AVAGENESIS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2015 AND 2014

This management's discussion and analysis ("MD&A") presents an analysis of the financial position of Avagenesis Corp. (the "Company" or "Avagenesis") for the three and nine months ended March 31, 2015 and 2014. The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended March 31, 2015 and 2014, and with the audited consolidated financial statements for the years ended June 30, 2014 and 2013, including the notes contained therein. The preparation of financial data for Avagenesis Corp. is in accordance with International Financial Reporting Standards ("IFRS").

Date of Report

This MD&A is dated May 19, 2015 and presents material information up to this date.

Forward Looking Statements

This MD&A contains forward-looking statements. These statements relate to future events or future performance and reflect our expectations and assumptions regarding our growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect our current beliefs and are based on information currently available to us. In some cases, forward-looking statements can be identified by terminology such as "may", "would", "could", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. The forward-looking statements in this MD&A include, among others, statements regarding our future operating results, economic performance and product development efforts, and statements in respect of:

- our expected future losses and accumulated deficit levels;
- our projected financial position and estimated cash burn rate;
- our requirement for, and our ability to obtain, future funding on favorable terms or at all;
- our potential sources of funding;
- our expectations regarding our capacity to arrange for the manufacturing and production of our Device and technology;
- our assessment of the benefits of our Device to researchers and clinicians;
- our expectations regarding the progress, and the successful and timely completion, of the various stages of the regulatory clearance process;
- our plans to market, sell and distribute our Device;
- our expectations regarding the acceptance of our Device by the market;
- our expectations with respect to future corporate alliances and licensing transactions with third parties, and the receipt and timing of any payments to be made by us or to us in respect of such arrangements; and
- our strategy with respect to the protection of our intellectual property.

A number of factors could cause actual events, performance or results, including those in respect of the foregoing items, to differ materially from the events, performance and results discussed in the forward-looking statements. Factors that could cause actual events, performance or results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- the effect of continuing operating losses on our ability to obtain, on satisfactory terms, or at all, the capital required to remain a going concern;
- the ability to obtain sufficient and suitable financing to support operations, development and commercialization of the Device;
- the risks associated with the development of our Device;
- the risks associated with the increase in operating costs resulting from additional development costs and higher staff levels;
- timing and feedback from researchers and clinicians;

- the regulatory approval process;
- our ability to successfully compete in our targeted markets;
- our ability to adequately protect proprietary information and technology from competitors;
- our ability to attract and retain key personnel and key collaborators;
- the potential for product liability claims; and
- the substantial risks involved in early-stage biotechnology development companies related to, among other things, commercialization, capitalization, cost containment and potential litigation.

Although the forward-looking statements contained in this MD&A are based on what we consider to be reasonable assumptions based on information currently available to us, there can be no assurance that actual events, performance or results will be consistent with these forward-looking statements, and our assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this MD&A.

Forward-looking statements made in this MD&A are made as of the date of the original document and have not been updated by us except as expressly provided for in this MD&A. As required by securities legislation applicable to reporting issuers, it is Avagenesis' policy to update, from time to time, forward-looking information in its periodic management discussions and analyses and provide updates on its activities to the public through the filing and dissemination of news releases and material change reports.

OVERALL PERFORMANCE

In the course of the three months ended March 31, 2015, and the period up to and including the date of this MD&A, Avagenesis accomplished the following:

- Continued R&D to further optimize the quality of the stem cell output and also reduce overall processing time by an additional 20%, which resulted in revising certain specifications for the initial beta besting systems ("beta systems", "systems" or "device").
- Continued with the expansion of the beta testing program, which required the set up of a larger contracted assembly facility to increase output capacity, hiring and training of additional sales personnel, and implementation of a Customer Relationship Management ("CRM") system.
- Obtained Canadian Standards Association ("CSA") Group certification and continued working on the process for securing (among others) European Conformity ("CE") Mark and ISO certifications for the licensed technology.
- Completed the development of the overall process for product packaging, shipping and tracking, as well as the development of manuals and user guides for the integrated system of beta systems and accompanying disposables.
- Continued investor relation activity with California-based firm of San Diego Torrey Hills Capital Inc.
- On March 16, 2015, completed the acquisition of Curastem Biomedical Corp. ("Curastem Acquisition"), a Vancouver, BC based biotechnology company that has the exclusive global license for the same technology as Avagenesis', except that it is limited to use in burn wound management, via a share exchange transaction. Curastem's license agreement was with Oceans Ingenuity Inc. ("Oceans"), which has recognized, accepted and granted the assignment of the license agreement to Avagenesis. Prior to the closing of the share exchange transaction, Curastem closed a private placement by issuing an aggregate of 1,742,480 common shares for gross proceeds of $696,992. Under the terms of the share exchange agreement, all Curastem shares were exchanged for Avagenesis shares on a three-for-one basis, resulting in the issuance of 1,580,821 common shares of Avagenesis to the shareholders of Curastem, at a fair value of $1.15 per share.

The market factors are substantially unchanged from the ones disclosed in the annual MD&A for the years ended June 30, 2014 and 2013.

SELECTED QUARTERLY INFORMATION

The following financial data, which has been prepared in accordance with IFRS, is derived from the unaudited condensed consolidated interim financial statements for the quarters that were prepared. Avagenesis was not publicly traded prior to the Amalgamation with Westshire Capital Corp. on December 6, 2013 and, in accordance with National Instrument 51-102, only that information that has been previously prepared is included herein.

	March 31 2015	December 31 2014	September 30 2014	June 30 2014	March 31 2014	December 31 2013	September 30 2013
Total Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net loss	(717,372)	(182,431)	(690,077)	(863,130)	(913,265)	(1,554,526)	(443,059)
Net loss per share (basic and diluted)	(0.01)	(0.00)	(0.01)	(0.02)	(0.02)	(0.03)	(0.01)

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

Research and Development Costs

	Three Months Ended March 31 2015	Three Months Ended March 31 2014
License fees	$ 25,000	$ 25,000
Assembly costs, beta systems	195,000	300,000
Research and development	230,555	321,664
Total	$ 450,555	$ 646,664

General and Administration Expenses

	Three Months Ended March 31 2015	Three Months Ended March 31 2014
Management fees	$ 154,871	$ 191,366
Marketing and business development	33,467	16,154
Professional fees	66,947	30,318
Offices and miscellaneous	20,732	30,365
Total	$ 276,017	$ 268,203

During the three months ended March 31, 2015, the Company incurred a net loss of $717,372, which improved by $195,893 compared to the three months ended March 31, 2014. The loss improvement was primarily attributable to the decrease in R&D and contract assembly costs.

The current quarter's R&D costs were mainly composed of supplies and equipment that are required to provide assessments and optimization of the integrated beta systems. The resulting optimization resulted in an improved quality of the stem cell output and also a 20% reduction in processing time to approximately 45 minutes. The R&D costs incurred during the comparable prior year period were higher due to the nature of development costs incurred, primarily the mechanical and electrical engineering development costs for the system.

The current quarter's contracted assembly costs were mainly composed of the procurement costs of a small list of revised engineering bill of materials that resulted from the optimization of the integrated beta systems, the wages of the assembly staff, and the costs related to the development of the packaging, user manuals and guides. During the comparable period in the prior year contracted assembly costs were higher mainly because of the one-time set up costs of the assembly facilities and procurement of the engineering bill of materials required for a 12-month period.

Avagenesis relies on Oceans, a related company, to conduct all of the Company's R&D and beta testing program pursuant to a license agreement between the two companies. Oceans is also responsible for providing an assembly

location and outfitting the assembly facility with the appropriate tools and staff to assemble the beta systems and identify improvements during the assembly process.

