MANAGEMENT'S DISCUSSION AND ANALYSIS
PREPARED AS OF SEPTEMBER 14, 2018

INTRODUCTION

The following management's discussion and analysis ("**MD&A**") is a review of operations, current financial position and outlook for the Company and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended July 31, 2018. Readers are encouraged to review the Company's financial statements in conjunction with this document. The Company prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**").

As used in this MD&A and unless otherwise indicated, the terms "we", "us", "our", "Company", and refer to Izotropic Corporation. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

This MD&A contains forward-looking statements. Forward-looking statements may also be made in the Company's other reports filed with or furnished to the Canadian securities commissions. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from such statements. The words "aim," "anticipate," "believe," "continue," "could," "expect," "intend," "likely", "may," "optimistic," "plan," "potential", "predict", "should," "would," and other similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance, and therefore you should not put undue reliance upon them. The material assumptions supporting these forward-looking statements include, among other things the Company's ability to:

- obtain any necessary financing on acceptable terms;
- satisfy the terms of the License Agreement and maintain the License in good standing,
- complete the design and development of the Commercial Unit, as well as create a physical prototype of the Commercial Unit,
- timely obtain and maintain important regulatory approvals for the Commercial Unit, including FDA approval or CE mark approval,
- timely secure patents relating to the Licensed Patent Rights,
- timely enter into leasing agreements with hospitals and clinics to lease the Isotropic Breast Imaging System,
- appropriately deal with the possible requirement to undergo the PMA process rather than the much shorter and less capital intensive 510(k) process for FDA approval of the Commercial Unit,
- successfully compete with other research-based imaging companies and organizations that develop proprietary diagnostic and imaging products for breast cancer, and
- follow general economic and financial market conditions.

Some of the factors that may cause actual results to differ materially from those indicated in these statements are found in the section "Risk Factors" in this prospectus.

The forward-looking statements contained in this MD&A reflect our views and assumptions only as of the date of this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements after the date on which the statement is made, except as required by applicable laws, including the securities laws of Canada.

OVERALL PERFORMANCE

The Company is at an early stage in its development. The Company is a company engaged in the commercialization of proprietary diagnostic products for breast cancer. Its business strategy is to complete the commercial

development of breast imaging technology for early diagnosis of breast cancer. The Company's future performance depends on, among other things, its ability to: (i) fund the Licensor's application for the Milestone Patents in the United States; (ii) complete the design and development of the Commercial Unit, and (iii) prepare the application to receive FDA or CE market approval.

SELECTED ANNUAL INFORMATION

	Year ended April 30, 2018 (Audited) ($)	Period from inception (May 19, 2016) to April 30, 2017 (Audited) ($)
Continuing Operations		
Revenue	nil	nil
General and Administrative Expenses	730,129	98,319
Net Loss	730,1029	98,319
Basic and Diluted loss per share	0.05[(2)]	98,319[(1)]

Notes:
(1) Based on the 1 Common Share issued and outstanding for the period ended April 30, 2017.
(2) Based on 13,691,233 Common Shares issued and outstanding for the year ended April 30, 2018.

Statement of Financial Position	As at April 30, 2018 (Audited) ($)	As at April 30, 2017 (Audited) ($)
Assets	491,637	149,688
Current assets	478,557	149,688
Total Assets	491,637	149,688
Liabilities	83,874	214,359
Current liabilities	83,874	214,359
Total Shareholders' Equity (Deficiency)	407,763	(64,671)
Total Liabilities and Shareholders' Equity	491,637	149,688

DISCUSSION OF OPERATIONS

Three months ended July 31, 2018

Revenues

For the three months ended July 31, 2018, the Company did not generate any revenue.

Expenses

For the three months ended July 31, 2018, the Company recorded expenses of $87,912.

The Company reported a net loss of $87,912, during the three months ended July 31, 2018 (2017 - $78,618). The main factors that contributed to the loss in fiscal 2018 were professional fees of $29,520 (2017 - $21,577), filing and listing fees of $31,635 (2017 - $nil), office expenses of $15,737 (2017 - $16,830) consulting fees of $6,000 (2017 - $32,475), amortization expense of $1,648 (2017 - $nil), travel expenses of $3,372 (2017 - $1,195), and interest charges related to one secured promissory note of $nil (2017 - $6,541). The filing and listing fees were significantly higher during the current period as the Company began trading its shares during the period.

