AVAPECIA LIFE SCIENCES CORP.

Management's Discussion and Analysis

For the Three Months Ended September 30, 2016

This Management's Discussion and Analysis ("MD&A") presents an analysis of the financial performance of Avapecia Life Sciences Corp. (the "Corporation", "Company" or "Avapecia") for the three months ended September 30, 2016. The following information should be read in conjunction with the unaudited condensed interim financial statements of the Company for the same period, and with the audited financial statements for the year ended June 30, 2016 ("Fiscal 2016"), including the notes contained therein. These financial statements are presented in Canadian currency and were prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The unaudited condensed interim financial statements of the Company for the three months ended September 30, 2016 were prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34").

DATE OF REPORT

This MD&A is dated November 21, 2016 to assist readers in understanding the financial performance of the Company for the three months ended September 30, 2016.

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 technology;
- our assessment of the benefits of our technology 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 technology;
- our expectations regarding the acceptance of our technology 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 the Company or to the Company 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 maintain our business as a going concern;
- the ability to obtain sufficient and suitable financing to support operations, development and commercialization of technology;
- the risks associated with the development of our technology;
- the risks associated with the increase in operating costs from additional development costs and increased staff;
- 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.

Although the forward-looking statements contained in this MD&A are based on what the Company considers to be reasonable assumptions based on information currently available, 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.

DESCRIPTION OF BUSINESS

Avapecia is a biotechnology company engaged in the research, development, and commercialization of regenerative stem cell technologies and therapy solutions for use in hair regeneration, female pelvic medicine (urogynaecology), urology, gastrointestinal diseases, respiratory medicine, neurodegenerative diseases, ophthalmology, spinal cord injuries, certain autoimmune diseases and osteoarthritis. The

Company has the exclusive licenses for patented and patent-pending technologies. The Company aims to improve a patient's condition by isolating safe, high quality, viable, and potent stem cells and regenerative cells from a patient's own fat or adipose tissue for use in various treatments.

SIGNIFICANT EVENTS AND TRANSACTIONS

On August 18, 2016, the Company announced the appointment of an exclusive distributor for northern India.

On August 24, 2016, the Company announced the successful rapid processing of six clinical adipose stem cell cases by a single bioprocessing system in an eight hour period.

On September 22, 2016, the Company announced plans to begin to co-market with Avagenesis Corp. ("Avagenesis") under the common name of Liberty Biopharma Inc. Co-marketing to research institutes and clinics under a common brand will ensure a consistent approach to business development and brand recognition of the Companies' standardized adipose stem cell therapy isolation and enrichment platform.

On September 26, 2016, the Company announced that the quality management systems for the manufacturing of its licensed bioprocessing and cell isolation system have been re-certified under ISO 13485 and 9001 (the "ISO Certification"). ISO Certification demonstrates to customers that the Company's bioprocessing system has been certified to applicable standards with rigorous quality assurance and is a quality product for global markets and leading researchers.

On September 28, 2016, the Company announced that its licensed bioprocessing and cell isolation system has been re-certified under the CSA Group Certification Mark ("CSA Mark"). The CSA Mark demonstrates to customers that the Company's commercially manufactured bioprocessing system has been certified to applicable standards including standards written or administered by the American National Standards Institute (ANSI), Underwriters Laboratories (UL), CSA Group (CSA), NSF International (NSF), and other North American and global organizations.

SELECTED QUARTERLY INFORMATION

The following selected financial data, which has been prepared with International Financial Reporting Standards, is derived from the unaudited interim financial statements.

	Three months Ended Sept 30, 2016	Three months ended June 30, 2016	Three months ended Mar 31, 2016	Three months ended Dec 31, 2015
Total revenue	$ -	$ -	$ -	$ -
Net loss	(180,390)	(225,168)	(210,525)	(209,218)
Total assets	3,573,559	3,679,559	3,905,992	4,144,081
Long term liabilities	-	-	-	-
Net loss per share		$ (0.00)	$ (0.00)	$ (0.00)

(Basic and diluted)	$	(0.00)

	Three months Ended Sept 30, 2015	Three months ended June 30, 2015	Three months ended Mar 31, 2015	Three months ended Dec 31, 2014
Total revenue	$ -	$ -	$ -	$ -
Net loss	(179,373)	(89,221)	(98,426)	(77,761)
Total assets	3,153,602	3,336,385	3,437,877	3,499,208
Long term liabilities	-	-	-	-
Net loss per share (Basic and diluted)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

For the three months ended September 30, 2016, the Company reported no discontinued operations.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016

The Company is currently a development stage company and has yet to record revenue from operations.