The contracted assembly process has been documented. There is a system in place for tracking design and parts improvements identified during the assembly process so that improvements can be implemented immediately. For the accompanying disposables, a contracted sterility system and manufacturing process has been developed and implemented. The development of the process of product packaging, shipping, and tracking has been finalized for the first target markets in Asia. User manuals and user guides have also been finalized for the integrated beta systems and accompanying disposables.

With respect to contracted regulatory approvals, the process for securing (among others) CE Mark and ISO certifications continued in this quarter. The main ISO audit has been scheduled because documentation protocols are nearing completion and will go through an internal audit. CSA Group certification has been obtained for the licensed technology.

Total G&A expense in the current quarter remained consistent with the G&A expense incurred during the three months ended March 31, 2014. Professional fees were higher in the current quarter mainly due to legal and TSXV fees related to the Curastem Acquisition, increased TSXV sustaining fee (calculated based on market capitalization) and service fees paid to investor relations agent, San Diego Torrey Hills Capital Inc. Current quarter's management fees decreased mainly due to a one time prior year milestone management bonus that was approved by the Compensation Committee. Office and miscellaneous expenses were lower during the current quarter mainly due to a one time foreign exchange benefit realized in the current quarter for anticipating foreign currency requirements while there was no such benefit in the corresponding quarter in the prior year. Marketing and business development expenses were higher in the current quarter mainly due to activities that were undertaken for beta systems distribution and investor relations activity.

FINANCIAL RESULTS FOR THE NINE MONTHS ENDED MARCH 31, 2015 AND 2014

Research and Development Costs

	Nine Months Ended March 31 2015	Nine Months Ended March 31 2014
License fees	$ 75,000	$ 75,000
Assembly costs, beta systems	470,000	300,000
Research and development, other	266,561	680,985
Total	$ 811,561	$ 1,055,985

General and Administration Expenses

	Nine Months Ended March 31 2015	Nine Months Ended March 31 2014
Management fees	$ 476,409	$ 467,026
Marketing and business development	81,645	105,100
Professional fees	152,069	116,089
Offices and miscellaneous	93,283	124,093
Total	$ 803,406	$ 812,308

During the nine months ended March 31, 2015, the Company incurred a net loss of $1,589,880, which improved by $1,320,970 compared to the nine months ended March 31, 2014. The improvement was primarily attributable to the prior year's one time listing cost of $1,047,605 associated with the December 6, 2013 Amalgamation transaction and the decrease in current period's R&D expenses.

R&D expenses decreased by $244,424 in the current nine months compared to the nine months ended March 31, 2014. This decrease was mainly due to the contracted initial testing of the bioprocessing system having concluded earlier than anticipated during the three months ended December 31, 2014, which resulted in a refund for unused R&D laboratory consumable supplies and equipment. In addition, a number of beta systems were delivered for demonstration purposes, which resulted in an additional one time R&D cost recovery.

The current nine months' assembly costs are mainly composed of the initial start-up costs for contracted beta system assembly, the procurement costs of the engineering bill of materials list to meet anticipated requirements for the next 12 months, the wages of assembly staff, and the costs related to the development of the integrated beta systems and accompanying disposables.

G&A expense in the current nine month period fell by $8,902 compared to the nine months ended March 31, 2014 mainly because of the decrease in marketing and business development, office and miscellaneous expenses, net of the increase in professional fees. Higher marketing and business development, office and miscellaneous expenses were incurred in the prior year nine month period because of the activities undertaken in preparation for the Amalgamation and listing transaction that occurred on December 6, 2013. Professional fees increased in the current nine month period mainly due to legal and TSXV fees related to the Curastem Acquisition, higher TSXV sustaining fees (calculated based on market capitalization) and service fees paid to investor relations agent, San Diego Torrey Hills Capital Inc.

DIVIDENDS

There are no restrictions preventing Avagenesis from paying dividends on its common shares. Avagenesis has not paid any dividends on its common shares as it will incur losses for the foreseeable future and it is not contemplated that Avagenesis will pay any dividends in the immediate or foreseeable future. It is Avagenesis' intention to use all available cash flow to finance further product development.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2015, Avagenesis had cash of $769,505 (June 30, 2014 - $1,620,945) and working capital of $660,082 (June 30, 2014 - $1,550,147). The Company intends to use the working capital for R&D, continued development and commercialization of the Device, and for general corporate purposes.

During the nine months ended March 31, 2015, the Company spent $1,647,690 in cash on operating activities, compared to $1,655,756 in the comparable prior year period. The amount spent in the current nine-month period was primarily for the one-time set up costs of the contracted assembly facility, component procurement for beta systems and R&D activities related to the testing of beta systems. The amount spent in the comparable prior year period was primarily for the mechanical and electrical development costs of the second generation system for prototyping and manufacturing plan specifications.

During the nine months ended March 31, 2015, the Company had no financing activities. During the comparable period in the prior year, cash in the amount of $3,700,000 was provided by financing activities consisting of non-brokered private placements completed prior to the closing of the Amalgamation.

During the nine months ended March 31, 2015, the Company's investing activities consisted of the receipt of $696,250 in cash as part of the Curastem acquisition and the redemption of short-term investments of $100,000. The investing activity during the comparable prior year period was based on the Amalgamation transaction.

Cash provided by (used in)	Nine months ended March 31 2015	Nine months ended March 31 2014
Operating activities	$ (1,647,690)	$ (1,655,756)
Financing activities	-	3,720,000
Investing activity	796,250	151,781
Total	$ (851,440)	$ 2,216,025

There are no committed capital expenditures required to meet the Company's planned research and commercialization efforts.

The Company will require funds to sustain its operations and is looking into options for additional capital. There can be no assurance that financing will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

Avagenesis has no existing contractual obligations other than as described herein. There are no off-balance sheet arrangements.

TRANSACTIONS BETWEEN RELATED PARTIES

Avagenesis had the following transactions with Oceans, a related company by way of shareholders of common interest and key management personnel:

	Three months ended		Nine months ended	
	March 31 2015	March 31 2014	March 31 2015	March 31 2014
Licensing fees (included in Research and development)	$ 25,000	$ 25,000	$ 75,000	$ 75,000
Management fees (included in General and administration)	154,871	191,365	476,409	467,025
Research and development	425,486	620,753	733,701	934,153

The licensing fees are for the exclusive license for the patented and patent-pending, proprietary tissue processing and cell isolation technology for stem cells and regenerative cells derived from human adipose tissue. The license fees are expensed as research and development costs. The license covers a core product being developed. There are no license fees associated with the license for burn wound management acquired from Curastem.

Research and development costs during the three and nine months ended March 31, 2015 consisted mainly of the contracted procurement of all required components and materials to meet anticipated demand for beta systems over the next 12 months; the costs related to further optimization of the beta systems resulting in the revision of certain manufacturing plan specifications; the securing and outfitting with tools and staff of a contracted assembly facility; the development and documentation of the manufacturing process, including process improvement protocols and product tracking for both the Device and accompanying disposables; and the process of securing regulatory approvals for (among others) CSA and ISO certification. Research and development also includes the implementation and expansion of the beta testing program which, in turn, includes the costs of hiring, training and establishing trained staff in the initial target markets, all related office and product storage support requirements, the development of product packaging and user manuals, and CRM systems. Research and development costs during the three and nine months ended March 31, 2014 consisted mainly of the design and material costs related to the contracted mechanical and electrical development of the second generation beta systems prototypes and manufacturing plan specifications. The compensation of the Chief Technology Officer, and the previous Chief Scientific Officer who resigned in December 2013 was also included in research and development costs due to the nature of their services.