Professional fees consist of legal fees in connection with the Company's negotiation of the License Agreement and the Offering, accounting and audit fees in connection with the preparation of the Company's audited consolidated financial statements.

During the three months ended July 31, 2018, the Company completed the following financings:

On May 31, 2017, the Company issued 2,000,000 common shares at $0.10 per share for gross proceeds of $200,000.

During the year ended April 30, 2018, the Company completed the following financings:

On July 17, 2017, the Company issued 1,800,000 common shares at $0.01 per share for gross proceeds of $18,000.

On July 18, 2017, the Company issued 5,200,000 common shares at $0.01 per share for gross proceeds of $52,000.

On August 22, 2017, the Company closed a private placement of 6,499,998 units at a price of $0.06 per unit for gross proceeds of $390,000. Each unit consists of one common share and half of one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.10 per share for a period of 12 months after the date common shares of the Company are listed for trading on a stock exchange.

On October 12, 2017, the Company closed a private placement of 5,000,000 units at a price of $0.10 per unit for gross proceeds of $500,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.10 per share for a period of 12 months after the date common shares of the Company are listed for trading on a stock exchange (the "First Trading Day") and at $0.20 per share from the date that is 12 months and a day from the First Trading Day until the date that is 24 months from the First Trading Day.

On October 31, 2017, the Company closed a private placement of 2,000,000 units at a price of $0.10 per unit for gross proceeds of $200,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.10 per share for a period of 12 months after the First Trading Day and at $0.20 per share from the date that is 12 months and a day from the First Trading Day until the date that is 24 months from the First Trading Day.

LIQUIDITY AND CAPITAL RESOURCES

To build our Company into a leading provider of breast CT imaging technology, we may need to continue to raise capital. As a young growth company we are cognizant that as at July 31, 2018 we were not capable of sustaining our working capital requirements. In order to reach sustainable business operations, we will continue our plan to achieve the Milestones and a positive return to our shareholders.

Working Capital at July 31, 2018

	At July 31, 2018 $	At April 30, 2018 $
Current assets	539,472	478,557
Current liabilities	70,928	83,874
Working capital surplus (deficit)	468,544	394,683

The Company reported working capital surplus of $468,544 and cash on hand of $539,472 at July 31, 2018 compared to working capital of $394,683 and cash on hand of $478,557 at April 30, 2018.

The Company estimates that the capital required to complete the Milestones is $71,000. In addition, the Company also anticipates that it will be required to incur approximately $139,000 in operating expenses for the next 12 months and $150,000 in compliance expenses for the next 12 months. After giving effect to these allocations, the Company anticipates it will have $170,000 in unallocated working capital upon completion of the Offering. The Company does not anticipate incurring any other material capital expenditures.

The Company's future capital requirements will depend upon many factors including, without limitation, which regulatory approval path selected by the Company. The Company has limited capital resources and may have to rely upon the sale of equity securities for cash required for development purposes, for additional costs and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity and debt securities to raise capital, which would result in further dilution to the shareholders. There is no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company or at all. See "*Risk Factors*".

Cash Flows for the three months ended July 31, 2018

Cash Flows Used in Operating Activities

The Company's cash flows used in operating activities for the three months ended July 31, 2018 was $(101,899), compared to the Company's cash flows used in operating activities for the three months ended July 31, 2017 of $(72,993), an increase of $28,896, primarily due to increases in operating expenses and net loss in the current period.

Cash Provided by Financing Activities

The Company's cash provided by financing activities for the three months ended July 31, 2018, compared to the Company's cash provided by financing activities for the three months ended July 31, 2017, increased by $90,125 due to the issuance of 2,000,000 Common Shares for net proceeds of $160,125 in the current period compared to 7,000,000 Common shares with net proceeds of $70,000 issued in the previous year's period.