During the three months ended September 30, 2016, the Company incurred a net loss of $189,390, which increased by $9,754 compared to the three months ended September 30, 2015. This increase is mainly a combined result of the general and administration, and amortization of licenses incurred in the period. Overall, there has been increased business activity compared to the prior year's quarter and expenses have remained relatively stable.

Research expenditure decreased in the current quarter by $5,000 compared to the three months ended September 30, 2015 as a result of the prior year's fees paid to Oceans 5-O Development Corp. ("Oceans"), related to (i) optimization of process engineering for machine design, performance and manufacture, and (ii) continuing validation and field testing of the technology. The Company relies on Oceans, a related company, to conduct all of the Company's R&D pursuant to a license agreement between the two companies.

General and administration expense increased in the current quarter by $7,776 compared to the three months ended September 30, 2015 mainly as a result of marketing and business development expenses, directors & officers liability insurance, accounting support, and office rent. General and administration expenses in the current quarter increased compared to the three months ended September 30, 2015 because of increased operational activities.

Amortization expense increased in the current quarter by $22,275 compared to the three months ended September 30, 2015 as a result of the amortization of licenses from Liberty Biopharma Inc., which were acquired in December 2015.

Professional fees decreased in the current quarter by $15,297 due to the Company's legal and regulatory filing activities to list the company shares on the Canadian Securities Exchange, in the prior year 3 months ended September 30, 2015. There were no such activities in the current quarter.

Research and Development Costs

	Three months ended Sept 30, 2016	Three months ended Sept 30, 2015
Amortization of equipment used in research	$ 12,500	$ 12,500
Research work performed by Oceans Five-O Development Corp.	45,000	50,000
Total	$ 57,500	$ 62,500

General and Administration Expenses

	Three months ended Sept 30, 2016	Three months ended Sept 30, 2015
Management fees	$ 23,086	$ 18,000
Marketing and business development	9,000	15,500
Office and miscellaneous	22,164	12,974
Total	$ 54,250	$ 46,474

DIVIDENDS

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

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2016, the Company had a negative working capital of $81,151 (June 30, 2016 – 23,873), having cash of $5,209 (June 30, 2016 - $23,904), Sales tax receivable of $27,376 (June 30, 2016 - $26,358), Prepaid of $9,119 (June 30, 2016 - $13,076) and accounts payable and accrued liabilities of $122,855 (June 30, 2016 - $39,465). Of the accounts payable and accrued liabilities, $82,000 is due to a related party and for operational expenses and research and development expenses.

During the three months ended September 30, 2016, the Company spent $18,695 in cash on operating activities, compared to $123,344 in the comparable period ended September 30, 2015. The reason for the decrease was mainly due to the decreased in professional fees in the prior year and the related listing of the company shares on the Canadian Securities Exchange.

There were no financing and investing activities in the three months ended September 30, 2016 and 2015.

Cash provided by (used in)	Three months ended Sept 30, 2016	Three months ended Sept 30, 2015
Operating activities	$ (18,695)	$ (123,344)
Investing activities	-	-
Financing activities	-	-
Total	$ (18,695)	$ (123,344)

The Company has not pledged any of its assets as security for loans, and is not otherwise subject to any debt covenants.

The Company will require additional funds to sustain and expand its sales and marketing activities, for product working capital, for ongoing regulatory approvals and general operations. The Company is currently seeking to raise additional capital and, in particular, is exploring opportunities for private placements with potential individual investors and/or institutional investors and other means of equity financing.

There can be no assurances 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

The Company has no existing contractual obligations other than as described herein.

License Agreement

The Company had the following three licenses in connection with the Company's main business, which were acquired during 2014 year-ended (990717 and 990719) and 2016 year-ended (Liberty Biopharma). These licenses were restated on January 18, 2016 when the Company amended and expanded the license field of use.

990717 and 990719 licenses

On May 16, 2014 and May 30, 2014, through the acquisition of 0990717 BC Ltd. and 0990719 BC Ltd., the Company became a party to two license agreements with Oceans. These license agreements are exclusive licenses for the worldwide use of patented and patent-pending proprietary bioprocessing technology for the application and treatment of the human medical conditions of alopecia areata, telogen effluvium and androgenetic alopecia.

During the three months ended September 30, 2016, no license fees were due or payable.

The following table summarizes the principal future obligations under the combined (two) license agreements.

