Xillix Technologies Corp.

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Xillix Technologies Corp. (the "**Issuer**")
100 – 13775 Commerce Parkway
Richmond, British Columbia

Item 2. Date of Material Change

December 22, 2004

Item 3. News Release

A news release disclosing the material change was issued at Richmond, British Columbia on December 22, 2004.

Item 4. Summary of Material Change

The closing of a private placement (the "Private Placement") of $5 million of convertible unsecured debentures (the "Debentures") of Xillix Ltd. ("Subco"), a wholly-owned subsidiary of the Issuer.

The Debentures are convertible into a total of up to 5,555,555 Series 3 Preferred Shares (the "Preferred Shares") of Subco, at a conversion price of $0.90 per share. The Preferred Shares are exchangeable for a total of up to 5,555,555 common shares of the Issuer, on a one for one basis.

Item 5. Full Description of Material Change

The Debentures:

(i) mature six years after their date of issue;

(ii) are convertible, at the option of the holder at any time after April 1, 2005 into Series 3 Preferred shares of Subco (the "Preferred Shares") at a conversion price of $0.90 per share (the "Conversion Price"); and

(ii) bear interest at the rate of 10% per annum, if paid in cash, and at the rate of 12% per annum, if paid in Preferred Shares (at Subco's option, as described below), payable quarterly, subject in either case to reduction after the first anniversary of closing of the Private Placement (the "Closing") on the occurrence of certain events.

Each Preferred Share will be exchangeable for one common share of the Issuer (the "Xillix Shares"), without the payment of any additional consideration.

Under the terms of the Debentures, Subco:

(i) after April 1, 2005, has the right to require the holders of the Debentures to convert the principal thereof and accrued interest thereon into Preferred Shares at the Conversion Price at any time within 5 business days after the end of any 20 consecutive trading day period during which:

(A) the weighted average trading price of the Xillix Shares on the Toronto Stock Exchange (the "TSX") is equal to or greater than the Conversion Price; and

(B) the average daily volume of Xillix Shares traded on the TSX is not less than 50,000; and

(ii) subject to obtaining all necessary regulatory approvals and certain other conditions, has the right, exercisable at its option, to pay interest accrued on the Debentures in the first and second years after the Closing in Preferred Shares. Any such Preferred Shares will be issued at a deemed price equal to the weighted average trading price of the Xillix Shares on the TSX during the 5 trading day period ending one business day prior to the applicable interest payment date.

The rate of interest payable on the Debentures will be subject to adjustment as follows:

(i) effective on the later of:

(A) the date on which Xillix receives approval from the United States Food and Drug Administration (the "FDA") of a PMA Supplement for the lung application of its Onco-LIFE device, and

(B) the first anniversary of the Closing, the interest rate will be reduced to 10% per annum for interest paid in Preferred Shares and to 9% per annum for interest paid in cash;

(ii) effective on the later of:

(A) the date upon which Xillix submits an application to the FDA for approval of a PMA Supplement for the GI application of its Onco-LIFE device, and

(B) the second anniversary of the Closing,

the interest rate will be reduced to 8% per annum; and

(iii) effective on the third anniversary of the Closing, if Xillix has not received approval from the FDA of a PMA Supplement for the GI application of its Onco-LIFE device, the interest rate will be increased to 9% per annum and shall continue at that rate until such approval is obtained, at which time it will be reduced to 8% per annum.

For greater certainty, interest will be paid in cash only from the second anniversary of the Closing until the maturity date of the Debentures.

Pursuant to the Articles of Subco and a Support Agreement to be entered into among the Issuer, Subco and the holder of the Debentures, the Preferred Shares will be substantially economic equivalent to the Xillix Shares. In particular, the holder of the Preferred Shares will have the following rights:

(i) to exchange the Preferred Shares for Xillix Shares on a one-for-one basis;

(ii) to receive dividends, on a per share basis, in amounts which are the same as dividends declared on the Xillix Shares;

(iii) to participate on a pro rata basis with the holders of Xillix Shares on a liquidation, dissolution, winding-up or distribution of the assets of the Issuer to its shareholders.

If the Debentures are fully converted and the Preferred Shares are fully exchanged, the Private Placement will result in the issuance of 5,555,555 Xillix Shares, which is less than 5% of the total number of Xillix Shares which are currently issued and outstanding.

Item 6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102

Not Applicable.

Item 7. Omitted Information

Not Applicable.

Item 8. Executive Officer

The following executive officer of the Company is knowledgeable about the material change and may be contacted respecting the change:

Brett Gannon, Chief Financial Officer and Secretary
(604) 278-5000

Item 9. Date of Report

DATED at Richmond, British Columbia this 22nd day of December, 2004.

(signed)
Brett Gannon
Chief Financial Officer and Secretary