Contractual Obligations

The Company's future contractual obligations as of July 31, 2018 consisted of the following:

	Payments due by period									
Contractual Obligations	**Total**		**Less than 1 Year**		**1-3 Years**		**3-5 Years**		**More than 5 years**	
Past Patent Costs	US$	79,871.80	US$	26,623.93	US$	53,247.87	$	—	$	—
Due to related party	$	5,859	$	5,859	$	—	$	—	$	—

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS BETWEEN RELATED PARTIES

For the three months ended July 31, 2018

During the three months ended July 31, 2018, the Company paid VP Marketing $6,000 (July 31, 2017: $Nil) in consulting fees, $12,360 (July 31, 2017: $Nil) in administration fees to a party related to a director, and recorded professional fees of $2,375 (July 31, 2017: $Nil) to the CFO. As at July 31, 2018, included in accounts payable and accrued liabilities is $3,531 (April 30, 2018: $1,859) due to the CEO, $1,748 due to a relative of a director, $4,000 (April 30, 2018: $4,000) due to the VP Marketing, and $2493.75 due to the CFO. The amounts are non-interest bearing, unsecured and have no set repayment terms.

CHANGES IN ACCOUNTING POLICIES

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

New standard IFRS 15 "Revenue from Contracts with Customers"

This 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. IFRS 15 is effective for annual periods beginning on or after January 1, 2017 with early adoption permitted.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise stated.

Additional Disclosure for Junior Issuers

The Company anticipates having general working capital of $170,000 after meeting the budgeted Milestone costs of $71,000, the budgeted operating expenses for the next 12 months of $139,000 and the budgeted compliance expenses for the next 12 months of $150,000. Other than as disclosed in this prospectus, the Company does not anticipate incurring any other material capital expenditures.

Disclosure of Outstanding Security Data

The Company has one class of shares outstanding, being Common Shares. As of the date of this report, 22,499,999 Common Shares were issued and outstanding. As of the date of this report, the Company has granted 1,950,000 options to purchase Common Shares. The Company also has 3,249,999 non-transferable common share purchase warrants exercisable at a price of $0.10 per Common Share expiring on June 4, 2019. The Company also has 7,000,000 non-transferable common share purchase warrants exercisable at a price of $0.10 per Common Share until June 4, 2019 or at a price of $0.20 per Common Share expiring on June 4, 2020.

Risk Factors

An investment in the Company is speculative and involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below, in addition to the other information contained in this document, before making any decision to invest in the Company. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Company's business.

If any of the following risks actually occur, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the Common Shares could decline and investors may lose all or part of their investment.

Risks Relating to the Company's Business

Negative Cash Flow from Operating Activities

The Company has no history of earnings and had negative cash flow from operating activities since inception. To date, the Company has not received and revenues from the sales of the Isotropic Breast Imaging System. The Company has accumulated net losses and expects to continue to incur such losses until such time as milestone payments from collaborative partners, licensing fees, product sales or royalty payments generate sufficient revenues to fund its continuing operations. The Company's ability to attain profitability will depend on a number of factors, some of which are outside its control. These factors include the following:

- its ability to obtain necessary government and regulatory approvals, including FDA market approval;
- its ability to successfully complete the design and development of the Commercial Unit;
- its ability to successfully commercialize the Isotropic Breast Imaging System;

- its ability to secure the Milestone Patents;
- its ability to protect the intellectual property granted to the Company under the License Agreement;
- the success of its sales and marketing efforts;
- its ability to maintain its competitive advantages;
- new developments in the area of cancer detections and the efficacy of competing technologies;
- market acceptance of its products and services; and
- its ability to raise additional capital as and when needed and on acceptable terms.

No Production History

The Company has no product sales history its ultimate success will depend on its operating ability to generate cash flow from sales of its products and services in the future. The Company has not generated any revenue to date and there is no assurance that it will do so in the future.

The Company's business operations are at an early stage of development and its success will be largely dependent upon the outcome of its ultimate strategy of successfully developing and marketing the Isotropic Breast Imaging System.