	Payments are due on the first day of each quarter		
Contractual Obligations	January 31, 2014 – December 31, 2017	January 1, 2018 – December 31, 2019	January 1, 2020 – December 31, 2028
	Payments are due on the first day of each quarter		
Licensing fees	$nil/quarter	$20,000/quarter	$40,000/quarter
Royalty Payments	3% (three percent) of the net sales revenue related to the sale of the products protected by the patents + 30% of all sublicensing revenue related to the sublicensing of the technology protected by the patents from February 1, 2015 to December 31, 2028.		

Liberty Biopharma License

On December 18, 2015, Avapecia acquired Liberty Biopharma Inc. ("Liberty Biopharma"), a private company incorporated in the Province of British Columbia via a share exchange transaction.

Liberty Biopharma holds a license agreement with Oceans Five-O, for the use of patented and patent-pending automated bioprocessing and cell isolation technology for use in female pelvic medicine and reconstructive surgery (also known as Urogynaecology).

The License requires quarterly payments of $5,000 from January 1, 2018 to December 31, 2019. From January 1, 2020 to December 31, 2028, the payment increases to $10,000 per quarter, plus 3% of all net sales and 30% of any sublicensing revenue related to the sale of the products protected by the patent. Payment is due on the first day of each quarter.

On January 18, 2016, the Company amended the license agreement with Oceans Five-O, a company with common founding shareholders, to expand the worldwide exclusive license (except China) of the patented and patent-pending technology, for use in urology, gastrointestinal diseases, respiratory medicine, neurodegenerative diseases, ophthalmology, spinal cord injuries and certain autoimmune diseases.

The terms and minimum royalties will remain the same for existing and previously acquired licenses, while the maximum royalties will increase to 9.8% of net revenues for urology, gastrointestinal diseases, respiratory medicine, neurodegenerative diseases, ophthalmology, spinal cord injuries and certain autoimmune diseases.

In addition to the above license fees and royalty payments, pursuant to the licenses agreements, all materials and services required by the Company to use, support, and continue development of the licensed technology will be supplied by Oceans at fair market value, to the extent Oceans owns the materials and services that are required.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this management discussion and analysis, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended September 30, 2016, the Company did not engage in any transactions, including remuneration to officers/directors, with related parties other than those noted below.

Balances with related parties:

	Sept 30, 2016	June 30, 2016
Accounts payable to Oceans 5-O Development Corp.	$ (82,000)	$ (66)
Loan receivable from Oceans 5-O Development Corp.	745	745
Total	$ (81,255)	$ 679

Transactions with related parties:

During the three months ended September 30, 2016, the Company had the following transactions with Oceans 5-O Development Corp., a related company by way of shareholders who collectively hold more than 20% of the Company's outstanding shares:

	Three months ended Sept 30, 2016	Three months ended Sept 30, 2015
Rent (included in General and administration)	$ 9,000	$ 4,500
Office (included in General and administration)	4,500	3,000
Business development & marketing support (included in General and administration)	10,500	6,500
Management and administration fee (included in General and administration)	23,086	-
Research and development	45,000	50,000
Total	$ 92,086	$ 64,000

There are no ongoing contractual or other commitments resulting from this transaction.

PROPOSED TRANSACTION

On November 10, 2016, the Company and Avagenesis ("Companies") announced that the Companies entered into an amalgamation agreement ("Agreement") to merge the two Companies.

Pursuant to the Agreement, Avapecia shareholders will receive one post-amalgamation common share

in exchange for every three (3) Avapecia common share held. Avagenesis shareholders will receive one post-amalgamation common share in exchange for each Avagenesis common share held.

Completion of the transaction is subject to a number of conditions, including the respective stock exchange approvals (TSXV and CSE), disinterested shareholder approval from Avapecia and Avagenesis and the delivery of closing documents. The transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

The Companies will seek the approval of at least 66 2/3% of the votes cast by their respective shareholders, voting in person or by proxy, at an annual general and special meeting of shareholders of Avagenesis (the "Avagenesis Meeting") to be held at the offices of Shea Nerland LLP at Suite 1400, 350-7th Avenue S.W., Calgary, Alberta at 11:00 a.m. (Calgary time) on December 13, 2016, and at an annual general and special meeting of shareholders of Avapecia (the "Avapecia Meeting") to be held in the boardroom of Buttonwood Law Corporation at 1111 Melville Street, Vancouver, British Columbia at 1:00 p.m. (Vancouver time) on December 13, 2016.

As Avagenesis and Avapecia are related parties by virtue of certain common insiders, disinterested shareholder approval of the amalgamation will be sought at the Avagenesis Meeting and the Avapecia Meeting under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*.