The management fees relate to the executive management consulting agreement, which encompasses services of the management and administration team. The management and administration team performs all the roles and duties required to operate Avagenesis.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company's issued and outstanding share capital as at the date of this report is as follows:

- Authorized: unlimited common shares without par value and unlimited preferred shares issuable in series;
- Issued: as at the date of this Management's Discussion and Analysis, the Company has 52,388,721 common shares;
- Nil options issued and outstanding.

The Company share option plan, which was never utilized, was cancelled at the Company's most recent Annual General Meeting held on December 16, 2014.

The share option plan was a result of the Amalgamation with Westshire Capital Corp. on December 6, 2013.

CRITICAL ACCOUNTING POLICIES

The financial information for the three and nine months ended March 31, 2015 reflects the same accounting policies and methods of application as those relied on in the Company's audited consolidated financial statements for the year ended June 30, 2014.

RISKS AND UNCERTAINTIES

Risks Related to Avagenesis' Technology

1. *Avagenesis' new products are at initial market introduction, and there is no assurance that the market will accept them.*

   The market acceptance of Avagenesis' new products will depend upon the medical community and third-party payers accepting the products as clinically useful, reliable, accurate, and cost-effective compared to existing and future products or procedures. Market acceptance will also depend on Avagenesis' ability to demonstrate the clinical efficacy and safety of, and the ability to adequately train technicians on how to use, Avagenesis' products and future products. Even if Avagenesis' new products are released for sale, their use may not be recommended by the research and medical profession or hospitals unless acceptable reimbursement from healthcare and third party payers is available. Failure of these new products to achieve significant market share could have material adverse effects on Avagenesis' long-term business, financial condition, and results of operation.

2. *Avagenesis is dependent on new and unproven technologies.*

   Avagenesis' risks as an early stage commercial enterprise are compounded by its heavy dependence on new, emerging and/or unproven technologies. If these technologies do not produce satisfactory results, Avagenesis' business may be harmed.

3. *Ethical and other concerns related to the use of stem cells and human tissue may negatively affect public perception and regulatory approval of Avagenesis' technology.*

   Some of Avagenesis' technologies and significant potential revenue sources could involve ethically sensitive and controversial issues as Avagenesis' technology focuses on the separation of stem and regenerative cells from human tissue. If the extraction, separation, and use of stem and regenerative cells from human tissue becomes the subject of legislation or regulation, it could materially restrict Avagenesis' operations and, therefore, harm its financial condition, operating results and prospects for bringing its investors a return on their investment.

   Future adverse events in the field of stem cell therapy or changes in public policy could also result in greater governmental regulation of Avagenesis' technology and create potential regulatory delays relating

to its approval. Potential increased governmental regulations could have a material adverse effect on Avagenesis' long-term business.

4. *If Avagenesis uses biological and hazardous materials in a manner that causes injury, Avagenesis may be liable for damages.*

Avagenesis' activities involve the controlled use of potentially harmful biological materials that are subject to federal, provincial (or state) and local laws and regulations governing their use, storage, handling and disposal. Avagenesis cannot completely eliminate the risk of accidental contamination or injury from the use, storage, handling or disposal of these materials.

Avagenesis does not have insurance to cover claims arising from its use and disposal of these hazardous substances and any potential lawsuits for damages could adversely affect Avagenesis.

5. *Avagenesis operates within the rapidly changing biotechnology industry.*

The biotechnology industry in which Avagenesis operates is characterized by rapid and intense technological change. Avagenesis' competitors may be pursuing the development of technologies which could become the basis for competitive products. Some of these products may prove to be less costly and more effective than Avagenesis' products under development. There can be no assurance that the development of additional products by others will not render Avagenesis' products non-competitive or that Avagenesis will be able to keep pace with technological developments within the industry.

6. *Avagenesis' success depends on the successful commercialization of its technology.*

The successful commercialization of Avagenesis' technology is crucial for its success. Even if Avagenesis' technology is shown to be less costly and more effective, Avagenesis and its strategic partners and collaborators may face unforeseen difficulties in manufacturing and marketing Avagenesis' products. These difficulties may only become apparent upon scaling up manufacturing to commercial levels. In addition, there is no guarantee that market acceptance will materialize upon the successful manufacturing and sale of any product.

If Avagenesis' technology and products do not result in commercially successful products, Avagenesis' business could be adversely affected.

Risks Related to Avagenesis' Intellectual Property

7. *Avagenesis licenses its technology from Oceans.*

Avagenesis does not own all the technology upon which its business is based, but instead has acquired a License to use the patented (in Russia, Japan, South Korea, United States of America, Singapore and Australia) and patent-pending (in 14 other jurisdictions) bioprocessing and cell isolation technology to isolate stem and regenerative cells from human fat tissue. The terms of the License are specified in the License Agreement, including the requirement that any transaction involving the licensed technology between the licensee and another person be made at fair market value for the purpose of calculating royalties payable under the License Agreement. The terms of the License are as follows: quarterly payments of $25,000, for a total of $100,000 per year, effective from April 1, 2013, to March 31, 2015; and from April, 1, 2015, to December 31, 2028, quarterly payments of $50,000. In exchange, Avagenesis receives 95% of all net sales related to the sale of the products protected by the patent and 70% of all sublicensing revenue related to the sublicensing of the licensed technology protected by the patent. Failure to maintain the License in good standing will have a material adverse effect on the business of Avagenesis.

Avagenesis and Oceans have certain significant shareholders, directors and officers in common. In particular, Norman Tsui, a director and officer of Avagenesis, provides consulting services to Oceans through the Consulting Agreement; Szu Min (Jasmine) Chiu, a director and officer of Avagenesis, provides consulting services to Oceans through the Consulting Agreement; Alan Tam, an officer of Avagenesis,

provides consulting services to Oceans through the Consulting Agreement; Dr. Richard Huang, an officer of Avagenesis, provides consulting services to Oceans through the Consulting Agreement; and Bohdan Romaniuk, a director of Avagenesis, is a director of Oceans.

8. *Avagenesis' inability to protect its rights to certain patents, trademarks, trade secrets and other proprietary rights could adversely affect its competitive position.*

Avagenesis licenses proprietary technology from Oceans and may in the future develop and secure its own patented technology. Currently the technology underlying the License is protected by patents in Russia, Japan, South Korea, Unites States of America, Singapore and Australia, and has patent-pending status in 14 other jurisdictions. Avagenesis believes that its rights to certain patents, trademarks, trade secrets and other proprietary rights are important to its success and competitive position. Accordingly, Avagenesis endeavours to devote available resources to the establishment and protection of its rights to certain patents, trademarks, trade secrets and proprietary rights. Avagenesis uses various methods, including confidentiality agreements with employees, vendors, and customers, to protect its trade secrets and proprietary know-how for its products. Avagenesis' actions, however, to establish and protect its rights to certain patents, trademarks, and other proprietary rights may be inadequate to prevent imitation of Avagenesis' products by others or to prevent others from claiming violations of their trademarks, patent and proprietary rights by Avagenesis. There is no assurance or guarantee that the patents which are pending in certain jurisdictions will be successfully granted by the jurisdictional patent offices. If Avagenesis' products are challenged as infringing upon patents of other parties, Avagenesis may be required to modify the design of the product, modify its license, or litigate the issues, all of which may have an adverse business effect on Avagenesis.

