capital management as outlined below. Accounts payable and accrued liabilities are due within one year. As at March 31, 2020, the Company had a cash balance of $11,982 (December 31, 2019 - $33,456) to settle current liabilities of $1,327,362 (December 31, 2019 - $1,213,753). 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.

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

Market risk

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

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at March 31, 2020, 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.

12. 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. The Company's overall strategy with respect to management of capital at March 31, 2020 remains fundamentally unchanged.

13. SEGMENTED INFORMATION

The Company's operating activities have been primarily located in the United States, historically, with its registered office in Canada. Substantially most of the Company's capital assets, are located in the United States. More recently business activities within Canada are increasing, with plans to expand on these as capital allows. The Company completed its first Master License agreement outside of the US, in Canada, with Delta 9 in early 2019.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no non-cash transactions during the three months ended March 31, 2020.

During the year ended December 31, 2019, the Company:

a) recognized $247,339 in right-of-use assets and lease liabilities on the adoption of IFRS 16;

b) granted 106,050 finder warrants in connection with a private placement and recognized a fair value of $12,871; and

c) issued 121,325 common shares valued at $36,675 to settle accounts payable and accrued liabilities.

15. COMMITMENTS AND CONTINGENCIES

A liquidating trust acting on behalf of the creditors of a company that declared bankruptcy in 2006 has initiated a lawsuit against a former director-officer of the Company in the Federal District Court of Colorado. The claim alleges that the former director-officer made fraudulent disclosures of his financial resources to the trust in connection with the settlement of prior litigation relating to the bankruptcy, resulting in the trust being defrauded into executing the settlement and releasing the former director-officer from the litigation. The trust has named the Company and NanoSphere Health Sciences, LLC (“Nano LLC”), as well as a number of other individuals and business entities, as third party defendants in the current action based on the trust’s assertion that Nano LLC, established in 2013, was founded on funds received from the former director-officer and thus conspired in the fraud. The trust has made no attempt to quantify the claim or amount of damages it is asserting versus the Company. The Company vigorously denies any wrongdoing or liability to the trust and considers the claim against the Company to be frivolous. Based on advice received from litigation counsel, the Company considers the prospect for judgement against the Company to be remote as the claim appears to lack merit, and the Company will vigorously defend itself and seek dismissal from the action. The trustee and the former director-officer are currently in settlement discussions.

The Company did not accrue any loss contingencies in this respect as of March 31, 2020 and 2019, as the Company did not consider an unfavorable outcome in any material respects in these legal proceedings and litigations to be probable.