The ability of the Company to satisfy the terms of the License Agreement and maintain the License in good standing

The Company has been granted an exclusive license to the Inventions pursuant to the License Agreement. The Company's rights and obligations are outlined in the License Agreement. The License Agreement requires the Company to complete the License Agreement Milestones. Failure to complete the License Agreement Milestones could allow the Licensor to terminate the License Agreement. The License Agreement may also be terminated by the Licensor if certain other conditions occur. If the Company's relationship with the Licensor were to terminate, the Company would not be able to distribute and commercialize the Isotropic Breast Imaging System and might not be able to enter into another license agreement with an entity with similar technologies on acceptable terms or at all. As a result, the Company could experience delays in its ability to distribute and commercialize the Isotropic Breast Imaging System or a similar technology, all of which would have a material adverse effect on the Company's business, results of operations and financial condition.

The ability of the Company to complete the design and development of the Commercial Unit, as well as create a physical prototype of the Commercial Unit

The Company, in partnership with researchers at UC Davis and third party engineers, continues to design and develop the Commercial Unit. The Company expects the design and development of the Commercial Unit to be completed by July 2018. There are no assurances that the design and development of the Commercial Unit will be completed by this deadline. As a result, the Company could experience delays in its ability to distribute and commercialize the Isotropic Breast Imaging System, all of which would have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's ability to timely obtain regulatory approvals, including FDA approval or CE approval, in order to satisfy the terms of the License Agreement

Under the License Agreement, the Company is required to submit an application covering a product or service to be offered by the Licensee in connection with the License Agreement to the FDA or equivalent foreign agency by June

30, 2018 and obtain FDA or equivalent foreign agency approval by December 31, 2021. The FDA might not approve the Commercial Unit, might delay approval, or might require premarket approval (previously defined as "**PMA**") rather than the less stringent 501(k) approval. If the FDA requires PMA for the Commercial Unit, the Company might seek reclassification of the Commercial Unit by the FDA through the de novo process, might elect to seek CE mark approval in Europe, or extend the deadlines to make a regulatory application and obtain a form of regulatory approval as outlined in the License Agreement Milestones. As a result, the Company could experience delays in its ability to distribute and commercialize the Isotropic Breast Imaging System, all of which would have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's products and operations are subject to extensive regulation in the United States by the U.S. Food and Drug Administration or FDA. The FDA regulates the development, bench and clinical testing, manufacturing, labeling, storage, record keeping, promotion, sales, distribution and postmarket support and reporting of medical devices in the United States to ensure that medical products distributed in the United States are safe and effective for their intended uses. In order for us to market certain products for use in the United States, the Company generally must first obtain clearance from the FDA pursuant to the the Federal Food, Drug and Cosmetic Act (previously defined as the "**FDCA**"). Clearance under Section 510(k) requires demonstration that a new device is substantially equivalent to another device with 510(k) clearance or grandfathered status. Clearance under the de novo review requires that a new device presents a moderate or low risk.

In addition, if the Company develops products in the future that are not considered to be substantially equivalent to a device with 510(k) clearance or grandfathered status or presenting more than a moderate or low risk, the Company will be required to obtain FDA approval by submitting a PMA. The FDA may not act favorably or quickly in its review of the Company's 510(k), de novo review or PMA submissions, or the Company may encounter significant difficulties and costs in the Company's efforts to obtain FDA clearance or approval, all of which could delay or preclude sale of new products in the United States. Furthermore, the FDA may request additional data or require us to conduct further testing, or compile more data, including clinical data and clinical studies. Regulatory policy affecting the Company's products can change at any time. The changes and their impact on the Company's business cannot be accurately predicted. Changes in the FDA 510(k) or de novo review process could make approval more difficult to obtain, increase delay, add uncertainty and have other significant adverse effects on the Company's ability to obtain and maintain approval for the Company's products. The FDA may also, instead of accepting a 510(k) or de novo review submission, require us to submit a PMA, which is typically a much more complex, lengthy and burdensome application. To support a PMA, the FDA would likely require that the Company conduct one or more clinical studies to demonstrate that the device is safe and effective. In some cases such studies may be requested for non-PMA submissions as well. We may not be able to meet the requirements to obtain 510(k) or de novo review clearance or PMA approval, in which case the FDA may not grant any necessary clearances or approvals. In addition, the FDA may place significant limitations upon the intended use of the Company's products as a condition to a 510(k) or de novo review clearance or PMA approval. Product applications can also be denied or withdrawn due to failure to comply with regulatory requirements or the occurrence of unforeseen problems following clearance or approval. Any delays or failure to obtain FDA clearance or approvals of new products the Company develops, any limitations imposed by the FDA on new product use, or the costs of obtaining FDA clearance or approvals could have a material adverse effect on the Company's business, financial condition and results of operations.