The proposed directors for the amalgamated company are: Mr. Bohdan (Don) Romaniuk (director of Avagenesis), Mr. Dennis Nerland (director of Avagenesis and Avapecia), Mr. Norman Tsui (director and CEO of Avagenesis and director of Avapecia) and Dr. Peter Neweduk (director and CEO of Avapecia).

The proposed officers for the amalgamated company are: Mr. Norman Tsui as the President and Chief Executive Officer; Mr. Alan Tam as the Chief Financial Officer (currently the Chief Financial Officer of both Avagenesis and Avapecia), and Ms. Szu Min (Jasmine) Chiu as Vice-President (currently the Vice-President of Avagenesis).

Shortly after the completion of the amalgamation, the new amalgamated company will continue as one corporation, which will carry on the business of Avagenesis and Avapecia under the new name "Liberty Biopharma Inc." and will continue as a listed company on the TSXV and voluntarily delist from the CSE.

CHANGES IN ACCOUNTING POLICIES

Recent Accounting Pronouncements

The following is a summary of recent accounting pronouncements the Company will be required to adopt in future years. The Company continues to evaluate the impact of these standards on its financial statements.

IFRS 9 – Financial Instruments:

In November 2013, the IASB issued IFRS 9, Financial Instruments, (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39). IFRS 9 (2009) establishes the measurement and classification of financial assets. Financial assets are measured either at fair value through earnings or at amortized cost if certain conditions are met. IFRS 9 (2010) includes guidance on the classification and measurement of financial liabilities. The most recent amendment, IFRS 9 (2013) includes a new general hedge accounting model, which will align hedge accounting more closely with risk management. Additionally, the new standard removes the January 1, 2015 effective date. The new mandatory effective date of this standard is January 1, 2018.

The Company is currently evaluating the impact of IFRS 9 on its financial statements and expects to apply the standard in accordance with its future mandatory effective date.

IFRS 15 – Revenue from Contracts with Customers:

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for fiscal years ending on or after December 31, 2018 and is available for early adoption.

The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements and expects to apply the standard for the annual period beginning on July 1, 2018, or at the time the Company starts generating revenue, whichever is earlier.

FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and trade payables.

The Company's financial instruments, and the approach to handle the risks associated with the Company's financial instrument, did not significantly change from its recent year ended June 30, 2016

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares of which 145,500,900 common shares are issued and outstanding as at the date of this MD&A.

As at September 30, 2016 and as of the date of this MD&A, the following is a description of the outstanding equity securities previously issued by the Company:

	Authorized	Outstanding at September 30, 2016	Outstanding at the Date of this MD&A
Common Shares	Unlimited	145,500,900	145,500,900

RISKS AND UNCERTAINTIES

Risks Related to the Corporations Technology

1. *The market may not accept the Company's products, which will adversely affect its business, financial condition, and results of operations*

   The market acceptance of the Company's products will depend upon the medical community 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 the Company's ability to demonstrate the clinical efficacy and safety of, as well as to adequately train technicians on how to use, the Company's products and future products. Even if the Company's new products are released for sale, their use may not be recommended by the research community and the medical profession at large. Failure of these new products to achieve significant market share could have material adverse effects on the Company's long-term business, financial condition, and results of operation.

2. *The Company's products are based on new and unproven technology*

   The Company's 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, the Company's business may be harmed.

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

   Some of the Company's technologies and significant potential revenue sources could involve ethically sensitive and controversial issues as the Company's 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 become the subject of legislation or regulation, it could materially restrict the Company's 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 the Company's technology and create potential regulatory delays relating to its approval. Potential increased governmental regulation could have a material adverse effect on the Company's long-term business.

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

   The Company's 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. The Company cannot completely eliminate the risk of accidental contamination or injury from the use, storage, handling or disposal of these materials.

The Company 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 the Company.

5. *The Company operates within the rapidly changing biotechnology industry.*

The biotechnology industry in which the Company operates is characterized by rapid and intense technological change. The Company's 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 the Company's products under development. There can be no assurance that the development of additional products by others will not render the Company's products non-competitive or that the Company will be able to keep pace with technological developments within the industry.

6. *The Company's success depends on the successful commercialization of its technology.*

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

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

Risks Related to the Company's Intellectual Property

7. *The Company licenses its technology from Oceans Five-O Development Corp.*

The Company does not own the technology upon which its business is based, but instead has acquired licenses to use the patented and patent-pending bioprocessing and cell isolation technology to isolate stem and regenerative cells from human fat tissue. The terms of the license are specified in the respective 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. Failure to maintain the license in good standing will have a material adverse effect on the business of the Company.

