



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

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 148,897	\$ 12,948
Receivables (Note 4)	<u>2,055</u>	<u>2,791</u>
	150,952	15,739
<b>Investment in sublease, net (Note 6)</b>	<u>-</u>	<u>39,450</u>
	<u>\$ 150,952</u>	<u>\$ 55,189</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 1,158,968	\$ 1,435,248
Current portion of lease liability (Note 5)	-	39,463
Short-term loan	<u>-</u>	<u>34,269</u>
	<u>1,158,968</u>	<u>1,508,980</u>
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 8)	19,003,074	18,018,939
Reserves (Note 8)	1,256,288	1,236,385
Accumulated other comprehensive income	(42,922)	(28,429)
Deficit	<u>(21,224,456)</u>	<u>(20,680,686)</u>
	<u>(1,008,016)</u>	<u>(1,453,791)</u>
	<u>\$ 150,952</u>	<u>\$ 55,189</u>

**Nature of business and going concern (Note 1)**

Approved and authorized by the Board of Directors on November 29, 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 September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
<b>EXPENSES</b>				
Depreciation	-	3,441	-	10,322
Foreign exchange	7,059	(3,291)	(1,247)	1,400
Lease accretion (Note 5&6)	-	(34)	(13)	(131)
Investor relation and marketing	1,050	-	1,050	1,223
Office and administrative	529	7,897	5,649	25,904
Professional fees	20,307	5,622	87,807	117,524
Regulatory and filing	3,489	4,189	24,027	14,697
Research and development	18,161	-	45,550	-
Salaries and consulting (Note 7)	35,475	38,869	114,187	186,800
Share-based payment (Note 7)	2,899	8,138	19,335	54,018
	(88,969)	(64,831)	(296,345)	(411,757)
<b>OTHER</b>				
Loss on debt settlement	(260,870)	-	(247,425)	-
<b>Loss for the period</b>	(349,839)	(64,831)	(543,770)	(411,757)
Exchange differences on translating foreign operations	13,473	(11,891)	(14,493)	4,842
<b>Comprehensive loss for the period</b>	\$ (336,366)	\$ (76,722)	\$ (558,263)	\$ (406,915)
<b>Basic and diluted loss per share</b>	\$ (0.06)	\$ (0.01)	\$ (0.10)	\$ (0.08)
<b>Weighted average number of common shares outstanding</b>	6,104,130	5,417,751	5,649,058	5,417,751

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 nine months ended September 30,	2021	2020
<b>CASH FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (543,770)	\$ (411,757)
Items not affecting cash:		
Depreciation	-	10,321
Lease accretion	(13)	(130)
Share-based payment (Note 7)	19,903	54,018
Unrealized foreign exchange loss (gain)	(17,512)	3,832
Changes in non-cash working capital items:		
Receivables	736	45,937
Prepays	-	33,689
Accounts payable and accrued liabilities	<u>495,699</u>	<u>220,820</u>
Net cash used in operating activities	<u>(44,957)</u>	<u>(43,270)</u>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Private placement	185,829	-
Share issuance costs	(7,942)	-
Short-term loan repayment	-	(28,472)
Short-term loan	<u>-</u>	<u>39,907</u>
Net cash provided by financing activities	<u>177,887</u>	<u>11,435</u>
<b>Change in cash during the period</b>	132,930	(31,835)
<b>Effect on foreign exchange on cash</b>	3,019	1,010
<b>Cash, beginning of period</b>	<u>12,948</u>	<u>33,456</u>
<b>Cash, end of period</b>	\$ 148,897	\$ 2,631
<b>Supplemental cash flow information</b>		
Shares for debt	806,248	-

**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				
<b>Balance at December 31, 2019</b>	5,417,751	\$ 18,018,939	\$ 1,147,716	\$ 3,317	\$ (20,089,466)	\$ (919,494)
Share-based payments (Note 7)	-	-	54,018	-	-	54,018
Other comprehensive loss	-	-	-	4,842	-	4,842
Loss for the period	-	-	-	-	(411,757)	(411,757)
<b>Balance at September 30, 2020</b>	5,417,751	18,018,939	1,201,734	8,159	(20,501,223)	(1,272,391)
Share-based payments (Note 7)	-	-	34,651	-	-	34,651
Other comprehensive loss	-	-	-	(36,588)	-	(36,588)
Loss for the period	-	-	-	-	(179,463)	(179,463)
<b>Balance at December 31, 2020</b>	5,417,751	18,018,939	1,236,385	(28,429)	(20,680,686)	(1,453,791)
Private Placement (Note 8)	1,231,578	185,829	-	-	-	185,829
Share for debt (Note 8)	3,625,876	806,248	-	-	-	806,248
Share issuance cost, cash	-	(7,942)	-	-	-	(7,942)
Share-based payments (Note 7)	-	-	19,903	-	-	19,903
Other comprehensive loss	-	-	-	(14,493)	-	(14,493)
Loss for the period	-	-	-	-	(543,770)	(543,770)
<b>Balance at September 30, 2021</b>	10,275,205	\$ 19,003,074	\$ 1,256,288	\$ (42,922)	\$ (21,224,456)	\$ (1,008,016)

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.

