CALLITAS HEALTH INC.
MANAGEMENT DISCUSSION AND ANALYSIS

Nine Month Period Ended – September 30, 2020

This Management Discussion and Analysis ("**MD&A**") of Callitas Health Inc. (“Callitas” or the "Company") provides analysis of the Company’s financial results for the period ending September 30, 2020.

FORWARD-LOOKING STATEMENTS

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions of management and are subject to known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. In particular, forward-looking information and statements contained in this MD&A include: (i) statements regarding the further development and regulatory approvals of the Company's intellectual property; and (ii) statements regarding the requirement that additional cash will be required. Risk factors that could cause results to differ materially include changes to regulatory rules, changes to market conditions and the ability of the Company to obtain adequate financing. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. In addition, forward-looking statements include with respect to the commercialization of the rights to various technologies. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. These statements speak only as of the date of this this Management Discussion and Analysis ("MD&A") of Callitas Health Inc. (“Callitas” or the "Company"). Actual results could differ materially from those currently anticipated due to a number of factors and risks including various risk factors discussed in the Company's disclosure documents which can be found under the Company's profile on www.sedar.com and such factors as the Company failing to complete the commercialization of its technologies.

The forward-looking statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Date of Report: April 6, 2021

Callitas trades on the Canadian Securities Exchange (CSE) under the ticker symbol “LILY” as well as on the OTC as “MPHMD” and FWB (Frankfurt Stock Exchange) as “T3F3.”

Callitas Health Inc. ("Callitas" or the "Company") is a provider of over-the-counter consumer health and wellness products. The majority of the Company's sales are derived from the sale of bulk personal lubricant. The Company holds a legacy portfolio of patents and patent applications which is seeks to develop further upon raising additional funds.

CONSUMER HEALTHCARE PRODUCT PORTFOLIO

To Conceive

- ToConceive is an innovative, FDA- cleared, multi-patented vaginal moisturizer that improves the ability to conceive naturally.
- ToConceive isn't a traditional lubricant; it's a gel, moisturizer and lubricant. When applied to the vulva and clitoris daily, ToConceive helps the body produce additional lubrication that helps aid conception.
- Given the international trend towards starting a family later, this product presents significant opportunity for growth.

Consumer Wellness Products Under Development

The Company has begun additional research & development of

- a prenatal vitamin
- a line of fertility nutritional supplements
- topical arousal gels for both males and females
- other cosmetic/topical products included eye care products

Cannabinoid Delivery Technology – CannaMint

- CannaMint is a patent-pending technology that uses orally dissolvable strips to deliver cannabinoids for a variety of conditions.
- CannaMint strips, by design, enhance the pharmacokinetic bioavailability of the cannabinoids, increasing the impact and duration of the health benefits provided, particularly for pain and inflammation relief.
- CannaMint technology uses a clinically-proven, FDA-cleared combination of L-arginine and menthol to generate sustained increases in vasodilation and absorption.
- The orally dissolving menthol and l-arginine function to provide enhanced cannabinoid bioavailability, while avoiding filtration through the lungs and liver.
- Combining the dual-action delivery with cannabinoids provides a new, superior ability for delivering cannabinoids to address pain management and inflammation concerns.
- The Company intends to focus development on Hemp derived cannabinoids including Cannabidiol (CBD), Cannabigerol (CBG) and others as they become available commercially.

PHARMACEUTICAL / RESEARCH AND DEVELOPMENT PIPELINE

C-103 – Prescription Weight Loss Treatment:

- C-103 is a reformulation of Xenical (Orlistat 120 mg) for the treatment of obesity which minimizes adverse side effects associated with the use of Xenical.
- C-103 incorporates simethicone and activated charcoal as additional active ingredients which mitigate undigested fats from reaching the lower relieving users of any unwanted issues.
- Through a patent pending capsule design, C-103 acts as a two-stage delivery solution. The simethicone is released first, emulsifying fats, and the charcoal is released later to facilitate binding.

Extrinsa - Female Sexual Dysfunction ("FSD") Treatment

- Extrinsa is topical prescription gel that increases vaginal blood flow addressing female sexual dysfunction (FSD) issues. Extrinsa uses a combination of menthol/L-arginine and tadalafil (a PD5 inhibitor).