The Company and Oceans have certain control persons or officers in common, specifically Dr. Richard Huang and Alan Tam. A "control person" is an individual who holds a sufficient number of the securities of a corporation so as to affect materially the control of the corporation, or who holds more than 20% of the outstanding voting shares of a corporation. Dr. Huang is also the inventor of the technology, which is the subject of license agreements.

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

The Company licenses proprietary technology from Oceans and may in the future develop and secure its own patented technology. The Company believes that its rights to certain patents, trademarks, trade secrets and other proprietary rights are important to its success and competitive position. Accordingly, the Company endeavors to devote available resources to the establishment and protection of its rights to certain patents, trademarks, trade secrets, and proprietary rights. The Company uses various methods,

including confidentiality agreements with employees, vendors, and customers, to protect its trade secrets and proprietary know-how for its products. The Company's actions, however, to establish and protect its rights to certain patents, trademarks, and other proprietary rights may be inadequate to prevent imitation of the Company's products by others or to prevent others from claiming violations of their trademarks, patents and proprietary rights by the Company. 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 the Company's products are challenged as infringing upon patents of other parties, the Company 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 the Company.

The Company 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 the Company's rights to the extent necessary to sustain any competitive advantage the Company may have over its competitors. In addition, the Company's 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.

The Company will be able to protect its technology from unauthorized use by third parties only to the extent that they are covered by valid and enforceable patents or are effectively maintained as 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 the Company's intellectual property. Moreover, the patent application that the Company is licensing may not be sufficiently broad to prevent others from utilizing the Company's technologies or from developing competing products. The Company also faces the risk that others may independently develop similar or alternative technologies or design around its licensed patented technologies.

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

The Company's 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 the Company does not hold licenses or other rights. These third parties could bring claims against the Company that would cause it to incur substantial expenses and, if successful against the Company, could cause it to pay substantial damages. Further, if a patent infringement suit were brought against the Company, 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 the Company 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 the Company obtain a license, the license would likely obligate the Company to pay license fees or royalties or both, and the rights granted to it might be nonexclusive, which could result in the Company's competitors gaining access to the same intellectual property. This may prevent the Company 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, the Company 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 has 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 the Company, 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 the Company's products and technology. The cost to the Company of any patent litigation or other proceeding, even if resolved in the Company's favor, 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 the Company's ability to compete in the marketplace and, as a result, on the Company's business, financial condition and results of operations.

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

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

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

12. *The Company 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 the Company, 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 relied on by the Company 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 the patents relied on by the Company 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 the patent applications of the Company's collaborators or licensors. Litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distraction to the Company's management. The Company may not be able, alone or with its collaborators and licensors, to prevent misappropriation of the Company's proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States and Canada.

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 the Company's confidential information could be compromised by disclosure during this type of litigation.

If the Company 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 the Company's common stock could be significantly harmed.

13. *The Turbo RSC System may be subject to intellectual property claims from prior employers or contractors of the inventor.*

    There is a non-eliminable risk that prior employers or contractors of Dr. Huang, the inventor of the Turbo RSC System, could claim that Dr. Huang conceived the invention during the term of his employment by those prior employers or contractors, and, thus, attempt to gain some rights in the invention.

Risks Related to the Company's Operations

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

    The Company's 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 the Company anticipates it will operate. To attempt to address these risks, the Company 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 the Company because, as an early stage commercial enterprise, it has fewer resources than an established company, the Company's management may be more likely to make mistakes at such an early stage, and the Company may be more vulnerable operationally and financially to any mistakes that may be made, as well as to external factors beyond the Company's control.

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

    The Company's products require precise and high-quality manufacturing. Achieving precision and quality control requires skill and diligence by the Company's personnel or manufacturers, as well as its vendors. Any failure on the Company's, or its manufacturer's, 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 the Company's products, product recalls or withdrawals, delays or failures in product testing or delivery, cost overruns or other problems that could seriously harm the Company's business. Despite the Company's anticipated high manufacturing standards, the Company cannot completely eliminate the risk of errors, defects or failures. If the Company is unable to eliminate the risk of errors, defects or failures, its business and results of operations may be negatively affected.

