LIBERTY BIOPHARMA INC.
(FORMERLY AVAGENESIS CORP.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2017 AND 2016

This management's discussion and analysis ("MD&A") presents an analysis of the financial position of Liberty Biopharma Inc. (the "Company" or "Liberty Biopharma") for the three and nine months ended March 31, 2017 and 2016. 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, 2017 and 2016, and with the audited consolidated financial statements for the years ended June 30, 2016 and 2015, including the notes contained therein. The preparation of financial data for Liberty Biopharma Inc. is in accordance with International Financial Reporting Standards ("IFRS").

Date of Report

This MD&A is dated May 29, 2017 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 and commercialization 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 Liberty Biopharma System ("System") and technology;
- our assessment of the benefits of our System 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 System;
- our expectations regarding the acceptance of our System 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 licensed 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 the Company as a going concern;
- the ability to obtain sufficient and suitable financing to support operations, development and commercialization of the System;
- the risks associated with the development and commercialization of our System;
- the risks associated with the increase in operating costs from additional development and

commercialization 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 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 applicable securities legislation, as a reporting issuer, it is Liberty Biopharma's policy to update forward-looking information in its periodic management discussions and analyses, as required from time to time, 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, 2017, and the period up to and including the date of this MD&A, Liberty Biopharma accomplished the following:

- Successfully registered its stem cell platform with Health Canada. Health Canada registration will allow the Company to work with accredited surgical facilities in Canada and offer select stem cell procedures;
- Entered into a Letter of Intent (the "LOI") to acquire a cell line manufacturer that has been in business for over 25 years (the "Target Company");
- Successful initial clinical application of the Company's cellular therapy platform for the processing and isolation of adipose-derived mesenchymal stem cells (ADMSC) and ADMSC-derived exosomes in a live animal stroke model;
- Received a receipt for a preliminary short form prospectus (the "Preliminary Prospectus") in connection with a proposed offering of units ("Units") of Liberty Biopharma for gross proceeds of up to $10 million (the "Offering").
- Received a receipt for a final preliminary short form prospectus (the "Final Prospectus") in connection with a proposed offering of units ("Units") of Liberty Biopharma for gross proceeds of up to $10 million (the "Offering").

The market factors are substantially unchanged from the ones disclosed in the annual MD&A for the years ended June 30, 2016 and 2015.

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 eight most recent quarters.

	March 31 2017	December 31 2016	September 30 2016	June 30 2016
Total Revenue	$ -	$ -	$ -	$ -
Net loss	(436,965)	(284,642)	(282,196)	(214,766)
Net loss per share (basic and diluted)	(0.00)	(0.01)	(0.01)	(0.00)

	March 31 2016	December 31 2015	September 30 2015	June 30 2015
Total Revenue	$ -	$ -	$ -	$ -
Net loss	(214,548)	(379,047)	(452,230)	(545,659)
Net loss per share (basic and diluted)	(0.00)	(0.01)	(0.01)	(0.01)

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

During the three months ended March 31, 2017, the Company incurred a net loss of $436,965, an increase of $222,417 compared to the three months ended March 31, 2016. This increase was primarily attributable to higher professional fees related to (i) the amalgamation with Avapecia Life Sciences ("Avapecia"), (ii) the proposed strategic acquisition of a cell line manufacturer and (iii) the filing of a preliminary short form prospectus, as well as the amortization of intangibles acquired from Avapecia.

R&D expenses in the current quarter fell by $18,325 compared to the three months ended March 31, 2016, because assembly costs, additional parts orders, and costs of beta unit testing decreased significantly.

Liberty Biopharma relies on a related company to conduct all of the Company's R&D pursuant to an agreement between the two companies.

G&A expense in the current quarter increased by $172,550 compared to the three months ended March 31, 2016. Professional fees were higher due to the costs associated with the amalgamation between Avagenesis and Avapecia, the proposed strategic acquisition of a cell line manufacturer and the filing of a preliminary short form prospectus. Administrative expenses rose in the three months ended March 31, 2017 relative to the comparable quarter in the prior year due to higher regulatory filing activity and other administrative costs associated with amalgamating two public companies.