To be able to provide the Company's products in other countries, the Company must obtain regulatory approvals and comply with the regulations of those countries which may differ substantially from those of the United States. These regulations, including the requirements for approvals and the time required for regulatory review, vary from country to country. Obtaining and maintaining foreign regulatory approvals is complex, and the Company cannot be certain that it will receive regulatory approvals in any foreign country in which the Company plans to market the Company's products, or to obtain such approvals on a favorable schedule. If the Company fails to obtain or maintain regulatory approval in any foreign country in which the Company plans to market the Company's products, the Company's ability to generate revenue will be harmed.

The EU requires that manufacturers of medical products obtain the right to affix the CE mark to their products before selling them in member countries of the EU. The CE mark is an international symbol of adherence to quality

assurance standards and compliance with applicable European medical device directives. In order to obtain the authorization to affix the CE mark to products, a manufacturer must obtain certification that its processes meet certain European quality standards. If the Company is unable to obtain permission to affix the CE mark to the Company's products, the Company will not be able to sell the Company's products in member countries of the EU and many affiliated countries that accept the CE mark, which would have a material adverse effect on the Company's results of operations. Some member states of the European Union have additional requirements for registration and notification which may add to the time and effort to obtain market access. In addition, the regulations applied to end users of the Company's products may increase over time, forcing us to provide additional solutions to regulations which do not apply directly to us, but which apply indirectly as they may limit the Company's customers' ability to use the Company's products.

The Company's ability to successfully secure patents relating to the Licensed Patent Rights

Under the License Agreement, the Company has agreed to fund the Licensor's applications for the patents under the Licensed Patent Rights. The USPTO might not approve the Milestone Patents or might delay approval. As a result, the Company could experience delays in its ability to distribute and commercialize the Isotropic Breast Imaging System, all of which would have a material adverse effect on the Company's business, results of operations and financial condition.

Additional Requirements for Capital

Substantial additional financing may be required if the Company is to be successful in pursuing its ultimate strategy of successfully developing and marketing the Isotropic Breast Imaging System. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future operations. Revenues, taxes, costs, capital expenditures, operating expenses, regulatory approvals, and the political environment are all factors which will have an impact on the amount of additional capital that may be required. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, incur financial penalties, or reduce or terminate its operations.

The Company's ability to timely enter into leasing agreements with hospitals and clinics to lease the Isotropic Breast Imaging System

Neither the Company nor IIC has entered into any revenue generating agreements with hospitals or clinics for the Isotropic Breast Imaging System. The Company's success will be largely dependent upon the outcome of its strategy of successfully developing and marketing the Isotropic Breast Imaging System and entering into revenue generating agreements with hospitals and clinics once it has obtained necessary regulatory approvals.

Use of Funds

The Company has prepared a detailed budget setting out the way in which it proposes to expend the funds raised under the Offering. However, the quantum and timing of expenditure will necessarily be dependent upon the Company's ultimate strategy of successfully developing and marketing the Isotropic Breast Imaging System. As the Company continues to develop the Isotropic Breast Imaging System, it is possible that circumstances may dictate a departure from the pre-existing budget. Further, the Company may, from time to time as opportunities arise, utilize part of its financial resources (including the funds raised as part of the Offering) to participate in additional opportunities that arise and fit within the Company's broader objectives, as a means of advancing shareholder value.