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

17. *If the Company is unable to maintain its relationships with its suppliers or if the suppliers materially change the terms of their existing agreements with the Company, the Company's business could be materially adversely affected.*

    Pursuant to the license agreements with Oceans Five-O Development Corp., the Company is required to use the materials and services supplied by Oceans Five-O Development Corp. The license agreements also provides for termination under certain conditions. To the extent that Oceans Five-O Development Corp. reduces the amount of materials and services it supplies to the Company, is unwilling to continue to do business with the Company, or is unable to continue to meet or significantly alters its obligations, the Company's business could be materially adversely affected. In addition, to the extent that Oceans Five-O Development Corp. modifies the terms of the license agreements with the Company, limits supplies due to capacity constraints, or other factors, there could be a material adverse effect on the Company's business.

18. *The Company's lack of production experience may delay the manufacture of its new products.*

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

19. *Dependence on suppliers for disposable products and custom components may adversely affect the Company's production schedule.*

    The Company intends to obtain certain disposable products and custom components from a limited number of suppliers. If the supplier raises the price or discontinues production, the Company may have to find another qualified supplier to provide the item. If the supplier incurs interruptions in manufacturing as a result of equipment failure, labor unrest, loss of power, delays in delivery of raw materials or other reasons, there could be delays in the manufacture and delivery of the Company's products. In the event that it becomes necessary for the Company to find another supplier, the Company 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 the Company's suppliers or delays in production, it could have a material adverse effect on the Company's business, financial condition, and results of operations.

20. *The Company's products may be subject to product recalls which may harm its reputation and divert its managerial and financial resources.*

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

21. *Quality problems with the Company's products or processes could harm its reputation for producing high-quality products and decrease the Company's future revenues.*

Quality is extremely important to the Company 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 the Company's products. If the Company fails to meet its customers' quality standards, the Company's reputation could be damaged and the Company could lose current and potential customers. The Company's future revenues could decline as a result.

22. *Any disruption at the Company's places of business could delay revenues or increase its expenses.*

All of the Company's and its licensor's technical operations are conducted at locations in Boston and Richmond. A natural disaster, such as a fire, flood or earthquake, could cause substantial delays in the Company's operations, damage or destroy the Company's design equipment or inventory, and cause the Company to incur additional expenses.

23. *Failure to retain or hire key personnel may adversely affect the Company's ability to sustain or grow its business.*

The Company's ability to operate successfully and manage its potential future growth depends significantly upon attracting and retaining key research, technical, clinical, regulatory, sales, marketing, and managerial personnel. The Company's 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 the Company's scientific or business objectives. The inability to retain or attract qualified personnel could have a significant negative effect upon the Company's efforts and thereby materially harm its business and future financial condition.

In addition, because the Company does not maintain "key person" life insurance on any of its executive 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 the Company's business, financial condition, and results of operations.

24. *Growth may cause pressure on the Company's management and systems.*

The Company's future growth may cause significant pressure on its management, and its operational, financial, and other resources and systems. The Company's ability to manage its growth effectively will require the Company 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 the Company's operational, financial, and management information systems could have a material adverse effect on the Company's business, financial condition, and results of operations.

25. *The Company's use of scientific collaborators may cause delays.*

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

Risks Related to Financial Markets

26. *The Company may need to raise additional capital in the future to fund its operations.*

The Company 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 the Company 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, defense, and enforcement of patent claims.

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

If the Company's 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 unfavorable, the Company may be unable to raise funds when needed or on acceptable terms.

Any additional equity financings may be dilutive to the Company's existing stockholders.

If sufficient capital is not available, the Company 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 the Company's business, financial condition, prospects, or results of operations.

27. *There is no market for shares of the Company*

There is no market in which the Company's shares may be sold and there is no assurance that any market for the shares will develop in the future. It may be difficult or impossible to resell the shares or to pledge the shares as collateral for a loan. Accordingly, an investment in the shares should only be considered by investors who are able to bear the economic risk of a long-term investment and do not require liquidity. The shares are also subject to resale restrictions under applicable securities legislation.

28. *The Company 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 Avapecia business, certain factors such as Avapecia announcements, competition from developers of new medical devices or new technologies, government regulations, fluctuations in operating results, results of clinical trials, general market conditions, developments in patent and proprietary rights, sales of substantial

amounts of Avapecia 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 Avapecia 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.

29. *There is limited liquidity for shares of the Company*

There is limited trading in the Company's shares on the Canadian Securities Exchange (the "CSE") and there is no assurance that trading in the Company's shares will develop or increase in the future. It may be difficult or impossible to resell the shares or to pledge the shares as collateral for a loan. Accordingly, an investment in the shares should only be considered by investors who are able to bear the economic risk of a long-term investment and do not require liquidity. The shares may also be subject to resale restrictions under applicable securities legislation.