Research and Development Costs

	Three Months Ended March 31 2017	Three Months Ended March 31 2016
License fees	$ 50,000	$ 50,000
Assembly costs, commercial validation systems	-	-
Research and development, other	2,629	20,954
Total	$ 52,629	$ 70,954

General and Administration Expenses

	Three Months Ended March 31 2017	Three Months Ended March 31 2016
Management fees	$ 103,890	$ 82,347
Marketing and business development	3,731	1,250
Professional fees	142,905	16,048
Offices and miscellaneous	42,560	20,891
Total	$ 293,086	$ 120,536

FINANCIAL RESULTS FOR THE NINE MONTHS ENDED MARCH 31, 2017 AND 2016

During the nine months ended March 31, 2017, the Company incurred a net loss of $1,003,803, a decrease of $15,022 compared to the nine months ended March 31, 2016. This decrease was primarily attributable to a decrease in R&D expenses.

R&D expenses in the nine months ended March 31, 2017 fell by $204,530 compared to the nine months ended March 31, 2016, because assembly costs, additional parts orders, and costs of beta unit testing decreased significantly.

During the nine months ended March 31, 2016, direct R&D costs also included the costs associated with adjustments to the Liberty Biopharma System's design and assembly process based on feedback from clinics with commercial validation-deployed Systems as well as adjustments to existing assembled Systems and sub-assemblies. As a result, direct R&D costs during the nine months ended March 31, 2016 were significantly higher than those incurred in the comparable most recent nine month period.

Liberty Biopharma relies on Oceans Ingenuity Inc. ("Oceans"), a related company, to conduct all of the Company's R&D 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 Systems and to identify improvements during the assembly process.

G&A expense in the current nine month period increased by $115,029 relative to the nine months ended March 31, 2016 mainly due to costs associated with the amalgamation between Avagenesis and Avapecia, the proposed strategic acquisition of a cell line manufacturer, the filing of a preliminary short form prospectus and other administrative costs associated with amalgamating two public companies. Marketing and business development expense fell during this period as a result of lower direct costs and travel costs related to investor relations conferences. Management fees decreased this period due to the conclusion of many development projects (ISO and CSA Certifications, finalized packaging, completed user manuals and training programs) in the prior comparable period.

Research and Development Costs

	Nine Months Ended March 31 2017	Nine Months Ended March 31 2016
License fees	$ 150,000	$ 150,000
Assembly costs, commercial validation systems	-	98,000
Research and development, other	73,000	179,530
Total	$ 223,000	$ 427,530

General and Administration Expenses

	Nine Months Ended March 31 2017	Nine Months Ended March 31 2016
Management fees	$ 301,357	$ 330,659
Marketing and business development	20,270	23,654
Professional fees	235,344	114,684
Offices and miscellaneous	91,486	64,431
Total	$ 648,457	$ 533,428

DIVIDENDS

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

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2017, Liberty Biopharma had cash of $9,414 (June 30, 2016 - $113,687) and negative working capital of $107,337 (June 30, 2016 – negative $414,600).

As at March 31, 2017, the majority of amounts due to related parties are for deferred management fees, license fee accruals, general operating expenses and research and development expenses paid on behalf of the Company.

During the nine months ended March 31, 2017, the Company spent $787,694 in cash on operating activities, compared to $813,474 in the prior year's comparable nine-month period ending March 31, 2016. This decrease is mainly attributable to lower R&D expense and an increase in trade payables and amounts due to related parties.

During the nine months ended March 31, 2017, cash in the amount of $676,598 was provided from financing activities consisting of non-brokered private placements and funds due from a related party. During the comparable period in the prior year, cash in the amount of $340,000 was provided from financing activities consisting of a non-brokered private placement.

During the nine months ended March 31, 2017, cash in the amount of $6,823 was provided from investing activity consisting of cash acquired upon the acquisition of Avapecia by Avagenesis in the amalgamation transaction that led to the creation of the Company (Liberty Biopharma Inc.).

Cash provided by (used in)	Nine months ended March 31 2017	Nine months ended March 31 2016
Operating activities	$ (787,694)	$ (813,474)
Investing activities	6,823	-
Financing activities	676,598	340,000
Total	$ (104,273)	$ (473,474)

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

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 actively 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 or debt financing.

