NanoSphere Health Sciences Inc.

Management Discussion & Analysis

June 30, 2018

The following Management Discussion and Analysis ("MD&A") of NanoSphere Health Sciences Inc. (the "Company" or "NanoSphere"or "We") should be read in conjunction with the consolidated financial statements of the Company for the period ended June 30, 2018 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 activities and events or developments that the Company expects, are forward looking statements. Management of the Company has included information in this MD&A that it believes is important to help the reader understand management's view of the Company's achievements and the affect they have on operating results, liquidity and financial position of the Company. 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 August 29, 2018.

DESCRIPTION OF THE COMPANY

NanoSphere Health Sciences is a Nano-Technology company that created the 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 QUARTERLY HIGHLIGHTS

The second quarter 2018 has seen significant milestones for NanoSphere Health Sciences. We began the second quarter by announcing new licensing agreements to expand our Evolve Formulas brand into California and Arizona. NanoSphere's momentum continued with the expansion of the Evolve Formulas brand to over 200 dispensaries in Colorado.

Further, we achieved two significant milestones with the Company: 1) The granting of U.S. patent No. 9,925,149, which is our master patent for our NanoSphere Delivery System™, and 2) Securing our second U.S. patent no. 10,028,919, which provides our exclusivity for cannabinoid delivery utilizing our NanoSphere Delivery System™.

The Company has been the recipient of a number of awards for the patented technology including in the second quarter winning a prestigious award for technological innovation from Frost & Sullivan. This has been followed by the recent three 2018 Global Awards from ACQ5, a premier global corporate magazine. NanoSphere was recognized as Company of the Year for Nano-Biotechnology and Innovative Company of the Year for Healthcare, and its CEO Robert Sutton was honored as Gamechanger of the Year.

On July 31, 2018, we announced our memorandum of understanding with Delta 9 Cannabis Inc. to bring our Evolve Formulas cannabis products into the Canadian market. Under this agreement, Delta 9 has committed to applying to Health Canada for authorization to distribute Nanosphere products and are optimistic for approval, given that the use of the NanoSphere Delivery System™ in our products eliminates the controversial need to 'smoke one's medicine' that is currently being debated in Canada.

The Company is currently working on expanding with a Licensee into Nevada, and is actively working on expansion opportunities for the states of Michigan, Oregon, and Florida. In addition to our Transdermal NanoSerum™, We anticipate introducing intra-nasal and intra-oral products later this year. With these three individual products, there will be various strengths and strains for an approximate total of 10 SKUs, allowing Evolve Formulas to serve more patients and consumers and to penetrate more of the markets. The Company has recently developed a new CBD version of the NanoSerum, which formulation is intended to have therapeutic benefits that help with inflammation, anxiety, pain, sleep, and mood.

The Company has focused on the research and development of the core technology and ground work for commercializing this technology in our home state of Colorado. A significant financial investment has been made in the Intellectual Property rights resulting in our recent grants of the two U.S. Patents. In addition, the Company has invested in the establishment of our Manufacturing Process and related Equipment, in Colorado, which will then be the prototype utilized by all Licensees. This ensures consistency of our products wherever they are manufactured. We expect the investment in the operations of the Company and in the process to result in increased revenue recognition beginning in the third quarter.

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

SUMMARY OF QUARTERLY RESULTS

Results of Operations for the three-month period ended June 30, 2018 compared to 2017

The net loss for the three-month period ended June 30, 2018 increased by $640,754 to $792,024 (2017 - $151,270), largely as a result of the Company engaging in the commercialization and marketing of its products as compared to research and development during the same period in the prior year. Management expects the Company's net losses will begin to decrease as more Licensees begin selling the Company's products. The significant individual items contributing to the increase in net loss are:

- Investor relations and marketing costs of $255,248 as compared to nil in the same period 2017.
- Salaries and consulting increased by $229,832 to $315,445 (2017 - $85,613), as the Company transitioned from research and development of the NanoSphere Delivery System to a fully commercialized product being sold in Colorado, including the additional marketing and sales personnel.
- Professional fees increased by $107,727 to $138,512 (2017 - $30,785), primarily as a result of the Company being an operating public reporting company as wells as its investment in the Company's intellectual property.

	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Sales	201,403	-	-	-	-	-	-	-
Net loss	1,804,474	1,012,450	9,285,808 (1)	254,595	151,270	217,955	125,553	108,579
Basic and diluted net loss per share	0.02	0.01	0.90	NA	NA	NA	NA	NA

(1) Includes a one time, non-cash charge of approximately $8,800,000, related to the acquisition of NanoSphere Health Sciences, LLC

Results of Operations for the six-month period ended June 30, 2018 compared to 2017

The net loss for the six-month period ended June 30, 2018 increased by $1,435,249 to $1,804,474 (2017 - $369,225). Management expects the net losses will begin to decrease as more Licensees begin selling the Company's products. The significant individual items contributing to the increase in net loss:

- Investor relations and marketing costs increased to $579,901 as compared to nil in the same period 2017

- Salaries and consulting increased by $382,795 to $591,301 (2017 - $208,506), as the Company continued on developing the NanoSphere Deliver System. and transitioned to a fully commercialized operation.