The possible requirement to undergo the PMA process rather than the much shorter and less capital intensive 510(k) process for FDA regulatory approval of the Commercial Unit

The Company's Commercial Unit may not be approved for the 510(k) FDA process. The PMA pathway is estimated to take up to 24 months at a cost of up to approximately US$2 million. Since there is a distinct advantage to seeking a PMA, as it is a higher approval process that would facilitate faster approvals outside the United States and medical insurers in the United States do not dispute costs associated with a technology that has FDA clearance through a PMA, the Company may elect to undertake a PMA approval process instead of a less expensive alternative such as CE mark approval in Europe. In the event the Company elects to undertake a PMA, it may seek an industry partner to fund associated costs in exchange for select marketing rights, or the Company may conduct a financing sufficient to fund PMA when and if elected. The Company may not be able to find an industry partner to fund associated costs for the PMA approval process and may not be able to arrange financing sufficient to fund PMA. As a result, the Company could experience delays in its ability to distribute and commercialize the Isotropic Breast Imaging System, all of which would have a material adverse effect on the Company's business, results of operations and financial condition.

Competition

The Company competes with numerous other research-based imaging companies and organizations that develop, manufacture, market, and sell proprietary imaging technologies, solutions, and products that may possess greater financial resources and technical facilities than the Company in proprietary diagnostic and imaging products for breast cancer, as well as the recruitment and retention of suitably qualified individuals. These competitors may introduce new products or develop technological advances that compete with the Company. The Company cannot predict the timing or impact of competitors introducing new products or technological advances. Such competing products may be safer, more effective, more effectively marketed or sold, or have lower prices or superior performance features than the Company's products, and this could negatively impact the Company's business and results of operations.

Laws and regulations affecting government benefit programs could impose new obligations on the Company, require it to change its business practices, and restrict its operations in the future

The healthcare industry is subject to various federal, state and international laws and regulations pertaining to government benefit programs reimbursement, rebates, price reporting and regulation, and healthcare fraud and abuse. Violations of these laws may be punishable by criminal and/or civil sanctions, including, in some instances, substantial fines, imprisonment, and exclusion from participation in federal and state healthcare programs. These laws and regulations are broad in scope and they are subject to change and evolving interpretations, which could require the Company to incur substantial costs associated with compliance, or to alter one or more of its sales or marketing practices. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's business and result in a material adverse effect on its business and results of operations.

The international nature of the Company's business subjects it to additional business risks that may cause its revenue and profitability to decline

The Company's business is subject to risks associated with doing business internationally, including in emerging markets. As the Company's market is global, the Company faces risks that may include:

- Fluctuations in currency exchange rates;
- Multiple legal and regulatory requirements that are subject to change and that could restrict the Company's ability to manufacture, market, and sell its products;
- Trade-protection measures and import or export licensing requirements;

- Difficulty in establishing staffing and managing operations;
- Differing labour regulations;
- Inflation, recession, and fluctuations in interest rates;
- Political and economic instability; and,
- Price and currency exchange controls, limitations on participation in local enterprises, expropriation, nationalization, and other governmental action.

The aforementioned risks may have a material adverse effect on the Company's revenues and profitability.

Technological change

The digital imaging industry is susceptible to technological advances and the introduction of new products utilizing new technologies. Further, the digital imaging industry is also subject to changing industry standards, market trends and customer preferences, and to competitive pressures which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. The Company's success will depend on its ability to secure technological superiority in its products and maintain such superiority in the face of new products. While the Company believes that its products will be competitive, no assurances can be given that the Company's products will be commercially viable or that further modification or additional products will not be required to meet demands or to make changes necessitated by competitors' developments that might render the Company's products less competitive, less marketable, or even obsolete over time.

Management of growth

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

Protection of intellectual property

Although the Company does not believe that its products infringe on the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Company or the Licensor or that any such assertions or prosecutions will not materially adversely affect the Company's business, financial condition, or results of operations. Regardless of the validity or the successful assertion of such claims, the Company could incur significant costs and diversion of resources with respect to the defense thereof, which could have a material adverse effect on the Company's business, financial condition, or results of operations. The Company's performance and ability to compete are dependent to a significant degree on the proprietary technology licensed to it under the License Agreement. The Company relies on the patents and a combination of copyright and trade secret laws, as well as confidentiality agreements and technical measures, to establish and protect the proprietary rights of the Inventions. As part of its confidentiality procedures, the Company generally enters into agreements with its employees and consultants and limits access to and distribution of its documentation and other proprietary information.