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

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

TRANSACTIONS BETWEEN RELATED PARTIES

Liberty Biopharma 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	
	Mar 31 2017	Mar 31 2016	Mar 31 2017	Mar 31 2016
Licensing fees (included in Research and development)	$ 50,000	$ 50,000	$ 150,000	$ 150,000

Management fees (included in General and administration)	103,890	82,347	301,356	330,659
Research and development, net	2,629	20,954	73,000	277,530

The licensing fees are for the exclusive license of the patented and patent-pending, proprietary bioprocessing and cell isolation technology for stem cells and regenerative cells derived from human adipose tissue. The licensing fees were expensed as research and development costs.

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 Liberty Biopharma.

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 104,515,363 common shares;
- Nil options issued and outstanding.

PROPOSED STRATEGIC ACQUISITION

On February 17, 2017, the Company announced that it had entered into a Letter of Intent (the "LOI") to acquire a cell line manufacturer that has been in business for over 25 years (the "Target Company"). Under the terms of the LOI, Liberty Biopharma will make an offer to purchase all of the outstanding shares of the Target Company (the "Proposed Acquisition"). The amount of consideration for the Proposed Acquisition will be determined upon completion of due diligence and after other key conditions have been satisfied. The Board of Directors of Liberty Biopharma has appointed a Special Committee to review the Proposed Acquisition and determine valuation and Liberty Biopharma's financing requirements to acquire the Target Company.

SHORT FORM PROSPECTUS

On March 29, 2017, the Company received a receipt for a preliminary short form prospectus (the "Preliminary Prospectus") in connection with a proposed offering of units ("Units") of Liberty Biopharma for gross proceeds of up to $10 million (the "Offering").

The Offering will be conducted on a "best efforts" basis with Kernaghan & Partners Ltd. ("Kernaghan") acting as agent. The Offering will be conducted in the provinces of British Columbia, Alberta, and Ontario.

The number of Units to be issued, the price of each Unit, and the exercise price of each Warrant will be determined in the context of the market at the time of pricing of the Offering. Each Unit will consist of one common share of the Company ("Common Share") and one Common Share purchase warrant ("Warrant"), with each Warrant entitling the holder to purchase one additional Common Share for a period of five (5) years from the first closing date.

The Warrants will be subject to an acceleration provision as follows. In the event the closing price of the Company's Common Shares on the TSX Venture Exchange is greater than a specified price for a period of 10 consecutive trading days at any time after six months from the closing of the Offering, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and, in such case, the Warrants will expire on the 30th day after the date on which such notice is given to the holder.

On May 30th, 2017, the Company was granted a receipt for a final short form prospectus (the "Final Prospectus") in connection with a proposed offering of units ("Units") of Liberty Biopharma for gross proceeds of up to $10 million (the "Offering").

CRITICAL ACCOUNTING POLICIES

The financial information for the three months ended December 31, 2016 reflects the same accounting policies and methods of application as the audited consolidated financial statements of Avagenesis for the year ended June 30, 2016, with the exception of the following new accounting standards that were issued by the IASB and adopted by the Company, effective July 1, 2016.

Amendments to IAS 38 – Intangible Assets:

On May 12, 2014, the IASB issued amendments to IAS 38 *Intangible Assets*. The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue.

The Company adopted the amendments to IAS 38 in its consolidated financial statements for the annual period beginning on July 1, 2016. The adoption of IAS 38 did not have a significant impact on the Company's condensed financial statements.

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 (2014), 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 consolidated 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.

RISKS AND UNCERTAINTIES

Risks Related to Liberty Biopharma's Technology

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

   The market acceptance of Liberty Biopharma's 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 Liberty Biopharma's ability to demonstrate the clinical efficacy and safety of, and the ability to adequately train technicians on how to use, Liberty Biopharma's products and future products. Even if Liberty Biopharma's 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 Liberty Biopharma's long-term business, financial condition, and results of operation.

2. *Liberty Biopharma is dependent on new and unproven technologies.*

   Liberty Biopharma'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, Liberty Biopharma's 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 Liberty Biopharma's technology.*

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

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

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

   Liberty Biopharma 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 Liberty Biopharma.