Avagenesis relies on patent, copyright, trade secret and trademark laws to limit the ability of others to compete with it using the same or similar technology in the U.S. and other countries. These laws, however, afford only limited protection and may not adequately protect Avagenesis' rights to the extent necessary to sustain any competitive advantage Avagenesis may have over its competitors. In addition, Avagenesis' interest in current and future patent applications may not result in the issuance of patents in the patent pending jurisdiction. The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the U.S., and many companies have encountered significant problems in protecting their proprietary rights abroad. These problems can be caused by the absence of adequate rules and methods for defending and enforcing intellectual property rights.

Avagenesis will be able to protect its technology from unauthorized use by third parties only to the extent that it is covered by valid and enforceable patents or is effectively maintained through trade secrets. The patent positions of companies developing tools for pharmaceutical, biotechnology, and biomedical industries generally are uncertain and involve complex legal and factual questions, particularly concerning the enforceability of such patents against alleged infringement. The biotechnology patent situation outside the U.S. is even more uncertain. Changes in either the patent laws or in interpretations of patent laws in the U.S. and other countries may therefore diminish the value of Avagenesis' intellectual property. Moreover, the patent application that Avagenesis is licensing may not be sufficiently broad to prevent others from utilizing Avagenesis' technologies or from developing competing products. Avagenesis also faces the risk that others may independently develop similar or alternative technologies or design around its licensed patented technologies.

9. *If Avagenesis infringes or is alleged to infringe intellectual property rights of third parties, it will adversely affect Avagenesis' business, financial condition and results of operations.*

Avagenesis' research, development and commercialization activities, including any products resulting from these activities, may infringe or be alleged to infringe patents owned by third parties and to which Avagenesis does not hold licenses or other rights. These third parties could bring claims against Avagenesis that would cause it to incur substantial expenses and, if successful against Avagenesis, could cause it to pay substantial damages. Further, if a patent infringement suit were brought against Avagenesis, this could restrict certain activities including stopping or delaying research, development, manufacturing or sales activities related to the product that is the subject of the suit.

In order for Avagenesis to avoid potential infringement claims, it may choose or be required to seek a license from the third party. These licenses may not be available on acceptable terms, or at all. Should Avagenesis obtain a license, the license would likely obligate Avagenesis to pay license fees or royalties or both, and the rights granted to it might be nonexclusive, which could result in Avagenesis' competitors gaining access to the same intellectual property. This may prevent Avagenesis from commercializing a product, or force it to cease some aspect of its business operations, if, as a result of actual or threatened patent infringement claims, Avagenesis is unable to enter into licenses on acceptable terms.

10. *There have been substantial litigation and other proceedings related to patent and other intellectual property rights within the pharmaceutical and biotechnology industry.*

There have been substantial litigation and other proceedings regarding patent and intellectual property rights in the pharmaceutical and biotechnology industries. In addition to patent infringement claims against Avagenesis, the Company may become a party to other patent litigation and other proceedings, including interference and re-examination proceedings declared by the United States Patent and Trademark Office and opposition proceedings before the patent offices of other countries (e.g. the European Patent Office) or similar adversarial proceedings, regarding intellectual property rights with respect to Avagenesis' products and technology. The cost to Avagenesis of any patent litigation or other proceeding, even if resolved in Avagenesis' favour, could be substantial. Patent litigation and other proceedings may absorb significant management time.

Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on Avagenesis' ability to compete in the marketplace and, as a result, on Avagenesis' business, financial condition and results of operations.

11. *Avagenesis' inability to protect the confidentiality of its trade secrets could affect its competitive position.*

Some aspects of Avagenesis' technology are not patentable and are therefore maintained by it as trade secrets. In an effort to protect these trade secrets, Avagenesis requires its employees, consultants, collaborators, advisors, customers, and vendors to execute non-disclosure agreements before the commencement of their relationship with Avagenesis. These agreements require that all confidential information developed by the individual or made known to the individual by Avagenesis during the course of the individual's relationship with it be kept confidential and not be disclosed to third parties. These agreements may not, however, provide Avagenesis with adequate protection against improper use or disclosure of confidential information. A breach of confidentiality could affect Avagenesis' competitive position, and adequate remedies may not exist in the event of unauthorized use or disclosure of Avagenesis' confidential information.

The disclosure of Avagenesis' trade secrets would impair its competitive position and could have a material adverse effect on Avagenesis' business, financial condition and results of operations.

12. *Avagenesis may become involved in lawsuits to protect or enforce its patents, the patents of its collaborators or licensors, and other intellectual property rights.*

Litigation may be necessary to enforce patents issued or licensed to Avagenesis, in order to protect trade secrets or know-how, or to determine the scope and validity of its proprietary rights. Litigation can be expensive, time-consuming, and risky, as a court may decide that a patent of Avagenesis is invalid or is unenforceable, or may refuse to prevent the other party from using the technology at issue. An adverse determination of any litigation or defense proceeding could put one or more of Avagenesis' patents at risk of being invalidated or interpreted narrowly.

Interference proceedings brought by the U.S. Patent and Trademark Office may be necessary to determine the priority of inventions with respect to Avagenesis' patent applications or those of Avagenesis' collaborators or licensors. Litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distraction to Avagenesis' management. Avagenesis may not be able, alone

or with its collaborators and licensors, to prevent misappropriation of Avagenesis' proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States.

In addition, due to the substantial amount of discovery required in connection with intellectual property litigation, and the possibility of public announcements of the results of hearings, motions or other interim proceedings or developments, there is a risk that some of Avagenesis' confidential information could be compromised by disclosure during this type of litigation.

If Avagenesis is unable to protect its technology, trade secrets or know-how, it may be unable to operate profitably.

If investors perceive these results to be negative, the market price for Avagenesis' common stock could significantly decline.

13. *The Device may be subject to intellectual property claims from prior employers or prior contract work of the inventor.*

There is a non-eliminable risk that prior employers or persons for whom Dr. Huang, the inventor of the Device, has worked in the past pursuant to a consulting agreement, could claim that Dr. Huang conceived the invention during the term of his employment or consulting agreement with them, and, thus, attempt to gain some rights in the invention.

Risks Related to Avagenesis' Operations

14. *Avagenesis has a limited operating history on which investors may evaluate its operations and prospects for profitable operations.*

Avagenesis' prospects must be considered speculative in light of the risks, expenses and difficulties frequently encountered by companies in their early stages of development, particularly in light of the uncertainties relating to the new, competitive and rapidly evolving markets in which Avagenesis anticipates it will operate. To attempt to address these risks, Avagenesis must, among other things, further develop its technologies, products and services, successfully implement its research, development, marketing and commercialization strategies, respond to competitive developments and attract, retain and motivate qualified personnel. A substantial risk is involved in investing in Avagenesis because, as an early stage commercial enterprise it has fewer resources than an established Company, Avagenesis' management may be more likely to make mistakes at such an early stage, and Avagenesis may be more vulnerable operationally and financially to any mistakes that may be made, as well as to external factors beyond Avagenesis' control.

15. *Failure to achieve and maintain the high manufacturing standards that Avagenesis' products require may seriously harm its business.*

Avagenesis' products require precise, high-quality manufacturing. Achieving precision and quality control requires skill and diligence by Avagenesis' personnel as well as its vendors. Any failure on Avagenesis' part to achieve and maintain these high manufacturing standards, including the incidence of manufacturing errors, design defects or component failures, could conceivably result in physical injury, harm or the death of end users of Avagenesis' products, product recalls or withdrawals, delays or failures in product testing or delivery, cost overruns or other problems that could seriously harm Avagenesis' business. Despite Avagenesis' anticipated high manufacturing standards, Avagenesis cannot completely eliminate the risk of errors, defects or failures. If Avagenesis is unable to manufacture its products in accordance with necessary quality standards, or if Avagenesis is unable to procure additional high-quality manufacturing facilities, Avagenesis' business and results of operations may be negatively affected.

