FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: NanoSphere Health Sciences Inc. (the "Issuer").

Trading Symbol: NSHS

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

See the Issuer's financial statements for the period ended September 30, 2019, attached hereto as Schedule A.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

All related party transactions have been disclosed in the Issuer's financial statements for the period ended September 30, 2019, attached hereto as Schedule A.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
N/A								

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
July 16, 2019	2,000,000	Mark Percival - CEO		$0.25	July 16, 2029	$0.19
July 16, 2019	60,000	Toby Lim – Director		$0.25	July 16, 2029	$0.19
July 16, 2019	120,000	Richard Kaufman – Director		$0.25	July 16, 2029	$0.19
July 16, 2019	120,000	Stephanie Hopper – Director		$0.25	July 16, 2029	$0.19
July 16, 2019	150,000		Consultant	$0.25	July 16, 2029	$0.19
July 16, 2019	60,000		Consultant	$0.25	July 16, 2029	$0.19
July 16, 2019	20,000		Consultant	$0.25	July 16, 2029	$0.19
July 16, 2019	300,000		Consultant	$0.25	July 16, 2029	$0.19
July 16, 2019	100,000		Employee	$0.25	July 16, 2029	$0.19
July 16, 2019	100,000		Employee	$0.25	July 16, 2029	$0.19
July 16,	100,000		Employee	$0.25	July 16, 2029	$0.19

2019						
July 16, 2019	80,000		Employee	$0.25	July 16, 2029	$0.19
	3,210,000					

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

See the Issuer's financial statements for the period ended September 30, 2019, attached hereto as Schedule A.

(b) number and recorded value for shares issued and outstanding,

See the Issuer's financial statements for the period ended September 30, 2019, attached hereto as Schedule A.

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

See the Issuer's financial statements for the period ended September 30, 2019, attached hereto as Schedule A.

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

See the Issuer's financial statements for the period ended September 30, 2019, attached hereto as Schedule A.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Dr. Mark Percival	**Chief Executive Officer**
Stephanie Hopper	**Chief Operations Officer, Director**
Richard Kaufman Ph.D.	**Chief Science Officer, Director**

Bennett Liu	**Chief Financial Officer**
Victor Goncalves	**Executive Vice President**
Michael Iverson	**Chairman, Director**
Toby Lim	**Director**

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

See the Issuer's management discussion and analysis for the period ended September 30, 2019, attached hereto as Schedule C.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated November 29, 2019.

Bennett Liu
Name of Director or Senior Officer

"Bennett Liu"
Signature

CFO
Official Capacity

Issuer Details Name of Issuer NanoSphere Health Sciences Inc.	For Quarter Ended September 30, 2019	Date of Report November 29, 2019
Issuer Address #488-1090 West Georgia St		
City/Province/Postal Code Vancouver, BC V6E 3V7	Issuer Fax No. ( )	Issuer Telephone No. (720) 845-1465
Contact Name Victor Goncalves	Contact Position VP Finance	Contact Telephone No. (204) 997-5517
Contact Email Address vgoncalves@nanospherehealth.com	Web Site Address www.nanospherehealth.com	

SCHEDULE A

FINANCIAL STATEMENTS

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

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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

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

AS AT	September 30, 2019	December 31, 2018
ASSETS		
Current		
Cash	$ 141,290	$ 211,628
Receivables, net (Note 6)	44,017	25,924
Prepayment and right-of-use asset (Note 6)	80,122	75,617
	265,429	313,169
Line of credit agreement, net (Note 7)	740,000	740,000
Equipment, net (Note 8)	442,544	266,081
	$ 1,447,973	$ 1,319,250
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	$ 850,401	$ 481,322
Current portion of lease liabilities (Note 9)	106,857	-
	957,258	481,322
Lease liabilities (Note 9)	68,338	-
	1,025,596	481,322
Shareholders' equity		
Share capital (Note 11)	18,014,653	16,526,266
Subscriptions received in advance	-	100,000
Reserves (Note 11)	1,148,475	814,382
Accumulated other comprehensive income	6,011	18,002
Deficit	(18,746,762)	(16,620,722)
	422,377	837,928
	$ 1,447,973	$ 1,319,250

Nature of business and going concern (Note 1)
Subsequent events (Note 17)

Approved and authorized by the Board of Directors on November 29, 2019:

"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 September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
REVENUE, net (Note 7)	$ -	$ 380,081	$ 269,260	$ 581,484
EXPENSES				
Depreciation (Note 8)	45,335	14,062	130,803	28,529
Foreign exchange	1,195	153	1,393	1,929
Lease accretion (Note 9)	4,076	-	13,753	-
Investor relation and marketing	70,863	244,274	289,615	824,175
Office and administrative	(14,565)	43,445	21,183	245,880
Professional fees	157,395	284,049	260,445	531,262
Regulatory and filing	11,521	3,000	25,565	26,917
Rent	-	20,964	-	96,564
Research and development	765	-	3,635	-
Salaries and consulting (Note 10)	307,767	295,099	870,419	886,400
Share-based payment (Note 11)	224,220	74,378	321,222	210,518
Shipping and delivery	634	5,757	9,374	18,265
Supplies and materials	16,423	16,211	50,447	16,211
Travel	4,168	96,231	80,143	225,655
	(829,797)	(1,097,623)	(2,077,997)	(3,113,205)
OTHER				
Gain on settlement of debt	(3,710)	-	12,077	-
Allowance for note receivable (Note 7)	(37,820)	-	(329,380)	-
Interest income (Note 7)	-	65,850	-	74,655
Loss for the period	(871,327)	(651,692)	(2,126,040)	(2,456,166)
Exchange differences on translating foreign operations	(3,492)	(1,357)	(11,991)	(29,165)
Loss and comprehensive loss for the period	$ (874,819)	$ (653,049)	$ (2,138,031)	$ (2,485,331)
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.03)
Weighted average number of common shares outstanding	108,355,051	96,610,258	107,062,152	96,462,253