5. *Liberty Biopharma operates within the rapidly changing biotechnology industry.*

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

6. *Liberty Biopharma's success depends on the successful commercialization of its technology.*

The successful commercialization of Liberty Biopharma's technology is crucial for its success. Even if Liberty Biopharma's technology is shown to be less costly and more effective, Liberty Biopharma and its strategic partners and collaborators may face unforeseen difficulties in manufacturing and marketing Liberty Biopharma's 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 Liberty Biopharma's technology and products do not result in commercially successful products, Liberty Biopharma's business could be adversely affected.

Risks Related to Liberty Biopharma's Intellectual Property

7. *Liberty Biopharma licenses its technology from a related company.*

Liberty Biopharma does not own all the technology upon which its business is based, but instead has acquired a License 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 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 Liberty Biopharma.

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

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

Liberty Biopharma licenses proprietary technology from a related company and may in the future develop and secure its own patented technology. Currently the technology underlying the License is protected by patents, has patent-pending status in other jurisdictions. Liberty Biopharma believes that its rights to certain patents, trademarks, trade secrets and other proprietary rights are important to its success and competitive position. Accordingly, Liberty Biopharma endeavours to devote available resources to the establishment and protection of its rights to certain patents, trademarks, trade secrets and proprietary rights. Liberty Biopharma uses various methods, including confidentiality agreements with employees, vendors, and customers, to protect its trade secrets and proprietary know-how for its products. Liberty Biopharma's actions, however, to establish and protect its rights to certain patents, trademarks, and other proprietary rights may be inadequate to prevent imitation of Liberty Biopharma's products by others or to prevent others from claiming violations of their trademarks, patent and proprietary rights by Liberty Biopharma. 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 Liberty Biopharma's products are challenged as infringing upon patents of other parties, Liberty Biopharma 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 Liberty Biopharma.

Liberty Biopharma 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 Liberty Biopharma's rights to the

extent necessary to sustain any competitive advantage Liberty Biopharma may have over its competitors. In addition, Liberty Biopharma'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.

Liberty Biopharma 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 Liberty Biopharma's intellectual property. Moreover, the patent application that Liberty Biopharma is licensing may not be sufficiently broad to prevent others from utilizing Liberty Biopharma's technologies or from developing competing products. Liberty Biopharma also faces the risk that others may independently develop similar or alternative technologies or design around its licensed patented technologies.

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

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

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

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

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

12. *Liberty Biopharma 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 Liberty Biopharma, 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 Liberty Biopharma 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 Liberty Biopharma's 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 Liberty Biopharma's patent applications or those of Liberty Biopharma's collaborators or licensors. Litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distraction to Liberty Biopharma's management. Liberty Biopharma may not be able, alone or with its collaborators and licensors, to prevent misappropriation of Liberty Biopharma's 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 Liberty Biopharma's confidential information could be compromised by disclosure during this type of litigation.

If 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 Liberty Biopharma's common stock could significantly decline.

13. *The System 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. Richard Huang, Liberty Biopharma's former Chief Scientific Officer and the inventor of the System, 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 Liberty Biopharma's Operations

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

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

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

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

16. *Liberty Biopharma 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 Liberty Biopharma's suppliers or manufacturers could delay supply or manufacture of component products required to be integrated or sold with Liberty Biopharma's products. There are no assurances Liberty Biopharma will be successful in locating an alternative supplier or manufacturer to meet product shipment or launch deadlines. As a result, Liberty Biopharma's sales, contractual commitments and financial forecasts may be significantly affected by any such delays.

17. *Liberty Biopharma's lack of production experience may delay the manufacture of its new products.*

Liberty Biopharma 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 Liberty Biopharma's current resources and manufacturing facility can handle a significant increase in orders for its products. Liberty Biopharma 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 Liberty Biopharma. The inability to have products manufactured by third parties at a competitive cost could erode anticipated margins for such products, and negatively affect Liberty Biopharma's profitability.

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

Liberty Biopharma obtains certain disposable products and custom components from a limited number of suppliers. If the supplier raises the price or discontinues production, Liberty Biopharma 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 Liberty Biopharma's products. In the event that it becomes necessary for Liberty Biopharma to find another supplier, Liberty Biopharma 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 Liberty Biopharma's suppliers or delays in production, it could have a material adverse effect on Liberty Biopharma's business, financial condition and results of operations.

