



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

**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**

## **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, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 124,446	\$ 130,757
Prepaid expense	3,310	-
Receivables	<u>2,509</u>	<u>1,757</u>
	<u>\$ 130,265</u>	<u>\$ 132,514</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	<u>\$ 1,278,985</u>	<u>\$ 1,207,992</u>
	<u>1,278,985</u>	<u>1,207,992</u>
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 7)	18,762,420	18,762,420
Reserves (Note 7)	1,263,122	1,259,689
Accumulated other comprehensive income	(67,386)	(60,631)
Deficit	<u>(21,106,876)</u>	<u>(21,036,956)</u>
	<u>(1,148,720)</u>	<u>(1,075,478)</u>
	<u>\$ 130,265</u>	<u>\$ 132,514</u>

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

Approved and authorized by the Board of Directors on May 25, 2022:

<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 LOSS AND COMPREHENSIVE LOSS**  
(Presented in United States Dollars - Unaudited)

For the three months ended March 31,	2022	2021
<b>EXPENSES</b>		
Foreign exchange	\$ (3,161)	\$ (3,149)
Lease accretion (Note 4&5)	-	(12)
Investor relation and marketing	-	-
Office and administrative	329	3,940
Professional fees	30,661	11,844
Regulatory and filing	7,903	8,807
Research and development	6,051	1,523
Salaries and consulting (Note 6)	24,704	35,499
Share-based payment (Note 6)	<u>3,433</u>	<u>8,179</u>
<b>Loss for the period</b>	(69,920)	(66,631)
Exchange differences on translating foreign operations	<u>(6,755)</u>	<u>(10,698)</u>
<b>Comprehensive loss for the period</b>	<u>\$ (76,675)</u>	<u>\$ (77,329)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>Weighted average number of common shares outstanding</b>	<u>10,275,205</u>	<u>5,417,751</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,	2022	2021
<b>CASH FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (69,920)	\$ (66,631)
Items not affecting cash:		
Lease accretion	-	(12)
Share-based payment (Note 7)	3,433	8,179
Unrealized foreign exchange loss (gain)	(5,441)	(7,361)
Changes in non-cash working capital items:		
Receivables	(752)	(884)
Prepays	(3,310)	(14,827)
Accounts payable and accrued liabilities	<u>70,993</u>	<u>73,777</u>
Net cash used in operating activities	<u>(4,997)</u>	<u>(7,759)</u>
<b>Change in cash during the period</b>	(4,997)	(7,759)
<b>Effect on foreign exchange on cash</b>	(1,314)	(2,880)
<b>Cash, beginning of period</b>	<u>130,757</u>	<u>12,948</u>
<b>Cash, end of period</b>	\$ 124,446	\$ 2,309

**Supplemental disclosure with respect to cash flows (Note 11)**

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, 2020</b>	5,417,751	18,018,939	1,236,385	(28,429)	(20,680,686)	(1,453,791)
Share-based payments (Note 6)	-	-	8,179	-	-	8,179
Other comprehensive loss	-	-	-	(10,698)	-	(10,698)
Loss for the period	-	-	-	-	(66,631)	(66,631)
<b>Balance at March 31, 2021</b>	5,417,751	18,018,939	1,244,564	(39,127)	(20,747,317)	(1,522,941)
Private Placement (Note 7)	1,231,578	190,570	-	-	-	190,570
Shares for debt (Note 7)	3,625,876	561,055	-	-	-	561,055
Share issuance cost, cash	-	(8,144)	-	-	-	(8,144)
Share-based payments (Note 6)	-	-	15,125	-	-	15,125
Other comprehensive loss	-	-	-	(21,504)	-	(21,504)
Loss for the period	-	-	-	-	(289,639)	(289,639)
<b>Balance at December 31, 2021</b>	10,275,205	\$ 18,762,420	\$ 1,259,689	\$ (60,631)	\$ (21,036,956)	\$ (1,075,478)
Share-based payments (Note 6)	-	-	3,433	-	-	3,433
Other comprehensive loss	-	-	-	(6,755)	-	(6,755)
Loss for the period	-	-	-	-	(69,920)	(69,920)
<b>Balance at March 31, 2022</b>	10,275,205	\$ 18,762,420	\$ 1,263,122	\$ (67,386)	\$ (21,106,876)	\$ (1,148,720)

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 share and 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 March 31, 2022, the Company had a cumulative deficit of \$21,106,876, working capital deficit of \$1,148,720 and cash of \$124,446. 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.