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	2019	2018
CASH FROM OPERATING ACTIVITIES		
Loss for the period	$ (2,126,040)	$ (2,456,166)
Items not affecting cash:		
Depreciation (Note 8)	130,803	28,529
Gain on settlement of debt	12,077	-
Lease accretion	13,753	-
Share-based payment (Note 11)	321,222	210,518
Allowance for note receivable (Note 7)	329,380	-
Unrealized foreign exchange loss (gain)	(16,546)	(29,165)
Changes in non-cash working capital items:		
Receivables	(18,093)	(534,181)
Prepaids	(795)	(42,214)
Accounts payable and accrued liabilities	383,038	236,887
Net cash used in operating activities	(971,201)	(2,585,792)
CASH FROM INVESTING ACTIVITIES		
Line of credit advance	(329,380)	(905,352)
Acquisition of equipment (Note 8)	(52,998)	(263,489)
Net cash provided by investing activities	(382,378)	(1,168,841)
CASH FROM FINANCING ACTIVITIES		
Exercise of options	-	85,862
Exercise of warrants	-	83,913
Private placement (Note 11)	1,405,237	-
Share issuance costs (Note 11)	(40,654)	-
Payment of lease liabilities (Note 9)	(85,897)	-
Net cash provided by financing activities	1,278,686	169,775
Change in cash during the period	(74,893)	(3,584,858)
Effect on foreign exchange on cash	4,555	-
Cash, beginning of period	211,628	3,701,673
Cash, end of period	$ 141,290	$ 116,815

Supplemental disclosure with respect to cash flows (Note 15)

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

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

	Share capital						
	Number	**Amount**	**Subscriptions received in advance**	**Reserves**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**
Balance at December 31, 2017	96,070,546	$ 15,174,964	$ -	$ 559,862	$ 52,207	$ (12,106,017)	$ 3,681,016
Exercise of warrants	273,185	83,913	-	-	-	-	83,913
Exercise of stock options	410,017	159,227	-	(73,365)	-	-	85,862
Share-based payments (Note 11)	-	-	-	210,518		-	210,518
Other comprehensive loss	-	-	-		(29,165)	-	(29,165)
Loss for the period	-	-	-	-	-	(2,456,166)	(2,456,166)
Balance at September 30, 2018	96,753,748	15,418,104	-	697,015	23,042	(14,562,183)	1,575,978
Private placements	4,452,254	1,010,014	-	-	-	-	1,010,014
Options exercised	155,000	58,804	-	(28,597)	-	-	30,207
Shares for debt	206,330	57,058	-	-	-	-	57,058
Share issuance costs, cash	-	(17,122)	-	-	-	-	(17,122)
Share issuance costs, warrants	-	(592)	-	592	-	-	-
Subscription received in advance	-	-	100,000	-	-	-	100,000
Share-based payments (Note 11)	-	-	-	145,372	-	-	145,372
Other comprehensive loss	-	-	-	-	(5,040)	-	(5,040)
Loss for the period	-	-	-	-	-	(2,058,539)	(2,058,539)
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	-	(40,654)	-	-	-	-	(40,654)
Share issuance costs, warrants	-	(12,871)	-	12,871	-	-	-
Share-based payments (Note 11)	-	-	-	321,222	-	-	321,222
Other comprehensive loss	-	-	-	-	(11,991)	-	(11,991)
Loss for the period	-	-	-	-	-	(2,126,040)	(2,126,040)
Balance at September 30, 2019	108,355,051	$ 18,014,653	$ -	$ 1,148,475	$ 6,011	$ (18,746,762)	$ 422,377

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 two wholly owned subsidiaries NanoSphere Health Sciences, LLC (NanoSphere LLC) NanoSphere LLC is the Company's operating division in the United States. The Company's operations were focused in the periods ended September 30, 2019 and 2018 on the United States ("U.S.") cannabis industry, which industry is illegal under U.S. federal law. The Company will be indirectly involved in the cannabis industry in the United States where local state law permits such activities, as well the cannabis industry in Canada.

In March 2018, the Company's wholly owned subsidiary NanoSphere Health Sciences, LLC (NanoSphere LLC) was issued its patent for the NanoSphere Delivery System, protecting the Company's core technology of nanoencapsulation and delivery of bioactive compounds. In July 2018 NanoSphere LLC was issued its second patent which provides exclusivity for cannabinoid delivery.

In June 2019, the Board of Directors appointed Dr. Mark Percival as the Chief Executive Officer of the Company, succeeding Robert Sutton upon his retirement.

The Company's head office and principal address is 488-1090 West Georgia Street, Vancouver, British Columbia, V6E 3B7. The Company operating headquarter is 4850 Kilmer St, Golden, CO, 80403, USA.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

As at September 30, 2019, the Company had a cumulative deficit of $18,746,762, working capital deficit of $691,829 and cash of $141,290. In February 2019, the Company raised $1,505,237 (CAD$1,999,918). Of the total proceeds, $100,000 (CAD$132,000) was received in advance as at December 31, 2018. The proceeds received after advances and the portion related to shares for debt, the Company received a net amount of approximately $1,154,400 (CAD $1,560,000). Management anticipates the need to raise additional funds within the next 12 months to pay operational costs and fund any investing activities. To the extent financing is not available, lease payments, rental payments, and other payments may not be satisfied and could result in a loss of earning opportunities for the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

Canada recently regulated medical use and commercial activity involving cannabis. Bill C-45, the Cannabis Act, which was released on October 17, 2018. Subject to provincial or territorial restrictions, the enactment of the Cannabis Act allows for the production, distribution and sale of cannabis for unqualified adult use. Currently, the Company uses a licensing 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.

