



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

FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 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, 2021	December 31, 2020
ASSETS		
Current		
Cash	\$ 2,309	\$ 12,948
Receivables (Note 4)	3,675	2,791
Prepayment	<u>14,827</u>	<u>-</u>
	20,811	15,739
Investment in sublease, net (Note 6)	<u>9,969</u>	<u>39,450</u>
	<u>\$ 30,780</u>	<u>\$ 55,189</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 1,509,025	\$ 1,435,248
Current portion of lease liability (Note 5)	9,970	39,463
Short-term loan (Note 7)	<u>34,726</u>	<u>34,269</u>
	<u>1,553,721</u>	<u>1,508,980</u>
Shareholders' equity (deficiency)		
Share capital (Note 8)	18,018,939	18,018,939
Reserves (Note 8)	1,244,564	1,236,385
Accumulated other comprehensive income	(39,127)	(28,429)
Deficit	<u>(20,747,317)</u>	<u>(20,680,686)</u>
	<u>(1,522,941)</u>	<u>(1,453,791)</u>
	<u>\$ 30,780</u>	<u>\$ 55,189</u>

Nature of business and going concern (Note 1)

Approved and authorized by the Board of Directors on May 31, 2021:

<u>“Toby Lim”</u>	Director	<u>“Michael Iverson”</u>	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,	2021	2020
EXPENSES		
Depreciation	-	3,441
Foreign exchange	(3,149)	8,701
Lease accretion (Note 7&8)	(12)	(53)
Investor relation and marketing	-	1,223
Office and administrative	3,940	8,792
Professional fees	11,844	70,631
Regulatory and filing	8,807	4,517
Research and development	1,523	-
Salaries and consulting (Note 7)	35,499	105,822
Share-based payment (Note 7)	<u>8,179</u>	<u>32,210</u>
Loss for the period	(66,631)	(235,284)
Exchange differences on translating foreign operations	<u>(10,698)</u>	<u>31,826</u>
Comprehensive loss for the period	<u>\$ (77,329)</u>	<u>\$ (203,458)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding	<u>108,355,051</u>	<u>108,355,051</u>

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,	2021	2020
CASH FROM OPERATING ACTIVITIES		
Loss for the period	\$ (66,631)	\$ (235,284)
Items not affecting cash:		
Depreciation	-	3,440
Lease accretion	(12)	(53)
Share-based payment (Note 7)	8,179	32,210
Unrealized foreign exchange loss (gain)	(7,361)	24,743
Changes in non-cash working capital items:		
Receivables	(884)	2,297
Prepays	(14,827)	33,689
Accounts payable and accrued liabilities	<u>73,777</u>	<u>89,148</u>
Net cash used in operating activities	<u>(7,759)</u>	<u>(49,810)</u>
CASH FROM FINANCING ACTIVITIES		
Short-term loan	<u>-</u>	<u>21,253</u>
Net cash provided by financing activities	<u>-</u>	<u>21,253</u>
Change in cash during the period	(7,759)	(28,557)
Effect on foreign exchange on cash	(2,880)	7,083
Cash, beginning of period	<u>12,948</u>	<u>33,456</u>
Cash, end of period	<u>\$ 2,309</u>	<u>\$ 11,982</u>

Supplemental disclosure with respect to cash flows (Note 12)

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		Reserves	Accumulated other comprehensive income (loss)	Deficit	Total
	Number	Amount				
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 7)	-	-	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)
Share-based payments (Note 7)	-	-	56,459	-	-	56,459
Other comprehensive loss	-	-	-	(63,572)	-	(63,572)
Loss for the period	-	-	-	-	(355,936)	(355,936)
Balance at December 31, 2020	108,355,051	18,018,939	1,236,385	(28,429)	(20,680,686)	(1,453,791)
Share-based payments (Note 7)	-	-	8,179	-	-	8,179
Other comprehensive loss	-	-	-	(10,698)	-	(10,698)
Loss for the period	-	-	-	-	(66,631)	(66,631)
Balance at March 31, 2021	108,355,051	\$ 18,018,939	\$ 1,244,564	\$ (39,127)	\$ (20,747,317)	\$ (1,522,941)

The accompanying notes are an integral part of these condensed consolidated interim 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 on developing nanoencapsulation technology for the delivery of nutritive elements and medicants through licensing arrangements on the United States (“**U.S.**”) and Canada cannabis industry.