KEY DEVELOPMENTS DURING THE PERIOD

The Company obtained loans totaling $211,352 which bear interest of 15% per annum, are secured by the assets of Callitas, and mature September 30, 2020 and May 30, 2021.

Management Change and Unauthorized Transactions

During the fall of 2019 the board of directors and management became aware that Gary Stephens, former CFO of the Company, had misappropriated significant funds. Upon investigation the Company determined approximately $297,915 in unauthorized withdrawals were made by overriding controls over wire transfers. The Company is in discussion with legal advisors regarding potential legal actions to pursue against Mr. Stephens and is investigating possible action against the bank as internal procedures at the bank appear not to have been followed.

In December 2019 Brian Keane was appointed CEO, and Joshua Maurice was appointed President of the Company.

OUTLOOK

Current management and the board of the Corporation believe that the Corporation can expand on its current lines of business and become profitable. In order to do so, the Corporation will need to re-negotiate certain legacy contracts, dispose of non-performing assets and spend significant time and capital remedying missteps and malfeasance of prior management. The Corporation has also identified possible business partners or acquisitions that will be accretive once these necessary steps have been taken. Funding sources have been identified and have expressed an interest in becoming shareholders of the Corporation when those steps have been taken.

All outstanding financial statements have now been filed, and once the standard regulatory review has been completed by the applicable securities commissions in Canada, the Corporation expects its shares to start trading again on the CSE. The Corporation currently has no sense of how long this process will take but expects it to be completed in the summer of 2021.

RESULTS OF OPERATIONS AND FINANCIAL POSITION

The selected financial information presented below should be read in conjunction with the December 31, 2019, 2018, consolidated financial statements are prepared in accordance with IFRS:

Summary of Operations	September 30, 2020	September 30, 2019
Revenue	$ 378,005	$ 406,053
Cost of goods sold	122,769	54,458
Gross profit	255,236	351,595
Gross profit %	68%	87%
Total expenses	608,057	1,324,934
Net loss for the period	$ (363,434)	$ (1,441,048)
Basic and diluted loss per share	$ (0.01)	$ (0.03)
Basic and diluted common shares outstanding	45,271,962	42,176,635

Balance Sheet Summary	September 30, 2020	December 31, 2019
Current assets	$ 135,799	$ 185,316
Total assets	135,799	185,316
Current liabilities	4,849,591	4,287,390
Total liabilities	5,922,602	5,497,251
Working capital (deficiency)	(4,713,792)	(4,102,074)

Summary of Results – Nine-month Period ended September 30, 2020:

Net loss for the nine-month period ended September 30, 2020 was $444,680 (2019 – $1,441,048) a decrease of $996,368. During the nine-month period ended September 30, 2020, the Company's revenue was primarily derived from the sale of sexual wellness products to two customers and a one-time licencing fee of $100,000 US. Sales decreased to $378,005 from $406,053 in 2019 which was directly attributable to a shift to new customers and general sexual wellness products from the bulk personal lubricant sales which occurred in the first half of 2019. Margins were 68% in the quarter compared to 87% in the 2019 which was in relation to the change in product mix and customers served. Excluding the one-time licence fee the Company's margins were 56%

Overall operating expenditures decreased by $635,631 or 48% from $1,324,934 in 2019 to $689,303 in 2020. The decrease was primarily due to decreased share-based payments, professional fees, and consulting.

The following is a summary of the most significant changes in operating expenses:

- Payroll was $431,281 in the period compared to $368,292 in 2019 which represented an increase of 17%. The increase in payroll related to the appointment of CEO, Brian Keane, and President, Joshua Maurice.

- General and administrative decreased to $51,361 in 2020 from 136,708 in 2019, a decrease of 57%. The Company reduced costs during the period due to limited cash available.

- Consulting fees decreased to $79,431 for the period compared to $337,962 in 2019. The Company had limited financial resources so was required to reduce consulting fees. Consulting related to accounting and business development.

Summary of Results – Three-month Period ended September 30, 2020

Net loss for the three-month period ended September 30, 2020 was $166,854 (2019 – $166,717) an increase of $137. During the three-month period ended September 30, 2020, the Company's revenue was primarily derived from the sale of sexual wellness products to two. Sales were to $52,493 in 2020 compared to $11,096 in 2019 which was attributable to a shift to new customers and general sexual wellness products from the bulk personal lubricant sales which occurred in the first half of 2019. Margins were 51% in the quarter compared to 84% in the 2019 which was in relation to the change in product mix and customers served.