- Professional fees increased by $201,524 to $247,213 (2017 - $45,689), primarily as a result of the Company being an operating public reporting company as wells as its investment in the Company's intellectual property.

LIQUIDITY AND CAPITAL RESOURCES

The Company recorded its first revenue in the second quarter of 2018 related to its license fee agreements of approximately $201,000. The Company anticipates license fee revenue to increase as more license agreements are continued to be signed in other states and Canada. In order to manage risk, the Company closely monitors its cash requirements and expenditures. At June 30, 2018 and December 31, 2017, the Company's working capital and deficit were as follows:

		June 30, 2018		December 31, 2017
Working capital	$	1,222,923	$	3,580,346
Deficit		(13,910,491)		(12,106,017)

As at June 30, 2018, the Company has a working capital of $1,222,923. Management regularly reviews financing needs in order to meet the opportunities for expansion into new states and Canada.

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.

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 six month period ended June 30, 2018, the Company paid or accrued:

Salaries and consulting fees of $75,000 (2017 - $48,000) to manager of the Company, $80,000 (2017 – $42,000) to the Chief Science Officer of the Company, $39,000 (2017 - $39,000) to the Chief Marketing Officer of the Company, $75,000(2017 - $Nil) to the President of the Company, $72,000 (2017 - $40,000) to Vice President of Finance of the Company, and $15,000 (2017 - $5,000) to a company that employs the CFO.

Share-based payment of $118,390 (2017 - $Nil) to the officers and directors of the Company was recorded in connection with the grant of stock options. The options were valued using the Black-Scholes options model. See Note 8 of the financial statements as at and for the period ended June 30, 2018 for the model inputs.

Included in accounts payable and accrued liabilities is $10,658 (2017 - $Nil) 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.

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, 2017 except for those policies noted below.

Adoption of IFRS 15 – Revenue from Contracts with Customers

For the period beginning January 1, 2018, the Company adopted IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. Under IFRS 15, revenue from the sale of cannabis and medical cannabis is recognized at a point in time when control over the goods have been transferred to the customer. The Company transfers control and satisfied its performance obligation upon delivery and acceptance by the customer within the State of Colorado. With regard to the initial licensing fee, which is charged to the licensees outside of the State of Colorado, it is recognized upon execution of the license agreement. Royalties are recognized when received. The above-noted revenue recognition consistent with the Company's previous revenue recognition policy under IAS 18. IFRS 15 is effective for the Company on January 1, 2018. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

Adoption of IFRS 9 – Financial Instruments

The Company adopted IFRS 9 effective January 1, 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through profit and loss, at fair value through other comprehensive income, and at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings.

The requirements in IAS 39 for classification and measurement were carried forward to IFRS 9 and the Company's accounting policy with respect to financial liabilities remains unchanged.

As a result of the adoption of this standard, the Company has changed its accounting policy for financial assets. The change did not impact the carrying value of any financial assets on the transition date, January 1, 2018.

All aspects of our accounting policies for financial instruments as disclosed in Note 3 to the audited consolidated financial statements for the year ended December 31, 2017 are unaffected.

New standards not yet adopted

Certain pronouncements were issued by the IASB or IFRIC that are not mandatory for accounting periods beginning on or after January 1, 2018 or later periods. They have not been early adopted in these condensed consolidated

interim financial statements, and they are expected to affect the Company in the period of initial application. In all cases the Company intends to apply these standards from application date as indicated below:
IFRS 16 Leases will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

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.

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 which is described in Note 1 of the financial statements.

ii. Licensing agreement

   During the period of June 30, 2018, the Company entered into two licensing arrangements for the use of proprietary technology. Management concluded that licensing arrangements do not result in control of the licensee, in accordance with IFRS.

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 future, while it establishes a user base for its 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 may 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. In the event of uncertain market conditions, 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 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.

History of Net Losses; Accumulated Deficit; Lack of Revenue from Operations. The Company has incurred net losses to date. Its deficit as of June 30, 2018 was $13,910,491. The Company does not have a 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.

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 a major bank in the United States. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This includes GST receivable of $7,371 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. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

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 affect on net loss for the period.

c) Price risk

The Company is exposed to price risks with respect to equity and commodity 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 risks that the Company will realize a loss as a result to a change in equity or commodity prices are minimal.

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".

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.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the stage of the Company, is reasonable.

OUTSTANDING SHARE DATA

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

Security	Outstanding
Common Shares	96,555,563
Options	4,370,555
Warrants	8,091,773

SUBSEQUENT EVENT

Subsequent to June 30, 2018, the Company entered into a memorandum of understanding, on July 31, 2018 with Delta 9 Cannabis Inc., to bring our Evolve Formulas cannabis products into the Canadian market. Under this agreement, Delta 9 has committed to applying to Health Canada for authorization to distribute Nanosphere products. Additionally, the Company secured it second U.S. patent no 10,028,919, which provides our exclusivity for cannabinoid deliver utilizing our NanoSphere Delivery System™.

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