30. *Current credit and financial market conditions may worsen certain risks affecting the Company's business.*

The Company 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 the Company by these third parties, which could adversely affect the Company's business.

Risks Associated with the Financial Results of the Company

31. *The Company currently has negative operating cash flow.*

Since incorporation on January 10, 2014, the Company had negative operating cash flow. There can be no certainty that the Company will ever achieve or sustain profitability or positive cash flow from its operating activities. In addition, the Company's working capital and funding needs may vary significantly depending upon a number of factors including, but not limited to:

- progress of the Company's research and development programs and costs associated with completing studies and other regulatory processes;
- collaborative license agreements with third parties;
- opportunities to in-license complementary technologies or potential acquisitions;
- potential milestone or other payments the Company may make to licensors or corporate partners;
- technological and market developments that affect the Company's potential revenue levels or competitive position in the market place;
- the level of sales and gross profit;
- costs associated with manufacturing, including capital expenditures, labour and raw materials, costs, and the Company's 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 the Company's business or new product introductions; and
- expenses associated with litigation;

32. *The Company incurs expenditures in foreign currency and does not hedge against foreign currency risks.*

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

33. *Expenses associated with clinical trials may cause earnings to fluctuate, which could adversely affect The Company's valuation.*

    The clinical trials required for regulatory approval of the Company's products, as well as clinical trials that the Company 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 FDA and/or other regulatory agencies may require more clinical testing than the Company originally anticipated. Uneven and unexpected spending on these programs may cause the Company's operating results to fluctuate from quarter to quarter, and its valuation may decline.

34. *The Company has broad discretion over the use of net proceeds.*

    The Company will have broad discretion over the use of the net proceeds from any future the Company capital raises. Because of the number and variability of factors that will determine the Company's use of such proceeds, the Company's ultimate use might vary substantially from the planned use. Investors may not agree with how the Company allocates or spends the proceeds from future capital raises. The Company may pursue collaborations that ultimately do not result in an increase in the market value of the common shares and that instead increase the Company's losses.

Industry Related Risks

35. *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 the Company's performance.

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

    The process of obtaining necessary regulatory approval is lengthy, expensive, and uncertain. The Company or its collaborators may fail to obtain the necessary approvals to commence or continue to manufacture or market the Company's 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 the Company operates or product development takes place.

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

36. *The Company and its customers are subject to various political, economic, and regulatory changes in the healthcare industry that could force the Company 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 the Company is not aware of any legislation or regulations specifically targeting the medical device industry that are currently pending, any such regulations could impair the Company's ability to operate profitably. In addition, any failure by the Company to comply with applicable government regulations could also result in the cessation of portions or all of the Company's operations and the impositions of fines and restrictions on the Company's ability to continue or expand its operations.

37. *The Company's business is heavily regulated, resulting in increased costs of operations and delays in product sales.*

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

38. *Competition in the Company's industry is intense and will likely involve commercial rivals with greater resources.*

The Company 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 the Company. These larger and better-financed medical device manufacturers may choose to enter this market as it develops. The Company expects physicians' inertia and skepticism to also be a significant barrier as the Company attempts to gain market penetration with its future products. The Company 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 inertia and skepticism may adversely affect the Company's business, financial condition, prospects or results of operations.

39. *Product liability and uninsured risks may adversely affect the Company's continuing operations.*

The Company operates in an industry susceptible to significant product liability claims. The nature of the Company's 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 the Company's 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 that the Company manufactures or sells could result in an unsafe condition or injury to, or death of, a user. The Company 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 the Company 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. The Company 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. The Company 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. The Company does not have insurance covering the costs and losses as a result of product recalls.

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

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

Regulatory Risks

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

Even if the Company 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 the Company's products are ready to be commercialized, what the Company 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 the Company's technology and products do not result in commercially successful products, the Company's business could be adversely affected.

41. *The Company cannot market its products until it receives regulatory approval.*

The Company 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 the Company 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 the Company encounters in obtaining regulatory approval may have a substantial adverse impact on the Company's business and cause its valuation 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. The Company 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 the Company's business prospects.

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

Even if some of the Company's products receive regulatory approval, these approvals may be subject to conditions, and the Company 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 the Company's products.

Moreover, conditions of approval, such as limitations on product end users, may significantly affect the Company's ability to commercialize the product and may make it difficult or impossible for the Company to market a product profitably. Changes that the Company 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 the Company from updating or otherwise changing an approved product. If the Company's products are approved by the USFDA or other regulatory authorities for use, or treatment purposes, regulatory labeling may specify that the Company's 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 the Company's 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 the Company's business, financial condition, prospects or results of operations.