Reverse Takeover

On November 17, 2017, the Company and Nanosphere, entered into a Share Exchange Agreement ("**SEA**") whereby the Company acquired all of the outstanding units of NanoSphere LLC in consideration for 60,000,000 common shares of the Company (Note 4). After completion of the SEA, the shareholders of NanoSphere LLC held approximately 71.21% of the Company. Accordingly, NanoSphere LLC is considered to have acquired the Company with the SEA being accounted as a reverse takeover of the Company by NanoSphere LLC shareholders (the "**RTO**").

As NanoSphere LLC is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation are included in the consolidated financial statements at their historical carrying value. The Company's results of operations are included from November 17, 2017 onwards, the closing date.

Concurrent with the RTO, the Company completed a $4,620,017 (approximately CA$ 6,328,800) private placement (the "**Financing**") (Note 9).

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial liabilities measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PREPARATION (cont'd…)

The consolidated financial statements of the Company are presented in U.S. dollars, which is the functional currency of NanoSphere LLC. The parent company, Nanosphere Health Sciences Inc., has a functional currency of the Canadian Dollar.

Significant accounting judgements, estimates and assumptions

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

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

Going concern

The Company's consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Ongoing operations of the Company are dependent upon its ability to receive continued financial support, complete public equity financings, or generate profitable operations in the future. The Company incurred a loss of $2,126,040 during the nine months ended September 30, 2019 and as of that date, the Company's had an accumulated deficit of $18,746,762. 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 nine months period ended September 30, 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 followed in these condensed consolidated interim financial statements are consistent with those disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2018 except for those policies noted below.

New standards adopted

IFRS 16 - Leases

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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

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

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

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

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

We have recorded an office lease right-of-use asset of $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 our incremental borrowing rate on January 1, 2019 of 10% per annum. We have recorded lease liabilities of $247,339 as at January 1, 2019.

Reconciliation of lease liabilities as of January 1, 2019:

Reconciliation of lease liabilities	January 1, 2019
Future aggregate minimum lease payments under operating leases at December 31, 2018	$ 273,846
Effect of discounting at the incremental borrowing rate	(26,507)
Total lease liabilities as at January 1, 2019	$ 247,339

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. ACQUISITION OF CORAZON GOLD CORP.

On November 17, 2017, the Company and NanoSphere LLC completed a share exchange agreement ("SEA") whereby the Company acquired all of the issued and outstanding shares of NanoSphere LLC, in consideration for 60,000,000 common shares of the Company. After the completion of the SEA, the shareholders of NanoSphere LLC held approximately 71.21% of the Company. Accordingly, NanoSphere LLC is considered to have acquired the Company with the SEA being accounted as a reverse takeover of the Company by NanoSphere LLC shareholders.

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, Business Combination. Additionally, as a result of the RTO, the statement of financial position has been adjusted for the elimination of the Company's share capital, contributed surplus and accumulated deficit within shareholders' equity.

As a result of this asset acquisition, a listing expense of $8,805,042 has been recorded. This reflects the difference between the estimated fair value of the NanoSphere LLC shares deemed to have been issued to the Company's shareholders less the net fair value of the assets of the Company acquired.

In accordance with reverse acquisition accounting:

i) The assets and liabilities of NanoSphere LLC are included in the statement of financial position at their carrying values.

ii) The net assets of the Company are included at their fair value of $683,801.

Net assets acquired:		
Cash	$	4,601,319
Accounts receivable		5,993
Reclamation bond		3,911
Loan receivable		571,697
Subscription receipts		(4,449,010)
Accounts payable and accrued liabilities		(50,109)
Fair value of net assets	$	683,801

iii) The listing expense of $8,805,042 was determined as follows:

a. The number of Company common shares held by former NanoSphere LLC shareholders outstanding is 60,000,000 or 71.21% of the combined entity.

b. Number of outstanding shares of the Company prior to the Financing was 24,259,176 or 28.79% of the combined entity.

c. The fair value of the shares issued to acquire the Company under the reverse acquisition accounting was $9,488,843 calculated as 24,259,176 common shares at approximately $0.391 per share.

d. The difference between the fair value of $9,488,843 being the consideration paid, and the fair value of the net assets of the Company of $683,801 amounted to a net listing expense of $8,805,042.

5. DUE TO WILLISTON TRUST GROUP, LLC

The Company entered into a financing agreement with Williston Trust Group, LLC ("Williston") on January 31, 2015. Under the agreement, the Company promised to pay the sum up to $550,000 together with 41,260 Class C equity units totalling 3.86%. On January 31, 2017, the agreement was amended and the requirement to deliver 41,260 Class C equity units was eliminated. The amounts payable were unsecured and non-interest bearing. The agreement was further amended and upon the completion of the Company's private placement in December 2017, the Company paid the balance of $571,514 in full.