## **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.

**2. BASIS OF PREPARATION (cont'd...)**

**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 \$69,920 during the period ended March 31, 2022 and as of that date, the Company's had an accumulated deficit of \$21,106,876 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, 2021 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

**4. LEASE LIABILITIES**

During the period ended March 31, 2022, the Company has \$nil lease liabilities and Right-of-Use assets. The following is a reconciliation of the changes in the lease liabilities:

	March 31, 2022	December 31, 2021
Opening balance	\$ -	\$ 39,463
Lease accretion	-	701
Payments	-	(40,164)
Lease liabilities	-	-
Lease liabilities, current portion	-	-
Lease liabilities, non-current portion	\$ -	\$ -



**5. 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 following is a reconciliation of the changes in the net investment in sublease:

Balance, December 31, 2020	\$	39,450
Lease accretion		714
Receipts		(40,164)
Balance, December 31, 2021 & March 31, 2022	\$	-

**6. RELATED PARTY TRANSACTIONS**

**Key management compensation**

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

During the period ended March 31, 2022, the Company paid or accrued the following to key management personnel:

- a) Management, salaries, and consulting fees of \$68,503 (2021 - \$35,410) for services provided by the key management;
- b) Professional fees of \$12,005 to a director of the Company (2021- \$9,870); and
- c) Share-based compensation of \$288 (2021 - \$2,226) to the officers and directors of the Company was recorded.

Included in accounts payable and accrued liabilities is \$287,904 (December 31, 2021 - \$364,680) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

**7. 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, 2022, the Company had 10,275,205 common shares issued and outstanding.

**Share issuances**

No common shares were issued during the three months ended March 31, 2022.

**NANOSPHERE HEALTH SCIENCES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 March 31, 2022  
 (Presented in United States Dollars - Unaudited)

**7. SHARE CAPITAL AND RESERVES (cont'd...)**

**Share issuances (cont'd...)**

During the year ended December 31, 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 \$190,570 (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 per common share for a period of two years from the date of issue and is subject to certain acceleration provision. Pursuant to the offering, the Company incurred share issuance costs of \$8,144 (CAD\$10,000).
- b) and issued 3,625,876 common shares valued at CAD\$0.19 per unit to settle outstanding liabilities of \$547,097 (CAD\$688,916).

**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, 2020	648,148	\$ 10.48	117,000	\$ 7.91
Granted	2,428,727	0.35	-	-
Expired/ Cancelled	<u>(648,148)</u>	10.48	<u>(28,000)</u>	12.14
Outstanding, December 31, 2021 & March 31, 2022	<u>2,428,727</u>	\$ 0.35	<u>89,000</u>	\$ 6.57
Exercisable, March 31, 2022	<u>2,428,727</u>	\$ 0.35	<u>71,125</u>	\$ 6.97

**Stock options outstanding**

The following incentive stock options were outstanding at March 31, 2022:

Number	Exercisable	Exercise price	Expiry date
17,500	17,500	\$ CAD 13.00	May 17, 2023
71,500	<u>53,625</u>	\$ CAD 5.00	July 16, 2029
89,000	<u>71,125</u>		

**7. SHARE CAPITAL AND RESERVES (cont'd...)**

**Warrants outstanding**

The following warrants were outstanding and exercisable at March 31, 2022:

Number	Exercisable	Exercise price	Expiry date
2,428,727	2,428,727	\$ CAD 0.35	September 17, 2023
2,428,727	2,428,727		

**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 vesting terms are determined by the board of directors.

**8. 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.

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

**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, 2022, the Company had a cash balance of \$124,446 (December 31, 2021 - \$130,757) to settle current liabilities of \$1,278,985 (December 31, 2021 - \$1,207,992). All of the Company's accounts payable and accrued liabilities and loans payable have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

*Market risk*

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

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at March 31, 2022, 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. A 10% change in the foreign exchange rate would result in a \$21,972 (Canadian dollar equivalent) change in profit or loss.

**9. 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, 2022 remains fundamentally unchanged.

**10. 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, 2022, the Company has minimal operation in both US and Canada.

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

There were no non-cash transactions during the period ended March 31, 2022 and 2021.

**12. 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, 2022 and 2021, as the Company did not consider an unfavorable outcome in any material respects in these legal proceedings and litigations to be probable.