Accordingly, while the Company will endeavor to protect the intellectual property licensed to it under the License Agreement, there can be no assurance that the steps taken by the Company will prevent misappropriation of that technology or that agreements entered into for that purpose will be enforceable. The laws of other countries may afford the Company little or no effective protection of its intellectual property or the intellectual property of the Licensor.

Product Liability Claims

The Company may become subject to liability in connection with the use of the Isotropic Breast Imaging System such as unusual litigation claims that cannot be insured against or against which it may elect not to be so insured because of high premium costs or other reasons. The Company has agreed to indemnify the Licensor under the License Agreement with respect to certain types of claims. However, the Company may incur a liability to third parties (in excess of any insurance coverage) arising from damage or injury.

Risks Relating to the Company's Management

Conflicts of Interest

The Company's Directors and officers may act as directors and/or officers of other companies engaged in the development diagnostic products for the early detection of breast cancer. As such, the Company's Directors and officers may be faced with conflicts of interests when evaluating alternative opportunities. In addition, the Company's Directors and officers may prioritize the business affairs of another Company over the affairs of the Company

The Company's future performance is dependent on its management team

The Company has a small management team and the loss of any key individual could affect the Company's business. Any inability to secure and/or retain appropriate personnel may have a materially adverse impact on the business and operations of the Company.

Risks Relating to the Company's Common Shares

Substantial Number of Authorized but Unissued Shares

The Company has an unlimited number of Common Shares that may be issued by the Board of Directors without further action or approval of the Company's shareholders. While the Board of Directors is required to fulfill its fiduciary obligations in connection with the issuance of such shares, the shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of the Company's shareholders.

Dilution

The financial risk of the Company's future activities will be borne to a significant degree by purchasers of the Common Shares. If the Company issues Common Shares from its treasury for financing purposes, control of the Company may change and purchasers may suffer additional dilution.

No Market for Securities

There is currently no market through which any of the Common Shares, may be sold and there is no assurance that such securities of the Company will be listed for trading on a stock exchange, or if listed, will provide a liquid market for such securities. Until the Common Shares are listed on a stock exchange, holders of the Common Shares may not be able to sell their Common Shares. Even if a listing is obtained, there can be no assurance that an active public market for the Common Shares will develop or be sustained after completion of the Offering. The offering price determined by negotiation between the Company and the Agent was based upon several factors, and may bear no relationship to the price that will prevail in the public market. The holding of Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Common Shares should not be purchased by persons who cannot afford the possibility of the loss of their entire investment.

Liquidity of the Common Shares

Listing on the Exchange should not be taken as implying that there will be a liquid market for the Common Shares. Thus an investment in the Common Shares may be difficult to realize. Investors should be aware that the value of the Common Shares may be volatile. Investors may, on disposing of Common Shares, realize less than their original investment, or may lose their entire investment. The Common Shares, therefore, may not be suitable as a short-term investment.

The market price of the Common Shares may not reflect the underlying value of the Company's net assets. The price at which the Common Shares will be traded, and the price at which investors may realize their Common Shares, will be influenced by a large number of factors, some specific to the Company and its proposed operations, and some which may affect the sectors in which the Company operates. Such factors could include the performance of the Company's operations, large purchases or sales of the Common Shares, liquidity or the absence of liquidity in the Common Shares, legislative or regulatory changes relating to the business of the Company, and general market and economic conditions.

Volatility of the Common Shares

The share price of publicly traded smaller companies can be highly volatile. The value of the Common Shares may go down as well as up and, in particular, the share price may be subject to sudden and large falls in value given the restricted marketability of the Common Shares.

Current Market Volatility

The securities markets in the United States and Canada have recently experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company. The value of the Common Shares distributed hereunder will be affected by such volatility.

Tax Issues

Income tax consequences in relation to the securities offered will vary according to the circumstances of each purchaser. Prospective purchasers should seek independent advice from their own tax and legal advisers prior to subscribing for the securities.

General

Although management believes that the above risks fairly and comprehensibly illustrate all material risks facing the Company, the risks noted above do not necessarily comprise all those potentially faced by the Company as it is impossible to foresee all possible risks.

Although the Directors will seek to minimize the impact of the risk factors, an investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are strongly recommended to consult a person who specializes in investments of this nature before making any decision to invest.