6. RECEIVABLES AND PREPAID EXPENSES

	September 30, 2019	December 31, 2018
GST receivable	$ 44,017	$ 25,924
License revenue receivable, net	-	-
Total	$ 44,017	$ 25,924

During the year ended December 31, 2018, the Company recognized a provision against license revenue receivable of $571,403 as a result of an assessment of the collectability of license revenue.

As at September 30, 2019, prepaid expenses consisted of $25,000 in prepaid rent, $33,689 in legal fee retainer and $21,433 in consulting expenses for investor relations.

7. LINE OF CREDIT AGREEMENT AND LICENSING ARRANGEMENT

The Company entered into a revolving line of credit agreement ("LOC") as the lender to CCBA LLC ("CCBA"), a laboratory with which the Company entered into a licensing arrangement with an interest rate set at 5%. During the year ended December 31, 2018, the Company and CCBA amended the terms of the LOC to increase in the maximum borrowing limit to $1.3 million. The outstanding balance due to the Company as at September 30, 2019 was $740,000 (December 31, 2018 - $740,000) which includes accrued interest of $Nil (December 31, 2018 - $87,372). During the period ended September 30, 2019, the Company recognized a provision against LOC receivable of $329,380 (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 is based on an estimated amount of projected revenues, during the period ended September 30, 2019, no revenues have been recorded.

Company has encountered difficulties in receiving payments on fees from certain licensees and has made modifications to its licensee and joint venture agreements going forward to circumvent more of the same.

During the period ended September 30, 2019, the Company signed Definitive Master Licensing Agreements with Delta 9 Cannabis Inc. and Pure Cascade LLC. and received licensing revenue of $269,260.

8. EQUIPMENT AND RIGHT-OF-USE ASSET

	Equipment	Right-of-use asset	Total
Cost			
Balance, December 31, 2017	$ 13,566	$ -	$ 13,566
Additions	302,169	-	294,599
Balance, December 31, 2018	$ 315,735	$ -	$ 315,735
Additions	59,927	-	59,927
Adoption of IFRS 16 (Note 3)	-	247,339	247,339
Balance, September 30, 2019	$ 375,662	$ 247,339	$ 623,001
Accumulated depreciation			
Balance, December 31, 2017	$ 4,884	$ -	$ 4,884
Depreciation for the year	44,770	-	44,770
Balance, December 31, 2018	$ 49,654	$ -	$ 49,654
Depreciation for the period	51,301	79,502	130,803
Balance, September 30, 2019	$ 100,955	$ 79,502	$ 180,457
Carrying amounts			
As at December 31, 2018	$ 266,081	$ -	$ 266,081
As at September 30, 2019	$ 274,707	$ 167,837	$ 442,544

9. LEASE LIABILITIES

During the year ended December 31, 2018, the Company entered into a new head office lease. We have 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 our incremental borrowing rate on January 1, 2019. The following is a reconciliation of the changes in the lease liabilities:

	September 30, 2019
Opening balance	$ -
Adoption of IFRS 16 (Note 3)	247,339
Lease accretion	13,753
Payments	$ (85,897)
Lease liabilities	175,195
Lease liabilities, current portion	106,857
Lease liabilities, non-current portion	$ 68,338

10. RELATED PARTY TRANSACTIONS

Key management compensation

During the nine months period ended September 30, 2019, the Company paid or accrued:

a) Salaries and consulting fees of $47,500 (2018 - $Nil) to the CEO of the Company, $104,825 (2018 – $120,000) to the Chief Science Officer of the Company, $54,163 (2018 - $83,900) to Vice President of Finance of the Company, $21,654 (2018 - $15,000) to the CFO of the Company, $112,500 (2018 - $112,500) to the former CEO of the Company, $32,500 (2018 - $58,000) to the former Chief Marketing Officer of the Company, $69,150 (2018 - $34,000) to the former President and COO of the Company;

b) Professional fees of $101,986 to a director of the Company;

c) Share-based compensation of $220,019 (2018 - $129,680) to the officers and directors of the Company was recorded**.**

Included in accounts payable and accrued liabilities is $255,513 (December 31, 2018 - $6,280) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

On April 2, 2018, the Company entered into a license agreement with Evergreen Biosciences, LLC to sub-license the Company's patented NanoSphere Delivery technology. Evergreen Biosciences is partially owned by Chief Operating Officer of the Company. On April 2, 2018, Evergreen Biosciences, LLC (a related party) sub-licenced the Company's NanoSphere Delivery technology to CCBA LLC.

11. SHARE CAPITAL AND RESERVES

Members contributions

Prior to the SEA (Note 4), members' equity of the Company was governed by the terms and conditions of a limited liability company agreement.

As of December 31, 2016, the Company issued members' units in return for $1,334,000. Of this total, $75,000 was received in the year ended December 31, 2017.

As of December 31, 2017, the Company issued additional members' units shares for contributions of $75,000. As part of the RTO (Note 4), common shares were issued to replace all classes of members' units.

Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Issued share capital

As at September 30, 2019, the Company had 108,355,051 common shares issued and outstanding.

Pursuant to the SEA (Note 4), an aggregate of 59,000,000 common shares were issued to NanoSphere's members, and 1,000,000 common shares were issued as a finder fee.

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

Escrow

At September 30, 2019, the Company has 17,529,031 common shares subject to escrow restrictions.

Pooling

Upon closing of the SEA, 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

During the nine months ended September 30, 2019, the Company:

a) completed a non-brokered private placement by issuing 6,666,394 units at CAD$0.30 per unit for gross proceeds of $1,505,237 (CAD$1,999,918). Of the total proceeds, $100,000 (CAD$132,000) was received in advance as at December 31, 2018. The proceeds received after advances and the portion related to shares for debt, the Company received a net amount of approximately $1,154,400 (CAD 1,560,000). Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share at a price of CAD$0.50. In connection with the financing, 106,050 finder warrants with the same terms as the private placement warrants and cash of $40,654 (CAD$54,118) was issued and paid; and

b) issued 121,325 common shares to settle outstanding liabilities of $48,750.