Overall operating expenditures increased by $58,092 or 45% from $130,264 in 2019 to $188,356 in 2019. The decrease was primarily due to decreased share-based payments, professional fees, and consulting.

The following is a summary of the most significant changes in operating expenses:

- Payroll was $107,070 in the period compared to $112,404 in 2019 which represented decrease of 5%.

- General and administrative increased to $45,754 in 2020 from 5,008 in 2019, a increase of 814%. The Company minimized costs during the prior period due to limited cash available.

- Consulting fees decreased to $6,032 for the period compared to $110,441 in 2019. The Company had limited financial resources so was required to reduce consulting fees. Consulting related to accounting and business development.

Summary of significant Balance sheet items

The primary factors affecting the changes to the balance sheet items were as follows:

- Accounts receivable at September 30, 2020 were $Nil as all of the $108,645 related to goods shipped to was collected in January 2020.

- Prepaid expenses of $Nil (December 31, 2019 - $46,897) related to inventory deposits and was receive as inventory in the period.

- Inventory and deposits for inventory increased to $114,215 from $14,721 in relation to the purchase of raw materials and packaging purchased for the Company's product lines net of sales completed during the period.

- Accounts payable increased to 620,209 as at September 30, 2020 from $598,269 in December 2019 primarily due to purchases of inventory.

- Due to Vendor increased due to foreign exchange to $938,775 as at September 30, 2020 from $914,072 in 2019. There were no repayments to the Vendor during the period ended September 30, 2020. The continuity of the liability is as follows:

		Due to Vendor
Balance, December 31, 2018	$	1,241,385
Additions		173,268
Repayment /reversal		(418,320)
Foreign exchange		(82,261)
Balance, December 31, 2019		914,072
Foreign exchange		24,703
Balance, September 30, 2020	$	938,775

- Due to related parties increased to $1,463,718 as at September 30, 2020 from $1,214,141 as at December 31, 2019. See related party disclosure for details of the change in balance.

- Deferred income of $67,681 (December 31, 2019 – 86,046) related to deposits received in advance of completing the underlying transactions with customers net of product delivery.

- Obtained loans totalling $211,352 to fund working capital bearing interest at 15% repayable in less than one year or already past maturity and in default.

- The Company recorded a derivative liability of $205,689 in relation to the conversion feature associated with the convertible debentures on close of the transaction. As of September 30, 2020, the Company re-valued the derivative liability at fair value resulting in a fair value adjustment of $128,819. The overall derivative liability of $67,681 represents a non-cash liability to be settled in shares at a future date.

QUARTERLY RESULTS

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Revenue	$ 52,493	$ 325,512	$ 100,901	$ 303,073
Cost of sales	25,599	97,170	55,287	139,780
Net loss	(85,608)	(277,826)	(142,985)	(183,691)
Basic and diluted loss per share	(0.00)	(0.01)	(0.00)	(0.04)
Weighted average shares outstanding	45,271,962	45,271,962	45,271,962	43,678,683

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Revenue (Net)	$ 11,096	$ 217,676	$ 177,281	$ 149,360
Cost of sales	1,819	27,389	25,250	28,463
Net loss	(500,737)	(240,002)	(774,474)	(4,230,257)
Basic and diluted loss per share	(0.03)	(0.03)	(0.03)	(0.13)
Weighted average shares outstanding	43,141,754	42,058,996	38,249,036	32,942,895

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2020, the Company's cash position was $21,584 (December 31, 2019 - $15,053). Current assets at September 30, 2020 were $135,799 (December 31, 2019 - $185,316). The Company held inventory and inventory deposits of $114,215 (2019 - $14,721) which consisted of packaging and raw materials primarily for the Delay Spray product. Current liabilities were $4,929,625 as at September 30, 2020 (December 31, 2019 - $4,287,390). As at September 30, 2020 working capital deficiency was $4,793,826 (December 31, 2019 - $4,102,074).

During the period ended September 30, 2020 the Company entered loans for $211,352 which bear annual interest of 15% and are secured by the assets of the Company.