16. *Avagenesis is dependent on its suppliers and manufacturers to meet existing regulations.*

Future suppliers and manufacturers could be subject to heavy government regulation. This may include the United States Food and Drug Administration (the "USFDA") Quality System Regulation compliance in the operation of their facilities, products and manufacturing processes and other foreign jurisdiction's equivalent regulatory organization. Any adverse action by the USFDA against Avagenesis' suppliers or manufacturers could delay supply or manufacture of component products required to be integrated or sold with Avagenesis' products. There are no assurances Avagenesis will be successful in locating an alternative supplier or manufacturer to meet product shipment or launch deadlines. As a result, Avagenesis' sales, contractual commitments and financial forecasts may be significantly affected by any such delays.

17. *Avagenesis' lack of production experience may delay the manufacture of its new products.*

Avagenesis does not have significant experience in the manufacture of disposable equipment, components, instruments, tools and devices ("disposable products", "disposable kits" or "disposables"). There can be no assurance that Avagenesis' current resources and manufacturing facility can handle a significant increase in orders for its products. Avagenesis currently contracts with third-party manufacturers. No assurances can be made that such third-party manufacturers can be retained, or retained on terms favourable to Avagenesis. The inability to have products manufactured by third parties at a competitive cost could erode anticipated margins for such products, and negatively affect Avagenesis' profitability.

18. *Dependence on suppliers for disposable products and custom components may adversely affect Avagenesis' production schedule.*

Avagenesis obtains certain disposable products and custom components from a limited number of suppliers. If the supplier raises the price or discontinues production, Avagenesis may have to find another qualified supplier to provide the item. If the supplier incurs interruptions in manufacturing as a result of equipment failure, labour unrest, loss of power, delays in delivery of raw materials or other reasons, there could be delays in the manufacture and delivery of Avagenesis' products. In the event that it becomes necessary for Avagenesis to find another supplier, Avagenesis would first be required to qualify the quality assurance systems and product quality of that alternative supplier. Any operational issues with, or transfer between, qualified suppliers may affect the production schedule, therefore delaying revenues, and this may cause the cost of disposables or key components to increase.

To the extent there are increases in prices from Avagenesis' suppliers or delays in production, it could have a material adverse effect on Avagenesis' business, financial condition and results of operations.

19. *Avagenesis' products may be subject to product recalls which may harm its reputation and divert its managerial and financial resources.*

The USFDA, and similar governmental authorities in other countries have the authority to order the mandatory recall of Avagenesis' products or order their removal from the market if the governmental entity finds Avagenesis' products could cause adverse health consequences or death. A government-mandated or voluntary recall by Avagenesis could occur as a result of component failures, manufacturing errors or design defects (including labeling defects). Any recall of Avagenesis' products may harm its reputation with customers, divert managerial and financial resources and negatively affect Avagenesis' profitability.

20. *Quality problems with Avagenesis' products or processes could harm its reputation for producing high quality products and decrease Avagenesis' future revenues.*

Quality is extremely important to Avagenesis and its customers due to the consequences of product failure. Future quality certifications and product performance during evaluations and validations are critical to the marketing success of Avagenesis' products. If Avagenesis fails to meet its customers' quality standards Avagenesis' reputation could be damaged and Avagenesis could lose current and potential customers. Avagenesis' future revenues could decline as a result.

21. *Any disruption at Avagenesis' places of business could delay revenues or increase its expenses.*

All of Avagenesis' technical and management operations are conducted at offices in Boston, Vancouver, Calgary and Taipei. A natural disaster, such as a fire, flood or earthquake, could cause substantial disruptions to Avagenesis' operations, damage or destroy Avagenesis' design equipment or inventory, and cause Avagenesis to incur additional expenses.

22. *Failure to retain or hire key personnel may adversely affect Avagenesis' ability to sustain or grow its business.*

Avagenesis' ability to operate successfully and manage its potential future growth depends significantly upon retaining its existing key research, technical, clinical, regulatory, sales, marketing and managerial personnel and attracting and retaining highly qualified new personnel in these areas. Avagenesis' future success partially depends upon the continued services of key technical and senior management personnel. The loss of the services of certain key individuals might significantly delay or prevent achievement of Avagenesis' scientific or business objectives. The inability to retain or attract qualified personnel could have a significant negative effect upon Avagenesis' efforts and thereby materially harm its business and future financial condition.

In addition, because Avagenesis does not maintain "key person" life insurance on any of its officers, employees or consultants, any delay in replacing such Persons, or an inability to replace them with Persons of similar expertise, would have a material adverse effect on Avagenesis' business, financial condition and results of operations.

23. *Growth may cause pressure on Avagenesis' management and systems.*

Avagenesis' future growth may cause significant pressure on Avagenesis' management, and its operational, financial and other resources and systems. Avagenesis' ability to manage its growth effectively will require Avagenesis to implement and improve its operational, financial, manufacturing, and management information systems, hire new personnel and then train, manage and motivate these new employees. These demands may require the hiring of additional management personnel and the development of additional expertise within the existing management team. Any increase in resources devoted to research, product development and sales, marketing and distribution efforts without a corresponding increase in Avagenesis' operational, financial and management information systems could have a material adverse effect on Avagenesis' business, financial condition, and results of operations.

24. *Avagenesis' use of scientific collaborators may cause delays.*

Avagenesis has relationships in place with third-party scientific collaborators at academic and other institutions, some of whom conduct research at Avagenesis' request or assist Avagenesis in formulating its research and development strategy. These collaborators are not Avagenesis' employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to Avagenesis. These collaborators may also have arrangements with other companies to assist such other companies in developing technologies that may prove competitive to Avagenesis. Due to these factors and other possible events, Avagenesis could suffer delays in the research, development or commercialization of its products.

Risks Related to Financial Markets

25. *Avagenesis may need to raise additional capital in the future to fund its operations.*

Avagenesis may require substantial additional capital resources to further research and develop its products, obtain regulatory approvals and ultimately commercialize these products. Future cash requirements may vary materially from those expected if Avagenesis elects to develop, acquire or license new technologies and products, or experiences operational delays or unexpected increases in costs related to regulatory approvals, manufacturing or the preparation, filing, prosecution, maintenance, defence and enforcement of patent claims.

Sources of additional funding include collaborations and licensing arrangements, public or private equity or debt financing.

If Avagenesis' research and development, or commercialization activities do not show positive results, or if capital market conditions in general, or with respect to medical device or development stage companies in particular, are unfavourable, Avagenesis may be unable to raise funds when needed or on acceptable terms.

Any additional equity financings may be dilutive to Avagenesis' existing stockholders.

If sufficient capital is not available, Avagenesis may be required to delay, reduce the scope of, eliminate or divest one or more of its research or development projects any of which could have a material adverse effect on Avagenesis' business, financial condition, prospects, or results of operations.

26. *Avagenesis Shares are subject to share price volatility.*

The stock market has from time to time experienced extreme price and volume volatility that is unrelated to the operating performance of particular companies. In addition, because of the nature of Avagenesis' business, certain factors such as Avagenesis' announcements, competition from developers of new medical devices or new technologies, government regulations, fluctuations in Avagenesis' operating results, results of clinical trials, general market conditions, developments in patent and proprietary rights, sales of substantial amounts of Avagenesis' stock by existing stockholders or insiders, and the departures of key personnel can have an adverse effect on the market price of Avagenesis Shares.