42. *If any of the Company's products is approved, the Company will be required to report certain adverse events involving its products to the USFDA, to provide updated safety and efficacy information, and to comply with requirements concerning the advertisement and promotional labeling of its products.*

    Even if the Company 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 the Company 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 the Company's business.

43. *If the Company's products do not comply with applicable laws and regulations the Company's business will be harmed.*

Any failure by the Company, or by any third parties that may manufacture or market the Company's 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 the Company 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 the Company or third parties to manufacture the Company's products, injunctions or criminal prosecution. Any of the foregoing actions could have a material adverse effect on the Company's business.

44. *The Company may be slow to adapt, or the Company may not be able to adapt, to changes in existing regulatory requirements, or new legal or regulatory requirements or policies.*

Later discovery of previously unknown problems with the Company's 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 the Company's products;
- restrictions on importation of the Company's 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 the Company 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, the Company may have to devote significant resources to respond and undertake appropriate corrective and preventative actions, which could adversely affect the Company's business prospects.

45. *The Company 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 the Company's products outside Canada and the United States vary widely from country to country. Foreign approvals may take longer to obtain than FDA 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 FDA 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. The Company may not be able to file for regulatory approvals and may not receive necessary approvals to market its products in any foreign country. If the Company fails to comply with these regulatory requirements or fails to obtain and maintain required approvals in any foreign country, the Company will not be able to sell its products in that country and the Company's ability to generate revenue will be adversely affected.

Related Party Risks

46. *The Company's and Oceans have certain significant shareholders in common and conflicts of interest may arise.*

The Company and Oceans have certain significant shareholders in common. In particular, Dr. Richard Huang and Alan Tam are control persons of both the Company and Oceans. A "control person" is an individual that holds a sufficient number of the securities of a corporation so as to affect materially the control of the corporation, or that holds more than 20% of the outstanding voting shares of a corporation. Dr. Huang is also the inventor of the technology, which is the subject of license agreements.

The Company and Oceans have entered into and amended license agreements which allow the Company to use the patented and patent-pending bioprocessing and cell isolation technology to isolate stem and regenerative cells from human fat tissue for the application and treatment of various human medical conditions. Failure to maintain the License in good standing will have a material adverse effect on the business of the Company.

Under the license agreements, the Company is required to acquire all materials and services required by the Company to use, support, and continue development of the licensed technology from Oceans at fair market value to the extent Oceans owns the materials and services that are required. It is expected that under the license agreements, Oceans will conduct all of the Company's R&D activities and will be responsible for providing assembled beta units.

In addition to the potential conflicts of interest that may arise, the requirement to obtain all materials and services from Oceans may restrict the Company from sourcing the appropriate expertise required by its business, and may create delays should Oceans be unable to immediately respond to requests. This may negatively affect The Company's profitability.

Other Risks

47. *The Company's directors may from time to time have conflicts of interest*

Directors of the Company 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 the Company may participate, conflicts of interest may arise which may be harmful to the Company's 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 BCBCA and will govern themselves in respect thereof, to the best of their ability, in accordance with the obligations imposed upon them by law.

48. *It may not be possible for foreign investors to enforce actions against the Company, and its directors and officers.*

The Company is a corporation organized under the laws of the Province of British Columbia. All of the Company's directors and executive officers reside principally in Canada. Because all or a substantial portion of the Company's 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 the Company or those Persons. Furthermore, it may not be possible to enforce against the Company foreign judgments obtained in courts outside of Canada based upon the civil liability provisions of the securities laws or other laws in those jurisdictions.

49. *The Company has never declared or paid a dividend.*

The Company has never declared or paid any dividends on the common shares. The Company currently intends to retain its future earnings, if any, to finance further research and the expansion of the

Company's business. As a result, the return on an investment in the Company's 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.

50. *The Company's systems are vulnerable to damage and failure.*

    Despite the implementation of security measures, the Company's 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 the Company's 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 the Company's data or applications, or inappropriate disclosure of confidential or proprietary information, the Company may incur liability as a result. In addition, the Company's technology program may be adversely affected and the further development of its technology may be delayed. The Company may also incur additional costs to remedy the damages caused by these disruptions or security breaches.

51. *The Company and/or its Directors may be subject to a variety of civil or other legal proceedings.*

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

Approval and Additional Information

The board of directors of the Corporation has approved the disclosure contained in this MD&A.

Additional information about the Company is available for viewing, under the Company's profile, on SEDAR at www.sedar.com.