19. *Liberty Biopharma's 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 Liberty Biopharma's products or order their removal from the market if the governmental entity finds Liberty Biopharma's products could cause adverse health consequences or death. A government-mandated or voluntary recall by Liberty Biopharma could occur as a result of component failures, manufacturing errors or design defects (including labeling defects). Any recall of Liberty Biopharma's products may harm its reputation with customers, divert managerial and financial resources and negatively affect Liberty Biopharma's profitability.

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

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

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

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

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

Liberty Biopharma's 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. Liberty Biopharma'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 Liberty Biopharma's scientific or business objectives. The inability to retain or attract qualified personnel could have a significant negative effect upon Liberty Biopharma's efforts and thereby materially harm its business and future financial condition.

In addition, because Liberty Biopharma 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 Liberty Biopharma's business, financial condition and results of operations.

23. *Growth may cause pressure on Liberty Biopharma's management and systems.*

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

24. *Liberty Biopharma's use of scientific collaborators may cause delays.*

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

Risks Related to Financial Markets

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

Liberty Biopharma 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 Liberty Biopharma 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 Liberty Biopharma'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 unfavourable, Liberty Biopharma may be unable to raise funds when needed or on acceptable terms.

Any additional equity financings may be dilutive to Liberty Biopharma's existing stockholders.

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

26. *Liberty Biopharma 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 Liberty

Biopharma's business, certain factors such as Liberty Biopharma's announcements, competition from developers of new medical devices or new technologies, government regulations, fluctuations in Liberty Biopharma's operating results, results of clinical trials, general market conditions, developments in patent and proprietary rights, sales of substantial amounts of Liberty Biopharma's stock by existing stockholders or insiders, and the departures of key personnel can have an adverse effect on the market price of Liberty Biopharma shares.

Furthermore, any negative change in the public's perception of the prospects of medical device companies in general could depress Liberty Biopharma's 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. *Potential credit and financial market conditions may worsen certain risks affecting Liberty Biopharma's business.*

Liberty Biopharma relies upon third parties for certain aspects of its business, including collaboration partners, wholesale distributors, contract manufacturers and third-party suppliers. Due to potential 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 Liberty Biopharma by these third parties, which could adversely affect Liberty Biopharma's business.

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

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

29. *The impact of the release of escrowed securities may negatively affect the market price of Liberty Biopharma shares.*

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

Risks Associated with the Financial Results of Liberty Biopharma

30. *Liberty Biopharma currently has negative operating cash flow.*

For the fiscal years ending June 30, 2016 and 2015 and for the nine months ended March 31, 2017, Liberty Biopharma had negative operating cash flow. There can be no certainty Liberty Biopharma will ever achieve or sustain profitability or positive cash flow from its operating activities. In addition, Liberty Biopharma's 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 Liberty Biopharma'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 Liberty Biopharma's business or new product introductions;
- progress of Liberty Biopharma's 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 Liberty Biopharma's 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 Liberty Biopharma may make to licensors or corporate partners; and
- technological and market developments that affect Liberty Biopharma's potential revenue levels or competitive position in the market place.

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

A portion of Liberty Biopharma's expenditures are in United States dollars and other foreign currencies and, therefore, Liberty Biopharma 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 Liberty Biopharma's stock price.*

The clinical trials required for regulatory approval of Liberty Biopharma's products, as well as clinical trials Liberty Biopharma 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 Liberty Biopharma originally anticipated. Uneven and unexpected spending on these programs may cause Liberty Biopharma's 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 Liberty Biopharma's performance.

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

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

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

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

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

Many of Liberty Biopharma's 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 Liberty Biopharma's products may be sold. Failure to comply with these quality system requirements and regulations may subject Liberty Biopharma to delays in production while it corrects deficiencies found by the USFDA as a result of any audit of its quality system. If Liberty Biopharma 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 Liberty Biopharma's industry is intense and will likely involve commercial rivals possessing far more resources than those currently available to Liberty Biopharma.*

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

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

Liberty Biopharma's 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 Liberty Biopharma's products. To date, Liberty

Biopharma is not aware of any direct impact on Liberty Biopharma's pricing or product sales due to such efforts by governments to contain healthcare costs, and Liberty Biopharma does not anticipate any immediate impact in the near future.