Furthermore, any negative change in the public's perception of the prospects of medical device companies in general could depress Avagenesis' share price regardless of results.

As a result of this volatility, investors may not be able to sell their common stock at or above the price they acquired it.

27. *Current credit and financial market conditions may worsen certain risks affecting Avagenesis' business.*

Avagenesis relies upon third parties for certain aspects of its business, including collaboration partners, wholesale distributors, contract manufacturers and third-party suppliers. Due to the recent tightening of global credit and the volatility in the financial markets, there may be a delay or disruption in the performance or satisfaction of commitments to Avagenesis by these third parties, which could adversely affect Avagenesis' business.

28. *If securities analysts or industry analysts do not publish research or reports about Avagenesis, or if they adversely change their recommendations regarding Avagenesis Shares, Avagenesis' stock price and trading volume could decline.*

The trading market for common shares of Avagenesis will be influenced by research and reports that industry or securities analysts publish about Avagenesis. If no or few analysts commence coverage of Avagenesis, the trading price of Avagenesis' stock could fall. Even if Avagenesis does obtain analyst coverage, if one or more of the analysts who cover Avagenesis downgrade their assessment of Avagenesis Shares, Avagenesis' stock price would likely decline. If one or more of these analysts cease coverage of Avagenesis or fail to regularly publish reports on it, Avagenesis could lose visibility in the financial markets, which in turn could cause Avagenesis' stock price or trading volume to decline.

29. *The impact of the release of escrowed securities may negatively affect the market price of Avagenesis Shares.*

The possible sale of common shares of Avagenesis released from escrow on each release date could result in an excess of sellers of shares to buyers of shares. This could cause Avagenesis' stock price to decline

Risks Associated with the Financial Results of Avagenesis

30. *Avagenesis currently has negative operating cash flow.*

For the fiscal years ending June 30, 2014 and 2013 and for the nine months ended March 31, 2015, Avagenesis had negative operating cash flow. There can be no certainty Avagenesis will ever achieve or sustain profitability or positive cash flow from its operating activities. In addition, Avagenesis' working capital and funding needs may vary significantly depending upon a number of factors including, but not limited to:

- the level of sales and gross profit;
- costs associated with manufacturing, including capital expenditures, labour and raw materials, costs and Avagenesis' ability to realize manufacturing efficiencies from its various operations;
- fluctuations in certain working capital items, including inventory and accounts receivable, that may be necessary to support the growth of Avagenesis' business or new product introductions;
- progress of Avagenesis' research and development programs and costs associated with completing studies and other regulatory processes;
- collaborative license agreements with third parties;
- the cost of filing, prosecuting and enforcing Avagenesis' patent claims or the patent claims of its licensors, and enforcing other intellectual property rights such as copyrights and trademarks;
- expenses associated with litigation;
- opportunities to in-license complementary technologies or potential acquisitions;
- potential milestone or other payments Avagenesis may make to licensors or corporate partners; and
- technological and market developments that affect Avagenesis' potential revenue levels or competitive position in the market place.

31. *Avagenesis incurs expenditures in foreign currency and does not hedge against foreign currency risks.*

A portion of Avagenesis' expenditures are in United States dollars and other foreign currencies and, therefore, Avagenesis is subject to foreign currency fluctuations which may, from time to time, affect its financial position and results of operations.

32. *Expenses associated with clinical trials may cause earnings to fluctuate, which could adversely affect Avagenesis' stock price.*

The clinical trials required for regulatory approval of Avagenesis' products, as well as clinical trials Avagenesis may be required to conduct after approval, are very expensive. It is difficult to accurately predict or control the amount or timing of these expenses from quarter to quarter, and the USFDA and/or other regulatory agencies may require more clinical testing than Avagenesis originally anticipated. Uneven and unexpected spending on these programs may cause Avagenesis' operating results to fluctuate from quarter to quarter, and its stock price may decline.

Industry-Related Risks

33. *The medical device industry is subject to significant regulation.*

Significant regulatory hurdles attend the introduction of new technologies in the medical device industry. There is also intense market pressure for new technologies to be cost effective or to result in significant cost savings. These regulatory hurdles, as well as marketplace demands, increase the cost of innovation, as well as the potential risk of failure, both of which can have a material adverse effect on Avagenesis' performance.

Potential investors should be aware of the risks, problems, delays, expenses and difficulties which Avagenesis may encounter in light of the extensive regulatory environment within which Avagenesis' business is conducted.

The process of obtaining necessary regulatory approval is lengthy, expensive and uncertain. Avagenesis or its collaborators may fail to obtain the necessary approvals to commence or continue to manufacture or market Avagenesis' products or potential products within a reasonable period of time, if at all. In addition, governmental authorities in Canada, the United States, or other countries may enact regulatory reforms or restrictions on the development of new medical devices that could adversely affect the regulatory environment in which Avagenesis operates or product development takes place.

Any negative regulatory changes or delays may have an adverse effect on Avagenesis' business, financial condition, prospects or results of operations.

34. *Avagenesis and its customers are subject to various political, economic, and regulatory changes in the healthcare industry that could force Avagenesis to modify how it develops and prices its components, manufacturing capabilities, and services.*

The healthcare industry is highly regulated and is influenced by changing political, economic and regulatory factors. Federal and local legislatures have periodically considered programs to reform or amend Canadian, U.S. and other healthcare systems at both the federal and local levels. Regulations affecting the healthcare industry, in general, and the medical device industry in particular, are complex, change frequently and have tended to become more stringent over time. In addition, these regulations may contain proposals to increase governmental involvement in healthcare, lower reimbursement rates or otherwise change the environment in which healthcare industry participants, including medical device companies, operate. While Avagenesis is not aware of any legislation or regulations specifically targeting the medical device industry that are currently pending, any such regulations could impair Avagenesis' ability to operate profitably. In addition, any failure by Avagenesis to comply with applicable government regulations could also result in the cessation of portions or all of Avagenesis' operations, impositions of fines and restrictions on Avagenesis' ability to continue or expand its operations.

35. *Avagenesis' business is heavily regulated, resulting in increased costs of operations and delays in product sales.*

Many of Avagenesis' products may require USFDA approval or clearance to sell in U.S., and other countries respectively, and may require approvals from comparable agencies to sell in foreign countries. These authorizations may limit the U.S. or foreign markets in which Avagenesis' products may be sold. Failure to comply with these quality system requirements and regulations may subject Avagenesis to delays in production while it corrects deficiencies found by the USFDA as a result of any audit of its quality system. If Avagenesis is found to be out of compliance, it could receive a warning letter from the USFDA or even be temporarily shut down in manufacturing while the non-conformances are rectified.

36. *Competition in Avagenesis' industry is intense and will likely involve commercial rivals possessing far more resources than those currently available to Avagenesis.*

Avagenesis is seeking to develop a competitive advantage in the medical and research applications of its products, but there are many competitors that are substantially larger and that possess greater financial resources and more personnel than those currently available to Avagenesis. These larger and better-financed medical device manufacturers may choose to enter this market as it develops. Avagenesis expects physician inertia and skepticism to also be a significant barrier as Avagenesis attempts to gain market penetration with its future products. Avagenesis may need to finance lengthy clinical studies in order to overcome this inertia and skepticism particularly in reconstructive surgery, cell preservation, and many other areas.