During the year ended December 31, 2018, the Company

a) Completed a non-brokered private placement by issuing 4,452,254 units at CAD$0.30 per unit for gross proceeds of $1,010,014 (CAD$1,335,676). Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share at a price of CAD$0.50. In connection with the financing, 17,500 finder warrants with a fair value of $592 using the Black-Scholes pricing model with a risk-free interest rate of 1.91%, term of 2 years, volatility of 99.05% and dividend rate of 0%. and cash of $17,122 (CAD$22,636) was recorded as share issuance costs; and

b) issued 206,330 common shares for a total value of $57,058 to settle accounts payable with two vendors.

11. 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, 2017	8,166,773	$ 0.67	1,615,017	$ 0.27
Exercised	(273,185)	0.40	(565,017)	0.27
Expired/ Cancelled	(1,703,353)	0.40	-	-
Granted / Issued	4,675,917	0.50	3,665,555	0.63
Outstanding, December 31, 2018	10,866,152	$ 0.65	4,715,555	$ 0.55
Expired/ Cancelled	-	-	(1,815,555)	0.54
Granted / Issued	6,772,717	0.50	3,710,000	0.25
Outstanding, September 30, 2019	17,638,869	$ 0.59	6,610,000	$ 0.38
Number currently exercisable	17,638,869	$ 0.59	2,700,000	$ 0.45

Stock options outstanding

The following incentive stock options were outstanding at September 30, 2019:

Number	Exercise price		Expiry date
1,050,000	$ CAD	0.27	September 21, 2021
1,750,000	$ CAD	0.65	May 17, 2023
100,000	$ CAD	0.50	May 17, 2023
500,000	$ CAD	0.52	November 16, 2023
3,210,000	$ CAD	0.25	July 16, 2029
6,610,000	$ CAD	0.38	

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

Warrants outstanding

The following incentive warrants were outstanding and exercisable at September 30, 2019:

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

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:

	September 30, 2019	December 31, 2018
Risk-free interest rate	1.49%	2.11%
Expected life of options	10 years	5 years
Annualized volatility	100%	78.13%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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, 2019, the Company had a cash balance of $141,290 (December 31, 2018 - $211,628) to settle current liabilities of $957,258 (December 31, 2018 - $481,322). All of the Company's accounts payable and accrued liabilities and loans payable have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

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

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, 2019, the Company did not have any investments in investment-grade short-term deposit certificates or long term payables with floating interest rates.

b) Foreign currency risk

The Company's foreign exchange risk arises from transactions denominated in other currencies. Through this, the Company is exposed to foreign currency risk on fluctuations related to cash, receivables, accounts payable and accrued liabilities that are denominated in United States Dollar and Canadian Dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

13. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance current production of the Company's patented NanoSphere Delivery System and development of future products utility system. Capital is comprised of the Company's shareholders' equity. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on management to sustain future development and commercialization of the business. The Company will continue to assess sources of financing available and to assess the potential for collaboration with interested partners with a view to managing its current financial resources in the interest of sustaining the long-term viability of the Company's operations. The Company's overall strategy with respect to management of capital at September 30, 2019 remains fundamentally unchanged.

14. 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. Delta 9 has since received preliminary approval from Health Canada for the first of a number of products to be introduced to the Canadian market in late 2019, or early 2020.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the nine-month period ended September 30, 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.

During the year ended December 31, 2018, the Company issued 206,330 shares for services to two vendors valued at approximately $58,000.

16. 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 September 30, 2019 and December 31, 2018, as the Company did not consider an unfavorable outcome in any material respects in these legal proceedings and litigations to be probable.

17. SUBSEQUENT EVENTS

Except as noted above, subsequent to September 30, 2019:

a) the Company received equipment lease of $20,000 from Vertical Companies in California. The equipment was leased to manufacture licensed product with a total of $100,000 leasing fee in 5 annually equal instalments of $20,000;

b) Denver office space has been successfully sublet;

c) Personnel (and related expenses) have been reduced by 3 full-time equivalents;

d) California licensee has scheduled their first production run of two Company Evolve Formula products for December 2019;

e) Canadian licensee has scheduled production of initial test batch of the first Company Evolve Formula product for Jan.6, 2020;

f) The Company's licensee in Colorado has reported that it is unable to maintain its manufacture and distribution of the Company's Evolve products within that territory. The parties are in discussions with respect to the dissolution of the license arrangement and the Company intends to seek out a new licensee.

SCHEDULE C

MD&A

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NanoSphere Health Sciences Inc.

Management Discussion & Analysis

For the three and nine months ended September 30, 2019

The following Management Discussion and Analysis ("MD&A") of NanoSphere Health Sciences Inc. (the "Company" or "NanoSphere Health Sciences" or " NanoSphere") should be read in conjunction with the condensed consolidated interim financial statements of the Company for the period ended September 30, 2019 which have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). This MD&A includes certain statements that may be deemed "forward looking statements". All statements in this MD&A, other than statements of historical fact, that address future exploration activities and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Additional information can be found on SEDAR at www.sedar.com. This MD&A is dated as of November 29, 2019.