38. *Product liability and uninsured risks may adversely affect Liberty Biopharma's continuing operations.*

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

Liberty Biopharma 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 Liberty Biopharma is not aware of at the present time.

A successful product liability claim brought against Liberty Biopharma may exceed any insurance coverage secured, may reduce the demand for Liberty Biopharma's products, and could have a material adverse effect on Liberty Biopharma's 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 Liberty Biopharma 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 Liberty Biopharma's products are ready to be commercialized, what Liberty Biopharma 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 Liberty Biopharma's technology and products do not result in commercially successful products, Liberty Biopharma's business could be adversely affected.

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

Liberty Biopharma 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 Liberty Biopharma 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 Liberty Biopharma encounters in obtaining regulatory approval may have a substantial adverse impact on Liberty Biopharma's 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. Liberty Biopharma 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 Liberty Biopharma's business prospects.

Liberty Biopharma 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 Liberty Biopharma fails to obtain regulatory approval of any of its products for at least one use, or treatment of disease, Liberty Biopharma will not be permitted to market its products and may be forced to cease operations.

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

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

41. *If any of Liberty Biopharma's products is approved, Liberty Biopharma 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 Liberty Biopharma 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 Liberty Biopharma 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 Liberty Biopharma's business.

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

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

43. *Liberty Biopharma may be slow to adapt, or Liberty Biopharma 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 Liberty Biopharma'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 Liberty Biopharma's products;
- restrictions on importation of Liberty Biopharma'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 Liberty Biopharma 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, Liberty Biopharma may have to devote significant resources to respond and undertake appropriate corrective and preventative actions, which could adversely affect Liberty Biopharma's business prospects.

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

Public Company Risks

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

Liberty Biopharma's 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 Liberty Biopharma's stockholders for approval. This would include the election of Liberty Biopharma Board, and approval of matters dealing with the merger, consolidation or sale of all or substantially all of Liberty Biopharma's assets.

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

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

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

Continued compliance with the reporting requirements of the Exchange is anticipated to be a drain to Liberty Biopharma's 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, Liberty Biopharma is required to comply with the Policies of the Exchange and pay fees associated with such Exchange filings. Liberty Biopharma's 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 Liberty Biopharma's 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. Liberty Biopharma 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 Liberty Biopharma's shareholders.

48. *Liberty Biopharma's directors may from time to time have conflicts of interest.*

Directors of Liberty Biopharma 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 Liberty Biopharma may participate, conflicts of interest may arise which may be harmful to Liberty Biopharma'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.

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

Liberty Biopharma is a corporation organized under the laws of the Province of British Columbia. All of Liberty Biopharma's directors and officers, as well as KPMG LLP, Liberty Biopharma's auditor, reside principally in Canada. Because all or a substantial portion of Liberty Biopharma'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 Liberty Biopharma or those Persons. Furthermore, it may not be possible to enforce against Liberty Biopharma 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. *Liberty Biopharma has never declared or paid a dividend.*

Liberty Biopharma has never declared or paid any dividends on the common shares. Liberty Biopharma currently intends to retain its future earnings, if any, to finance further research and the expansion of Liberty Biopharma's business. As a result, the return on an investment in Liberty Biopharma'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.

51. *Liberty Biopharma's systems are vulnerable to damage and failure.*

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

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

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

Related Party Risk

53. *Liberty Biopharma and a related licensing company have certain significant shareholders, directors and officers in common and conflicts of interest may arise.*

Liberty Biopharma relies on 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. The related licensing company 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 Liberty Biopharma 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 Liberty Biopharma.

Liberty Biopharma and the related licensing company have certain significant shareholders, directors and officers in common. In particular, Norman Tsui, a director and officer of Liberty, provides consulting services to the related licensing company through the Consulting Agreement; Szu Min (Jasmine) Chiu, an officer of Liberty, provides consulting services to the related licensing company through the Consulting Agreement; Alan Tam, an officer of Liberty, provides consulting services to the related licensing company through the Consulting Agreement; and Bohdan Romaniuk, a director of Liberty, is a director of the related licensing company.

ADDITIONAL INFORMATION

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