The Company’s head office and principal address is 488 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

These condensed consolidated interim 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, 2021, the Company had a cumulative deficit of \$20,747,317, working capital deficit of \$1,532,910 and cash of \$2,309. 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.

There are 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:

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 \$66,631 during the period ended March 31, 2021 and as of that date, the Company’s had an accumulated deficit of \$20,747,317. 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.

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, 2020 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

NANOSPHERE HEALTH SCIENCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 March 31, 2021
 (Presented in United States Dollars - Unaudited)

4. RECEIVABLES

	March 31, 2021	December 31, 2020
GST receivable	\$ 2,675	\$ 1,791
Lease revenue receivable, net	1,000	1,000
Total Receivables	\$ 3,675	\$ 2,791

5. LEASE LIABILITIES

Pursuant to the adoption of IFRS 16 in fiscal 2019, 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:

	March 31, 2021	December 31, 2020
Opening balance	\$ 39,463	\$ 149,460
Lease accretion	630	8,514
Payments	(30,123)	(118,511)
Lease liabilities	9,970	39,463
Lease liabilities, current portion	9,970	39,463
Lease liabilities, non-current portion	\$ 0	\$ 0

6. 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. In 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:

Balance, December 31, 2019	\$ 149,294
Lease accretion	8,667
Receipts	(118,511)
Balance, December 31, 2020	\$ 39,450
Lease accretion	642
Receipts	(30,123)
Balance, March 31, 2021	\$ 9,969

7. RELATED PARTY TRANSACTIONS

Key management compensation

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

During the period ended March 31, 2021, the Company paid or accrued the following to key management personnel:

- a) Management, salaries, and consulting fees of \$35,410 (2020 - \$73,462) for services provided by the key management;
- b) Professional fees of \$9,870 to a director of the Company (2020- \$32,791); and
- c) Share-based compensation of \$2,226 (2020 - \$8,201) to the officers and directors of the Company was recorded.

Included in accounts payable and accrued liabilities is \$777,451 (December 31, 2020 - \$672,155) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand. As at March 31, 2021, the Company recorded a short-term loan of \$34,726 from a director of the Company.

8. 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, 2021, the Company had 108,355,051 common shares issued and outstanding.

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% were released November 17, 2019, and the final 80% were released on November 17, 2020.

Share issuances

No common shares were issued during the three months ended March 31, 2021 and year ended December 31, 2020.

NANOSPHERE HEALTH SCIENCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 March 31, 2021
 (Presented in United States Dollars - Unaudited)

8. 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, 2019	17,432,539	\$ 0.52	6,360,000	\$ 0.37
Expired/ Cancelled	<u>(4,469,587)</u>	0.50	<u>(4,020,000)</u>	0.36
Outstanding, December 31, 2020	12,962,952	\$ 0.52	2,340,000	\$ 0.40
Expired/ Cancelled	<u>(6,772,717)</u>	0.50	-	-
Outstanding, March 31, 2021	6,190,235	\$ 0.55	2,340,000	\$ 0.40
Exercisable, March 31, 2021	6,190,235	\$ 0.55	1,568,750	\$ 0.41

Stock options outstanding

The following incentive stock options were outstanding at March 31, 2021:

Number	Exercise price	Expiry date
850,000	\$ CAD 0.65	May 17, 2023
<u>1,490,000</u>	\$ CAD 0.25	July 16, 2029
2,340,000	\$ CAD 0.40	

Warrants outstanding

The following warrants were outstanding and exercisable at March 31, 2021:

Number	Exercise price	Expiry date
6,190,235	\$ CAD 0.55	December 5, 2021

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

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.

9. 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, 2021, the Company had a cash balance of \$2,309 (December 31, 2020 - \$12,948) to settle current liabilities of \$1,553,721 (December 31, 2020 - \$1,508,980). 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.

9. 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, 2021, 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.

10. 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, 2021 remains fundamentally unchanged.

11. SEGMENTED INFORMATION

Operating segments are components of an entity that engage in business activities from which they incur expenses. During the period ended March 31, 2021, the Company has minimal operation in both US and Canada.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no non-cash transactions during the period ended March 31, 2021 and 2020.

13. 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 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 parties to the litigation have entered into a settlement agreement, and the action and all pending claims have been dismissed with prejudice and the case closed.

The Company did not accrue any loss contingencies in this respect as of March 31, 2021 and 2020, as the Company did not consider an unfavorable outcome in any material respects in these legal proceedings and litigations to be probable.