The ability of the Company to settle its obligations is dependent upon the Company being able to obtain financing to continue to research and develop its products and to commence commercialization and sales. Operations may be hindered by the current working capital deficiency. The success of the Company is dependent upon the Company obtaining further funds to ensure its liquidity, increasing sales and cash flows and developing and expanding strategic partnerships.

Capital management

The Company considers its capital structure to include working capital, debt and shareholders' equity. The Company monitors capital based on annual funds used in operations, flow through share obligations and the availability of debt and equity capital. The Company prepares budgets for its capital expenditures, which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors.

The Company's objective is met by retaining adequate equity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. In order to maintain or adjust its capital structure, the Company may issue new shares. The Board of Directors does not establish quantitative return on capital criteria for management. The Company is not subject to any externally imposed capital requirements and the Company's overall strategy with respect to capital management remains unchanged from the year ended December 31, 2019.

The following is a summary of the Company's cash flows for the period ended September 30, 2020:

Net cash provided by (used in)	September 30, 2020	September 30, 2019
Operating activities	$ (63,468)	$ (1,020,455)
Investing activities	-	-
Financing activities	100,192	1,089,210
Effect of exchange rate on cash	(30,193)	(23,307)
Cash, beginning	15,053	435
Cash, end	21,584	45,883

FINANCAL INSTRUMENTS AND RISK MANAGEMENT

Risk exposures:

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk, market risk and interest rate risk as a result of its use of financial instruments. The below presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's policy is to ensure that its investments are liquid and not to invest in asset backed commercial paper products.

The Company did not provide for any doubtful accounts nor was it required to write-off any receivables during the period. The Company would only choose to write-off a receivable balance (as opposed to providing an allowance) after all reasonable avenues of collection had been exhausted. As the Company has not entered into any hedging arrangements, it is not exposed to credit risk associated with possible non-performance by counterparties to any such derivative financial instrument contracts.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. However, since the Company is in the research and development phase and is dependent upon capital markets to provide sufficient funds to continue its research and development activities, the Company may not be able to limit its liquidity risk during periods of uncertainty in the capital markets.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. The Company uses authorizations for expenditures and board approval of significant individual expenditures to further manage capital expenditures.

(iii) Market risk

Market risk consists of interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company may use both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions are conducted in accordance with a risk management policy as set out herein. As the Company is managing in the pre-production stage of development these risks affect the Company's ability to raise capital.

(iv) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk as September 30, 2020 as the promissory notes payable and the convertible debentures are at a fixed rate of interest.

RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals.

During the period ended September 30, 2020 and 2019 the Company entered the following transactions with members of key management:

	September 30, 2020	September 30 2019
Salary - James Thompson, director	$ 243,738	$ 239,256
Consulting Chelex LLC - James Thompson managing member	-	119,628
Consulting fees - Brian Keane, CEO	115,099	29,907
Consulting fees - Joshua Maurice, President	104,266	-
Accounting fees paid to the former CFO, Gary Stephens	-	63,802
Write off of amount due from former CFO, Gary Stephens	-	297,915
Legal fees paid to a director, Rick Skeith	-	56,917
Total	$ 463,103	$ 807,425

The following is a summary of the amounts owing to key management:

	September 30, 2020	December 31, 2019
Law firm which Rick Skeith was a former partner	$ 159,497	$ 159,497
Chelex LLC - James Thompson, managing member	373,492	363,663
James Thompson, director, former CEO, accrued salary	691,608	458,152
Gary Thompson, former CEO, accrued salary and payables	239,121	232,829
Total	$ 1,463,718	$ 1,214,141
Other:		
Brian Keane, CEO accrued salary - to be issued in shares	$ 205,857	$ 205,857
Due to vendor, 40J's LLC - James Thompson managing member	$ 938,775	$ 914,072

OUTSTANDING SHARE DATA

Details of the Company's capitalization are as follows:

	September 30, 2020	Date of MD&A
Common shares	45,271,962	45,271,962
Warrants	15,721,007	15,721,007
Stock options	2,120,000	2,120,000
Shares issuable on conversion of debentures	3,132,435	3,132,435
Total	66,245,404	66,245,404

SIGNIFICANT ACCOUNTING POLICIES

See Note 3 of the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

See Note 4 of the consolidated financial statements.