DESCRIPTION OF THE COMPANY

NanoSphere Health Sciences is a biotechnology firm that created a patented NanoSphere Deliver System, a revolutionary platform using nanotechnology in the biodelivery of supplements, nutraceuticals and over-the-counter medications for the cannabis, pharmaceutical and animal health industries, and beyond. NanoSphere Delivery System represents one of the most important developments for advancing the non-invasive and user-friendly delivery of biological agents in over 25 years. The Company trades on the Canadian Securities Exchange under the symbol 'NSHS'.

Company Updates and Highlights

Subsequent to year-end 2017 the Company was formally granted its Master patent on the NanoSphere Delivery System, protecting the Company's core technology of nanoencapsulation and delivery of bioactive compounds. This patent is a significant milestone for the Company and protects our novel bioactive delivery technology. for Nutraceuticals, Cosmeceuticals, Pharmaceuticals, Animal health and others. These are all areas of opportunity for the Company to expand and develop ground breaking products. The Company was further granted it's second Patent which provides our exclusivity for Cannabinoid delivery utilizing our NanoSphere Delivery System. This patented technology is first being utilized to produce our flagship products, Evolve, NanoSerums, which are branded under Evolve Formulas name. Evolve NanoSerums were developed as the Company saw a unique opportunity for our patented delivery platform in the cannabis marketplace.

The cannabis industry is growing rapidly, and NanoSphere's technology has the ability to help by solving several of its most limiting problems, i.e. the delivery of cannabis, cannabinoids and terpenes into body tissues more efficiently and without the need to draw potentially toxic smoke into the lungs or produce excessive levels of unwanted metabolites which can occur when using edible cannabis products. The Company currently has had two Evolve products in the Colorado market, on and off for two years now for various reasons and has approval for production of these same products in California, where

commercial production and sales are to begin in late Q4-2019 or early Q1-2020. Company is awaiting commercial production and final approval for sale in Canada through our Canadian licensee by Q1-2020. Our Oregon licensee is currently awaiting approval of their state marijuana license and plans to begin production and launch sales of our Evolve products late Q1 2020.

The Company experienced several significant setbacks in it's rollout of Evolve products in Colorado and California, largely due to changes in regulations, packaging challenges and licensee resource constraints. These setbacks, to some considerable extent, contributed to the serious underperformance experienced in 2018 thru the first three quarters of 2019. The Company has encountered difficulties in receiving payments on fees from certain licensees and has made modifications to its licensee and joint venture agreements going forward to circumvent more of the same.

In June 2019, the Board of Directors appointed Dr. Mark Percival as the new Chief Executive Officer of the Company, succeeding Robert Sutton upon his retirement and David Sutton stepped down as President and C.O.O.

With due diligence by Percival still underway, priorities, focus and revenue expectations are being reset. Percival, with full board support, is cognizant of the folly in "overpromising and underdelivering". While investors who had hoped for a quick return on their investment in Company are undoubtedly disappointed at this time, we have adopted a strategy and approach that will establish our foundation for long-term, sustainable growth and value. Percival's approach has been to meet with the industry's top companies in order to understand their interests and priorities in regard to our technology and potential joint ventures. Our go-forward strategy is to grow through effective joint venture partnerships in cooperative agreements. To do so we must understand the needs and plans of those premier companies we are striving to partner with. This understanding allows us to leverage one another's respective strengths. What has emerged to date is the need to further our research and scientific understandings underpinning our technology's effectiveness and furthering both new product development and IP protection. As joint venture discussions progress with some of the largest and most successful companies in the markets we are in, and those we will be entering, it has become apparent that the key to our success lies in our expanding the science and evidence behind our technology and products. This did not get the time, attention and resources it required previously and is now no small task as it commands considerable time, attention and resources, yet it establishes the foundation for long-term, sustainable success with world class partnerships. In tandem, we continue to invest in the expansion and protection of our Intellectual Property. In addition to the two patents granted in 2018, we have applied for a continuation patent on our US cannabinoid patent and have been issued the patent in Canada for "Methods of Treating Inflammatory Disorders and Global Inflammation with Compositions Comprising Phospholipid Nanoparticle Encapsulations of NSAIDs". This new patent opens the door to discussions with pharmaceutical companies on how we may partner to develop and commercialize a line of NSAID-related products. Company has begun an investor relations campaign to ensure understanding of the need for R&D and more sustainable long-term growth to be our priority at this time. It will likely take us the better part of 18-24 months to establish the foundation, science and strong JV partnerships we need, yet we have a very promising future.

As reported previously, additional capital was raised in February 2019, wherein the Company issued 6,666,394 units at CAD$0.30 per unit for gross proceeds of $1,505,237 (CAD$1,999,918). Each unit consisted of one common share and one half of one share purchase warrant entitling the holder to purchase one common share at a price of CAD$0.50. In connection with the financing, 106,050 finder warrants with a fair value of $12,871 and cash of $40,654 (CAD$54,119) was recorded as share issuance costs.

While every effort has been made and continues to be made to:

- Eliminate waste and inefficiencies, cut costs and limit go-forward expenses,
- Work closely with current licensees to get our products to market and generate sales revenues,
- Cultivate new, profitable and sustainable JV and licensee relationships.

The Company requires new working capital to accomplish its goals and objectives. Opportunities to bring in the working capital required, with a minimum of debt and dilution, are ongoing.

SUMMARY OF QUARTERLY RESULTS

Results of Operations for the three-month period ended September 30, 2019 compared to 2018

The net loss for the three-month period ended September 30, 2019 increased by $219,635 to $871,327 (2018 – $651,692). The significant increase in net loss was due to share-based payment $224,220 (2018 - $74,378) as a result of options granted during the period.