Larger, better financed industry competitors entering the market and physician and consumer inertia in adoption of the technology may adversely affect Avagenesis' business, financial condition, prospects or results of operations.

37. *Influence by the government and insurance companies may adversely affect sales of Avagenesis' products.*

Avagenesis' business may be materially affected by continuing efforts by government, third party payers, and private health insurance plans, to reduce the costs of healthcare. For example, in certain foreign markets, the pricing of and profit margins on certain healthcare products are subject to government controls. In addition, increasing emphasis on managed care in Canada and the U.S. will continue to place pressure on the pricing of healthcare products. As a result, continuing efforts to contain healthcare costs may result in reduced sales of or price reductions for Avagenesis' products. To date, Avagenesis is not aware of any direct impact on Avagenesis' pricing or product sales due to such efforts by governments to contain healthcare costs, and Avagenesis does not anticipate any immediate impact in the near future.

38. *Product liability and uninsured risks may adversely affect Avagenesis' continuing operations.*

Avagenesis operates in an industry susceptible to significant product liability claims. The nature of Avagenesis' business exposes it to potential liability risks inherent in the testing, manufacturing and marketing of medical devices. There can be no assurance that users will not claim that effects other than those intended have resulted from Avagenesis' products. Component failures, manufacturing flaws, quality system failures, design defects, inadequate disclosure of product related risks or product related information or other safety issues with respect to the current or future products Avagenesis manufactures or sells could result in an unsafe condition or injury to, or death of, a user. Avagenesis may be liable if any of its products causes injury, illness or death. There can be no guarantee that product liability lawsuits will not be brought against Avagenesis even if such products have been used for their approved purposes and appropriate labels have been included.

These claims may be brought by individuals seeking relief or by groups seeking to represent a class. Avagenesis may also be required to recall certain of its products should they become damaged or if they are defective.

Product liability insurance for the medical products industry is generally expensive, if available at all. Avagenesis has not yet sought to obtain product liability coverage and there can be no assurance that it will be able to obtain such coverage on acceptable terms, or that any insurance policy obtained will provide adequate protection against potential claims. Avagenesis does not have insurance covering the costs and losses as a result of product recalls.

Avagenesis is not aware of any product liability claim against it. However, product liability claims may be asserted against it in the future based on events Avagenesis is not aware of at the present time.

A successful product liability claim brought against Avagenesis may exceed any insurance coverage secured, may reduce the demand for Avagenesis' products, and could have a material adverse effect on Avagenesis' results or ability to continue marketing its products.

Regulatory Risks

39. *The medical device industry includes significant regulation which can delay the time to market of new products.*

Even if Avagenesis does develop a safe and effective product and obtain the necessary regulatory approvals, the process may take years. Due to the competitive and rapidly changing nature of the medical device industry, delays increase the risk that products will not be successfully marketed or achieve market acceptance; or will not be preferable to existing or newly developed products marketed at that time by third parties.

In addition, by the time Avagenesis' products are ready to be commercialized, what Avagenesis believes to be the market for these products may have changed. Any estimates referenced herein to the size of any potential market may not accurately reflect the true market or market prices for such products or the extent to which such products, if successfully developed, will actually be sold to or used by end customers.

If Avagenesis' technology and products do not result in commercially successful products, Avagenesis' business could be adversely affected.

40. *Avagenesis cannot market its products until it receives regulatory approval.*

Avagenesis must comply with extensive government regulations in order to obtain and maintain marketing approval for its products. The process of obtaining regulatory approval is lengthy, expensive and uncertain. For example, in the United States, the USFDA imposes substantial requirements on the introduction of many medical devices through lengthy and detailed laboratory and clinical testing procedures, sampling activities and other costly and time-consuming procedures. Satisfaction of these requirements typically takes several years and the time required to do so may vary substantially based upon the type and complexity of the medical device. In addition, products that Avagenesis believes should be classified as medical devices for purposes of the USFDA regulatory pathway may be determined by the USFDA to be biologic products subject to the satisfaction of significantly more stringent requirements for USFDA approval. Any difficulties that Avagenesis encounters in obtaining regulatory approval may have a substantial adverse impact on Avagenesis' business and cause its stock price to significantly decline.

Moreover, approval by the USFDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the USFDA. Avagenesis may not be able to file for, and may not receive, necessary regulatory approvals to commercialize its products in any foreign market, which could adversely affect Avagenesis' business prospects.

Avagenesis has no assurances that it will obtain USFDA or foreign regulatory approval to market any of its products for any use, or treatment of disease, in a timely manner or at all. If Avagenesis fails to obtain regulatory approval of any of its products for at least one use, or treatment of disease, Avagenesis will not be permitted to market its products and may be forced to cease operations.

Even if some of Avagenesis' products receive regulatory approval, these approvals may be subject to conditions, and Avagenesis and its third party manufacturers may therefore be subject to significant ongoing regulatory obligations and oversight with respect to the manufacturing, marketing and sale of Avagenesis' products.

Moreover, conditions of approval, such as limitations on product end users, may significantly affect Avagenesis' ability to commercialize the product and may make it difficult or impossible for Avagenesis to market a product profitably. Changes Avagenesis may desire to make to an approved product, such as cell culturing changes or revised labeling, may require further regulatory review and approval, which could prevent Avagenesis from updating or otherwise changing an approved product. If Avagenesis' products are approved by the USFDA or other regulatory authorities for use, or treatment of diseases, regulatory labeling may specify that Avagenesis' products be used in conjunction with other therapies.

Once obtained, regulatory approvals may be withdrawn and can be expensive to maintain. Regulatory approval may be withdrawn for a number of reasons, including the later discovery of previously unknown problems with the product. Regulatory approval may also require costly post-marketing follow-up studies, and failure of Avagenesis' products to demonstrate sufficient efficacy and safety in these studies may result in either withdrawal of marketing approval or severe limitations on permitted product usage. In addition, numerous additional regulatory requirements relating to, among other processes, labeling, packaging, adverse event reporting, storage, advertising, promotion and record-keeping will also apply. Furthermore, regulatory agencies subject a marketed product, its manufacturer and the manufacturer's facilities to continual review and periodic inspections. Compliance with these regulatory requirements is time consuming and requires the expenditure of substantial resources.

Any regulatory approval issues, delays, conditions, ongoing regulations and withdrawals may adversely affect Avagenesis' business, financial condition, prospects or results of operations.

41. *If any of Avagenesis' products is approved, Avagenesis will be required to report certain adverse events involving its products to the USFDA or other such regulatory authorities, to provide updated safety and efficacy information, and to comply with requirements concerning the advertisement and promotional labeling of its products.*

Even if Avagenesis obtains the necessary regulatory approvals to market its products for use, or treatment of disease, any adverse results, circumstances or events that are subsequently discovered, could require that Avagenesis cease marketing the product for that use, or treatment of disease, or expend money, time and effort to ensure full compliance, which could have a material adverse effect on Avagenesis' business.

42. *If Avagenesis' products do not comply with applicable laws and regulations, Avagenesis' business will be harmed.*

Any failure by Avagenesis, or by any third parties that may manufacture or market Avagenesis' products, to comply with the law, including statutes and regulations administered by Canadian, U.S. or foreign regulatory authorities, could result in, among other things, warning letters, fines and other civil penalties, suspension of regulatory approvals and the resulting requirement that Avagenesis suspend sales of its products, refusal to approve pending applications or supplements to approved applications, export or import restrictions, interruption of production, operating restrictions, closure of the facilities used by Avagenesis or third parties to manufacture Avagenesis' products, injunctions or criminal prosecution. Any of the foregoing actions could have a material adverse effect on Avagenesis' business.