OFF BALANCE SHEET TRANSACTION AND PROPOSED TRANSACTIONS

None.

Litigation

On December 7, 2017, an entity became defendant to a lawsuit due to a case brought against TriMtec, its wholly-owned subsidiary due to the breach of a license agreement. The total amount of the claim is $227,150 plus interest, alleged lost royalties of $125,000, loss of opportunity and costs. TriMtec recorded an accrual of $220,000 related to the agreement. Callitas Health Inc. and TriMtec filed a Statement of Defence arguing that only TriMtec and no other entity owes this obligation. Subsequent to December 31, 2019 the Company settled the claim against TriMtec for $170,600 and therefore recorded a recovery of $49,400 of the previously accrued amount. The settlement amount was paid during May 2020.

SUBSEQUENT EVENTS

Subsequent to September 30, 2020 the Company entered the following transactions:

- On December 30, 2020, the Company entered into a settlement agreement with Dr. Ronald Thompson ("Thompson") whereas the Company has been unable to make payments due to Thompson under agreements relating to various patents and other intellectual property created by Thompson. The parties have agreed to settle the amounts owed by the payment to Thompson of US $125,000, and the purchase by third parties of 4,506,472 Callitas shares from Thompson for US $22,532 ($0.005 per share).

- On January 21, 2021, the Company (the "Licensor") entered into a licensing agreement with Aion Therapeutic Inc. (the "Licensee") whereby the Licensor shall grant the Licensee a license to use the Licensed IP as specified in the agreement. In consideration for this License, the Licensee will pay to the Licensor a cash payment of US $150,000 upon signing of the agreement, as well as royalties and other payments to be calculated and mutually agreed by the parties.

- On January 22, 2021, the Company entered into a settlement agreement with James Thompson whereas there has been some disagreement in respect to an employment contract between the parties and they have agreed to settle their differences by payment from the Company to Thompson of US $250,000, and the delivery of certain Callitas shares held by James Thompson into voluntary escrow, as set out in the agreement.

- Subsequent to September 30, 2020, the Company entered into a loan and option license agreement whereby the Company received consideration and shall pay US $200,000 plus interest to Plant-Based Investment Corp. (the "Holder") upon the twelve-month maturity date. As well, the Company agrees to provide the Holder with the rights of first refusal to enter into one or more license agreements on commercially acceptable terms to both parties, related to the use or further development of certain technologies currently held by the Holder.

RISK FACTORS

COVID-19 Risk Factor

The Company may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to COVID-19. An outbreak of infectious disease, a pandemic, or a similar public health threat, such as the recent outbreak of COVID-19, or a fear of any of the foregoing, could adversely impact Callitas by causing operating, manufacturing, supply chain, and project development delays and disruptions, labor shortages, travel, and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). It is unknown whether and how Callitas may be affected if such a pandemic persists for an extended period of time, including as a result of the waiver of regulatory requirements or the implementation of emergency regulations to which Callitas is subject. The Company may incur expenses or delays relating to such events outside of its control, which could have a material adverse impact on its business, operating results, financial condition and the trading price of the Company's Common Shares.

Regulatory Risks

The activities and biomedical products of the Company will be subject to regulation by governmental authorities, including Health Canada, the U.S. Food and Drug Administration, and others. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining,

or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Limited Operating History

The Company has yet to generate revenue from the sale of products. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Current management and board are reviewing past failures of prior management in respect to a number of areas, including financial controls, customer service, regulatory reporting and code of conduct violations, all of which will require significant resources, both in the way of management time and corporate resources to remedy.

Dependence on patent and other proprietary rights.

The Company operates in an industry characterized by extensive patent litigation. Patent litigation can result in significant damage awards and injunctions that could prevent the manufacture and sale of affected products or require the Company to pay significant royalties in order to continue to manufacture or sell affected products. At any given time, the Company could be involved as both a plaintiff and a defendant in a number of patent infringement actions, the outcomes of which may not be known for prolonged periods of time. While it is not possible to predict the outcome of patent litigation, the Company believes the results associated with any such litigation could result in the payment of significant monetary damages and/or royalty payments, negatively impacting the ability to sell current or future products, or prohibiting the Company from enforcing its patent and proprietary rights against others, which would generally have a material adverse impact on consolidated earnings, financial condition, and/or cash flows.