	2019			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales, net of provision	-	4,200	265,060	37,881	-	-	-	-
Net loss	871,327	525,755	728,958	2,058,539	651,692	809,285	995,189	9,285,808
Basic and diluted net loss per share	0.01	0.01	0.01	0.02	0.01	0.02	0.01	0.90

Results of Operations for the nine-month period ended September 30, 2019 compared to 2018

The net loss for the period decreased by $330,126 to $2,126,040 (2018 – $2,456,166). Individual items contributing to the net loss:

- Revenue decreased by $312,224 to $269,260 (2018 - $581,484). The Company signed Definitive Master Licensing Agreements with Delta 9 Cannabis Inc. and Pure Cascade LLC. and received licensing revenue of $269,260.

- Allowance for note receivable increased by $329,380 to $329,380 (2018 - $Nil) as a result of an assessment of the collectability of line of credit agreement with a licensee.

- Depreciation increased by $102,274 to $130,803 (2018 - $28,529) as the Company acquired assets through business expansion and adopted IFRS 16 by recording office lease right-of-use asset, for which the Company recognized higher depreciation.

- Investor relations and marketing decreased by $534,560 to $289,615 (2018 - $824,175). During the comparative period, the Company entered into multiple investor relations contracts for a large-scale investor relations campaign. The Company does not expect these costs to persist and is focusing on reducing its investor relations expenditures.

- Office and administrative decreased by $224,697 to $21,183 (2018 - $245,880) as the Company focused on reducing office expenditures. The Denver office facilities have been deemed to be excessive for current needs and was sublet in early October, 2019, saving more than $12,000 per month in related expenses.

- Professional fees decreased by $270,817 to $260,445 (2018 - $531,262) as the Company incurred legal fees related to corporate affairs.

- Salaries and consulting decreased by $15,981 to $870,419 (2018 - $886,400) as the Company reduced and suspended management fees, with more reductions underway in Q4-2019.

- Share-based payment increased by $110,704 to $321,222 (2018 - $210,518). The expense relates primarily to stock options granted and vested during the period and are not expected to be comparable over the two periods as the expense is dependent on the timing of grants and vesting schedules.

- Travel decreased by $145,512 to $80,143 (2018 - $225,655) as the management focused on reducing travel expenditures.

Cash flows for the nine-month period ended September 30, 2019 compared to 2018

- Cash outflows from operating activities decreased by $1,614,591 to $971,201 (2018 – $2,585,792) primarily due to the decrease in investor relations, office and administrative and travel expense.

- Cash outflows from investing activities decreased by $786,463 to $382,378 (2018 – $1,168,841) primarily due to a decrease in the line of credit advance for the nine-month period ended September 30, 2019 as compared to the same period in 2018.

- Cash inflows from financing activities increased by $1,108,911 to $1,278,686 (2018 - $169,775) as the Company 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) less share issuance costs of $40,654. Of the total proceeds, $100,000 (CAD$132,000) was received in advance as at December 31, 2018. During the period ended September 30, 2019, the Company also made payments on its lease liability of $85,897.

LIQUIDITY AND CAPITAL RESOURCES

The Company has no significant revenues to date. In order to manage risk, the Company closely monitors its cash requirements and expenditures. At September 30, 2019 and December 31, 2018, the Company's working capital and deficit were as follows:

		September 30, 2019		December 31, 2018
Working capital (deficit)	$	(691,829)	$	(168,153)
Deficit		(18,746,762)		(16,620,722)

As at September 30, 2019, the Company has a working capital deficit of $691,829. Management is actively reviewing financing opportunities in order to meet working capital requirements for the current fiscal year.

BASIS OF PRESENTATION - INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The annual consolidated financial statements of the Company comply with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").
The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in US dollars unless otherwise noted.

New standards adopted

IFRS 16 – Leases

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

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

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

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

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

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

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

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

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

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

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

We have recorded an office lease right-of-use asset of $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 our incremental borrowing rate on January 1, 2019 of 10% per annum. We have recorded lease liabilities of $247,339 as at January 1, 2019.

Reconciliation of lease liabilities as of January 1, 2019:

Reconciliation of lease liabilities	January 1, 2019
Future aggregate minimum lease payments under operating leases at December 31, 2018	$ 273,846
Effect of discounting at the incremental borrowing rate	(26,507)
Total lease liabilities as at January 1, 2019	$ 247,339

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of NanoSphere Health Sciences Inc. and its 100% owned subsidiaries.

Key management compensation

During the nine months period ended September 30, 2019, the Company paid or accrued:

a) Salaries and consulting fees of $47,500 (2018 - $Nil) to the CEO of the Company, $104,825 (2018 – $120,000) to the Chief Science Officer of the Company, $54,163 (2018 - $83,900) to Vice President of Finance of the Company, $21,654 (2018 - $15,000) to the CFO of the Company, $112,500 (2018 - $112,500) to the former CEO of the Company, $32,500 (2018 - $58,000) to the former Chief Marketing Officer of the Company, $69,150 (2018 - $34,000) to the former President and COO of the Company;

b) Professional fees of $101,986 to a director of the Company;

c) Share-based compensation of $220,019 (2018 - $129,680) to the officers and directors of the Company was recorded

Included in accounts payable and accrued liabilities is $255,513 (December 31, 2018 - $6,280) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates

Management is required 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:

I. Going concern

The assessment of the Company's ability to continue as a going concern involves critical judgement based on historical experience. Significant judgements are used in the Company's assessment of its ability to continue as a going concern. Management understands the need to raise additional funds within the next 3 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 which is further described in Note 1 and Note 2 in the financial statements.