43. *Avagenesis may be slow to adapt, or Avagenesis may not be able to adapt, to changes in existing regulatory requirements or adoption of new legal or regulatory requirements or policies.*

Later discovery of previously unknown problems with Avagenesis' products, manufacturing processes, or failure to comply with regulatory requirements, may result in:

- voluntary or mandatory recalls;
- voluntary or mandatory patient or physician notification;
- withdrawal of product approvals;
- product seizures;
- restrictions on, or prohibitions against, marketing Avagenesis' products;
- restrictions on importation of Avagenesis' products;
- fines and injunctions;
- civil and criminal penalties;
- exclusion from participation in government programs; and
- suspension of review or refusal to approve pending applications.

If a regulatory authority determines that Avagenesis or any of its manufacturing or other partners are not in compliance with applicable requirements, it may issue a notice of inspectional observations. If the observations are significant, Avagenesis may have to devote significant resources to respond and undertake appropriate corrective and preventative actions, which could adversely affect Avagenesis' business prospects.

44. *Avagenesis may not be able to obtain required approvals in other countries.*

The requirements governing the conduct of clinical trials and cell culturing and marketing of Avagenesis' products outside Canada and the United States vary widely from country to country. Foreign approvals may take longer to obtain than USFDA approvals and can require, among other things, additional testing and different clinical trial designs. Foreign regulatory approval processes generally include all of the risks associated with the USFDA approval processes. Some foreign regulatory agencies also must approve prices of the products. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may negatively affect the regulatory

process in others. Avagenesis may not be able to file for regulatory approvals and may not receive necessary approvals to market its products in any foreign country. If Avagenesis fails to comply with these regulatory requirements or fails to obtain and maintain required approvals in any foreign country, Avagenesis will not be able to sell its products in that country and Avagenesis' ability to generate revenue will be adversely affected.

Public Company Risks

45. *Avagenesis is controlled by its current officers, directors and principal shareholders.*

Avagenesis' directors, executive officers, principal stockholders and their affiliates beneficially own over 50% of the outstanding shares of common stock. As a result, these stockholders, acting together, would have the ability to control the outcome of matters submitted to Avagenesis' stockholders for approval. This would include the election of Avagenesis Board, and approval of matters dealing with the merger, consolidation or sale of all or substantially all of Avagenesis' assets.

In addition, these stockholders, acting together, would have the ability to control the management and affairs of Avagenesis. Accordingly, this concentration of ownership might harm the market price of Avagenesis' common stock by:

- delaying, deferring or preventing a change in corporate control;
- impeding a merger, consolidation, takeover or other business combination involving Avagenesis; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of Avagenesis.

46. *The requirements of being a public company may strain Avagenesis' resources, divert management's attention and affect Avagenesis' ability to attract and retain qualified board members.*

Continued compliance with the reporting requirements of the Exchange is anticipated to be a drain to Avagenesis' financial resources, potentially making some future activities more difficult, time-consuming or costly. In addition to filing annual (audited) and quarterly financial statements and material change reports required by the Canadian Securities Administrators, Avagenesis is required to comply with the Policies of the Exchange and pay fees associated with such Exchange filings. Avagenesis' management team and other personnel will need to devote a substantial amount of time to new compliance initiatives and to meeting the obligations that are associated with being a public Company, which may divert attention from other business concerns. These new obligations, in turn, could have a material adverse effect on Avagenesis' business, financial condition and results of operations.

In addition, legal, accounting and other expenses associated with public Company reporting requirements have increased significantly in the past few years. Avagenesis anticipates that general and administrative costs associated with regulatory compliance will continue to increase with recently adopted or amended corporate governance requirements

47. *Future financing may have a dilutive effect on existing shareholders.*

The completion of any future equity financing may result in substantial dilution to Avagenesis' shareholders.

48. *Avagenesis' directors may from time to time have conflicts of interest.*

Directors of Avagenesis may, from time to time, serve as directors of, or participate in ventures with other companies, or have shareholdings in other companies and, to the extent that such other companies may participate in ventures in which Avagenesis may participate, conflicts of interest may arise which may be harmful to Avagenesis' interests. Each director will attempt not only to avoid dealing with such other companies in situations where conflicts might arise but will also disclose all such conflicts in accordance

with the ABCA and will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

49. *It may not be possible for foreign investors to enforce actions against Avagenesis, and its directors and officers.*

Avagenesis is a corporation organized under the laws of the Province of Alberta. All of Avagenesis' directors and officers, as well as KPMG LLP, Avagenesis' auditor, reside principally in Canada. Because all or a substantial portion of Avagenesis' assets and the assets of these persons are located in Canada, it may not be possible for foreign investors to effect service of process from outside of Canada upon Avagenesis or those Persons. Furthermore, it may not be possible to enforce against Avagenesis foreign judgments obtained in courts outside of Canada based upon the civil liability provisions of the securities laws or other laws in those jurisdictions.

50. *Avagenesis has never declared or paid a dividend.*

Avagenesis has never declared or paid any dividends on the common shares. Avagenesis currently intends to retain its future earnings, if any, to finance further research and the expansion of Avagenesis' business. As a result, the return on an investment in Avagenesis' common shares will depend upon any future appreciation in value. There is no guarantee that the common shares will appreciate in value or even maintain the price at which shareholders have purchased their shares.

51. *Avagenesis' systems are vulnerable to damage and failure.*

Despite the implementation of security measures, Avagenesis' internal computer systems are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failure. Any system failure, accident or security breach that causes interruption in Avagenesis' operations could result in a material disruption of its projects. To the extent that any disruption or security breach results in a loss or damage to Avagenesis' data or applications, or inappropriate disclosure of confidential or proprietary information, Avagenesis may incur liability as a result. In addition, Avagenesis' technology program may be adversely affected and the further development of its technology may be delayed. Avagenesis may also incur additional costs to remedy the damages caused by these disruptions or security breaches.

52. *Avagenesis and/or its directors may be subject to a variety of civil or other legal proceedings.*

Avagenesis and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit. Avagenesis does not know of any such pending or actual legal proceedings as of the date of this MD&A.

Related Party Risk

53. *Avagenesis and Oceans have certain significant shareholders, directors and officers in common and conflicts of interest may arise.*

Avagenesis relies on Oceans, a related company, to conduct all of the Company's R&D and implement its beta testing program pursuant to a license agreement between the two companies. Oceans is also responsible for providing an assembly location, all parts procurement and outfitting of the assembly facility with the appropriate tools and staff to build the beta systems.

The License allows Avagenesis to use the patented and patent-pending bioprocessing and cell isolation technology to isolate stem and regenerative cells from human fat tissue for medical aesthetics. Failure to maintain the License in good standing will have a material adverse effect on the business of Avagenesis.

Avagenesis and Oceans have certain significant shareholders, directors and officers in common. In particular, Norman Tsui, a director and officer of Avagenesis, provides consulting services to Oceans

through the Consulting Agreement; Szu Min (Jasmine) Chiu, a director and officer of Avagenesis, provides consulting services to Oceans through the Consulting Agreement; Alan Tam, an officer of Avagenesis, provides consulting services to Oceans through the Consulting Agreement; Dr. Richard Huang, an officer of Avagenesis, provides consulting services to Oceans through the Consulting Agreement; and Bohdan Romaniuk, a director of Avagenesis, is a director of Oceans.

ADDITIONAL INFORMATION

Additional information about the Company is available for viewing on SEDAR at www.sedar.com.