Factors which may Prevent Realization of Growth Targets

The Company is currently in the early development stage. There is a risk that the Company will not be able to obtain additional resources on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity; and
- inability to attract sufficient numbers of qualified workers.

As a result, there is a risk that the Company may never have product for shipment to meet the anticipated demand or to meet future demand when it arises.

The Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability.

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Additional Financing

The building and operation of production facilities and businesses are capital intensive. In order to execute the anticipated growth strategy, the Company will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which

may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

The biomedical device & pharmaceutical industries are highly competitive

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

The Company faces a mixture of competitors ranging from large manufacturers with multiple business lines to small manufacturers that offer a limited selection of niche products. Development by other companies of new or improved products, processes, or technologies may make our products or proposed products less competitive.
In the current environment of managed care, consolidation among health care providers, increased competition, and declining reimbursement rates, the Company may be increasingly required to compete on the basis of price. In order to continue to compete effectively, the Company must continue to create, invest in, or acquire advanced technology, incorporate this technology into its proprietary products, obtain regulatory approvals in a timely manner, and manufacture and successfully market our products. Given these factors, the Company cannot guarantee that it will be able to continue its level of success in the industry.

Because of the early stage of the industry in which the Company intends to operate, the Company expects to face additional competition from new entrants. To be competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Product Liability

As a manufacturer and distributor of biomedical products, the Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. The Company may be subject to various product liability claims, including, among others, that its products caused injury or illness, include inadequate instructions for use or include inadequate warnings. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all.
The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company intends to have detailed procedures in place for testing finished products, there can be no assurance that any problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's products were subject to recall, the image of the brand and the Company

could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Consolidation in the health care industry could have an adverse effect on the business

Many health care industry companies, including health care systems, are consolidating to create new companies with greater market power. As the health care industry consolidates, competition to provide goods and services to industry participants will become more intense. These industry participants may try to use their market power to negotiate price concessions or reductions for medical devices that incorporate components produced by the Company. If the Company is forced to reduce its prices because of consolidation in the health care industry, revenues would decrease and consolidated earnings, financial condition, and/or cash flows would suffer.

The business is indirectly subject to health care industry cost-containment measures that could result in reduced sales of medical devices

Most of the Company's future customers, and the health care providers to whom future customers supply medical devices, rely on third-party payers, including government programs and private health insurance plans, to reimburse some or all of the cost of the procedures in which medical devices that incorporate components we manufacture or assemble are used. The continuing efforts of governmental authorities, insurance companies, and other payers of health care costs to contain or reduce these costs could lead to patients being unable to obtain approval for payment from these third-party payers. If third-party payer payment approval cannot be obtained by patients, sales of medical devices may decline significantly and customers may reduce or eliminate purchases of the Company's products. The cost-containment measures that health care providers are instituting, both in the U.S. and internationally, could harm the Company's ability to operate profitably.

The development of products depends upon the Company's ability to maintain strong relationships with physicians

If the Company fails to maintain working relationships with physicians, many of its products may not be developed and marketed in line with the needs and expectations of the professionals who use and support the Company's products, which could cause a decline in earnings and profitability. The research, development, marketing, and sales of the Company's products is dependent upon the ability to maintain working relationships with physicians. The Company relies on these professionals to provide knowledge and experience regarding the development, marketing, and sale of its products. Physicians assist as researchers, marketing and product consultants, inventors, and public speakers. If the Company is unable to maintain strong relationships with these professionals, the development and marketing of its products could suffer, which could have a material adverse effect on consolidated earnings, financial condition, and/or cash flows.

Dependence on Suppliers and Skilled Labour

The ability to compete and grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this stage of the medical device industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Operating Risk and Insurance Coverage

The Company intends to obtain insurance to protect its assets, operations and employees. While the Company believes insurance coverage can adequately address all material risks to which it may be exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability to deal with this growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

Conflicts of Interest

Certain of the directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

The market price of the Common Shares may be subject to wide price fluctuations

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in operating results, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

Dividends

The Company has no earnings or dividend record and does not anticipate paying any dividends on the Common Shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Limited Market for Securities

There can be no assurance that an active and liquid market for the Common Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.