On June 11, 2021, the Company consolidated its issued and outstanding capital on the basis of one (1) post-consolidation share for each twenty (20) pre-consolidation shares. All per share amounts have been retroactively restated.

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 September 30, 2021, the Company had a cumulative deficit of \$21,224,456, working capital deficit of \$1,008,016 and cash of \$148,897. 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 \$543,770 during the period ended September 30, 2021 and as of that date, the Company’s had an accumulated deficit of \$21,224,456. 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**  
September 30, 2021  
(Presented in United States Dollars - Unaudited)

**4. RECEIVABLES**

	September 30, 2021	December 31, 2020
GST receivable	\$ 1,055	\$ 1,791
Lease revenue receivable, net	1,000	1,000
<b>Total Receivables</b>	<b>\$ 2,055</b>	<b>\$ 2,791</b>

**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:

	September 30, 2021	December 31, 2020
Opening balance	\$ 39,463	\$ 149,460
Lease accretion	701	8,514
Payments	(40,164)	(118,511)
Lease liabilities	-	39,463
Lease liabilities, current portion	-	39,463
Lease liabilities, non-current portion	\$ -	\$ -

**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	714
Receipts	(40,164)
Balance, September 30, 2021	\$ -

## **7. RELATED PARTY TRANSACTIONS**

### **Key management compensation**

Key management personnel comprise the interim Chief Executive officer, interim Chief Financial Officer, and directors.

During the period ended September 30, 2021, the Company paid or accrued the following to key management personnel:

- a) Management, salaries, and consulting fees of \$74,250 (2020 - \$142,994) of which \$18,000 was paid to an independent director and \$56,250 was paid to a company controlled by the interim CFO;
- b) Professional fees of \$58,168 paid to a legal firm controlled by a director of the Company (2020- \$74,310); and
- c) Share-based compensation of \$4,329 (2020 - \$15,480) to the officers and directors of the Company.

Included in accounts payable and accrued liabilities is \$331,111 (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.

## **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 September 30, 2021, the Company had 10,275,205 common shares issued and outstanding.

### **Share issuances**

During the period ended September 30, 2021, the Company:

- a) completed a non-brokered private placement by issuing 1,231,578 units at CAD\$0.19 per unit for gross proceeds of \$185,829 (CAD\$234,000). Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one half common share at a price of CAD\$0.35. Pursuant to the offering, the Company incurred share issuance costs of \$7,942 (CAD\$10,000).
- b) and issued 3,625,876 common shares to settle outstanding liabilities of \$547,097 (CAD\$688,916). The shares were valued at \$0.19 per share, and the Company recognized a loss on debt settlement of \$260,835.

No common shares were issued during the year ended December 31, 2020.

**NANOSPHERE HEALTH SCIENCES INC.**  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
September 30, 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	871,627	\$ 10.36	318,000	\$ 7.46
Expired/ Cancelled	<u>(223,479)</u>	10.00	<u>(201,000)</u>	7.19
Outstanding, December 31, 2020	648,148	\$ 10.48	117,000	\$ 7.91
Granted	2,428,725	0.35	-	-
Expired/ Cancelled	<u>(338,636)</u>	10.00	<u>(28,000)</u>	12.14
Outstanding, September 30, 2021	2,738,237	\$ 1.55	89,000	\$ 6.57
Exercisable, September 30, 2021	2,738,237	\$ 1.55	71,125	\$ 6.97

**Stock options outstanding**

The following incentive stock options were outstanding at September 30, 2021:

Number	Exercise price	Expiry date
17,500	\$ CAD 13.00	May 17, 2023
<u>71,500</u>	\$ CAD 5.00	July 16, 2029
71,125		

**Warrants outstanding**

The following warrants were outstanding and exercisable at September 30, 2021:

Number	Exercise price	Expiry date
309,512	\$ CAD 11.00	December 5, 2021
<u>2,428,725</u>	\$ CAD 0.35	September 17, 2023
2,738,237		

**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 September 30, 2021, the Company had a cash balance of \$148,897 (December 31, 2020 - \$12,948) to settle current liabilities of \$1,158,968 (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 September 30, 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 September 30, 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 September 30, 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 September 30, 2021 and 2020.