II. Licensing agreement

During the year of December 31, 2018, the Company entered into two licensing arrangements for the use of proprietary technology. To date in 2019, the Company has entered into two more licensing arrangements for use of proprietary technology. Management concluded that these licensing arrangements do not result in control of the licensee, in accordance with IFRS.

III. 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.

RISKS AND UNCERTAINTIES

This section discusses factors relating to the business of Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner

The following sets out the principal risks (non-inclusive) faced by the Company.

Financing risks. The Company will be dependent upon the capital markets to raise additional financing in the upcoming months, while it maintains essential operations and furthers the research, science and product development that will underpin the commercialization of our technology and future products. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's shares on the Exchange.

Share Price Volatility and Price Fluctuations. The market price for the Common Shares of the Company could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Key personnel risks. The Company's business development efforts are dependent to a large degree on the skills and experience of certain of its key personnel. The Company does not maintain "key man" insurance policies on these individuals. Should the availability of these persons' skills and experience be in any way reduced or curtailed, this could have a material adverse outcome on the Company and its securities.

Collection of revenue risk. The Company recorded licensing revenue but to date has not received payment. The Company has assessed the collectability of revenue and determined that the Colorado licensee revenues are at high risk for not being paid. Should revenue not be collected, it could be reserved in subsequent filings.

Collection of line of credit risk. 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. The outstanding balance due to the Company as at September 30, 2019 was $740,000 (December 31, 2018 - $740,000) which includes accrued interest of $Nil (December 31, 2018 - $87,372). During the period ended September 30, 2019, the Company recognized a provision against LOC receivable of $329,380 (December 31, 2018 - $552,804) as a result of an assessment of the collectability of LOC.

History of Net Losses; Accumulated Deficit; Lack of Revenue from Operations. The Company has incurred net losses to date. Its deficit as of September 30, 2019 was $18,746,762. The Company does not have a strong history of sales operations and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Uninsurable risks. The Company may be subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's normal business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Change in Law, Regulations and Guidelines. The Company's business is subject to a variety of laws, regulations and guidelines relating to marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of medical marijuana but also laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines may cause adverse effects to the Company's operations. On February 24, 2016, the Federal Court released its decision in the case of Allard et al v. Canada, declaring that the Marijuana for Medical Purposes Regulations ("MMPR"), as it was drafted, was unconstitutional in violation of the plaintiffs' rights under section 7 of the Charter of Rights and Freedoms. On August 24, 2016, the Access to Cannabis for Medical Purposes Regulations ("ACMPR") came into force, replacing the MMPR as the regulations governing Canada's medical cannabis regime which permits patients to produce a limited amount of cannabis for their own medical purposes or to designate a person to produce a limited amount of cannabis. The ACMPR could potentially decrease the size of the market for the Company's business, and potentially materially and adversely affect the Company's business, its results of operations and financial condition.

Unfavourable Publicity or Consumer Perception. The success of the medical marijuana industry may be significantly influenced by the public's perception of marijuana's medicinal applications. Medical marijuana is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical marijuana will be favourable. The medical marijuana industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical marijuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical marijuana may have a material adverse effect on our operational results, consumer base and financial results.

Political and Economic Instability. The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3: Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities, approximate carrying value, which is the amount recorded on the consolidated statement of financial position. Cash and receivables, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This includes GST receivable of $44,017 from the Government of Canada. Management believes that the credit risk concentration with respect to receivables is minimal.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

All of the contractual maturities of the Company's non-derivative financial liabilities are within one year of the financial statement end date.

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 commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash is minimal.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable and accounts payable and accrued liabilities that are denominated in Canadian Dollars (CAD). Based on management's knowledge and experience of the financial markets, the Company believes that 10% fluctuation in the CAD against the US Dollars would have a nominal effect on net loss for the period.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

The carrying amount of cash, receivables, and accounts payable and accrued liabilities approximates their fair value due to their short-term nature. The Company does not have significant exposure to changing interest rates.

Based on management's knowledge and experience of the financial markets, the Company believes the following movement is "reasonably possible".

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 September 30, 2019 and December 31, 2018, as the Company did not consider an unfavorable outcome in any material respects in these legal proceedings and litigations to be probable.

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, 2019 remains fundamentally unchanged.

OUTSTANDING SHARE DATA

Common shares, options, warrants and convertible securities outstanding as at the date of this report**:**

Security	Outstanding
Common Shares	108,355,051
Options	6,610,000
Warrants	17,638,869

SUBSEQUENT EVENT

Subsequent to September 30, 2019, the Company:

a) Received equipment lease of $20,000 from Vertical Companies in California. The equipment was leased to manufacture licensed product with a total of $100,000 leasing fee in 5 annually equal instalments of $20,000.
b) Denver office space has been successfully sublet.
c) Personnel (and related expenses) have been reduced by 3 full-time equivalents
d) California licensee has scheduled their first production run of two Company Evolve Formula products for December 2019

e) Canadian licensee has scheduled production of initial test batch of the first Company Evolve Formula product for Jan.6, 2020.

f) The Company's licensee in Colorado has reported that it is unable to maintain its manufacture and distribution of the Company's Evolve products within that territory. The parties are in discussions with respect to the dissolution of the license arrangement and the Company intends to seek out a new licensee.

PROPOSED TRANSACTIONS

The Company has no proposed transactions other than already disclosed.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.SEDAR.COM