APPENDIX D

Sample Initial AIF

Date: April 5, 2003

INITIAL ANNUAL INFORMATION FORM

LBC Cryogenics Corp.
(the "Company")

Incorporated under the Canada Business Corporations Act

This is the initial annual information form ("AIF") of LBC Cryogenics Corp. issued in connection with the public offering (the "Offering") of a minimum of 1,000,000 common shares ($1,700,000) and a maximum of 1,900,000 common shares ($3,230,000) of the Company at $1.70 per share.

Information about the Company is available on the SEDAR website at www.sedar.com, on the TSX Venture Exchange website at www.tse-cdnx.com, and on our website at www.lbc.com.

Our securities are not currently listed, quoted or traded on any exchange, quotation reporting system or market. We have applied to list our common shares on the TSX Venture Exchange following completion of the Offering. See section 5.2

Name of Underwriter: Crystal Securities Inc.

There are risks associated with investing in the Company. See section 2.1.

If the Company's continuous disclosure record, when taken as a whole, contains a misrepresentation, investors have the right to sue for damages. See section 4.8.

No securities regulatory authority is recommending these securities or has determined that this document is accurate or adequate. Any representation to the contrary is an offence under Canadian securities legislation.

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Summary

The following is a summary of the more detailed information in this AIF.

Our Business

We are in the business of processing and cryopreserving umbilical cord blood stem cells for private clients for a fee.

Risk Factors

The purchase of our securities is highly speculative. You should buy them only if you are able to bear the risk of the entire loss of your investment. See "Risk factors" section 2.1.

Management

Piers Axtell – Chief Executive Officer, President and Director
Henry Owens – Chief Financial Officer, Secretary/Treasurer and Director
Leon Markham – Medical Director and Director
Nicholas Wong – Director
George Westwood – Director

Summary Financial Information

The following selected financial information is subject to the detailed information contained in our financial statements, including the notes thereto, included elsewhere in this AIF.

	Six months Ended November 30, 2002 (unaudited)	**Year Ended May 31, 2002**	**Year Ended May 31, 2001**	**Year Ended May 31, 2000**
Total revenues	$ 169,856	$ 221,864	$ 160,585	$ 137,204
Operating expenses	81,623	76,951	37,378	39,093
General and administrative expenses	198,640	154,884	130,033	150,506
Net (loss)	(110,407)	(9,971)	(6,826)	(52,395)
Net (loss) per common share, basic and fully diluted	(0.055)	(0.005)	(0.003)	(0.026)
Total assets	520,373	544,117	102,789	107,589
Long-term financial liabilities	0	0	0	0
Cash dividends per share	0	0	0	0

The following table sets forth certain financial information for our past six quarters.

	Nov. 30, 2002	Aug. 31, 2002	May 31, 2002	Feb. 28, 2002	Nov. 30, 2001	Aug. 31, 2001
Total revenues	$ 77,685	$ 92,171	$ 70,623	$ 52,608	$ 49,838	$ 48,795
Operating expenses	44,151	37,472	23,511	23,453	17,746	12,241
General and administrative expenses	139,574	59,066	63,789	26,011	31,333	33,751
Net (loss) income	(106,040)	(4,367)	(16,677)	3,144	759	2,803
Net (loss) income per common share - basic - fully diluted	 (0.053) (0.053)	 (0.002) (0.002)	 (0.008) (0.008)	 0.002 0.001	 0.000 0.000	 0.001 0.001

Offering and use of available funds

We are offering a minimum of 1,000,000 common shares ($1,700,000) and a maximum of 1,900,000 common shares ($3,230,000) at $1.70 per share.

We will use all funds available to us, including those raised on the offering, to finance our operating cash requirements, equipment and marketing costs and, if the maximum offering is completed, costs related to expanding our operations to Québec and elsewhere.

Part 1 - The business

1.1 The business

Overview

What we do

We process and cryopreserve umbilical cord blood stem cells for private clients for a fee.

Stem cells and their use

Stem cells are the parent cells which create all of a person's blood cells: red cells that carry oxygen, white cells that fight disease and platelets that help blood to clot.

Stem cell transplants are used to treat a wide range of life threatening illnesses, including leukemia, metabolic disorders, immune deficiencies, bone marrow failure and some genetic disorders. Research involving the use of stem cells for other treatments is ongoing.

Human stem cells are available from four sources: bone marrow, the peripheral blood system, the umbilical cord and embryos. The extraction of stem cells from an embryo results in the death of the embryo, which raises serious ethical concerns, and is either illegal or highly restricted in many countries. To collect stem cells from either the bone marrow or peripheral blood is expensive and not without risk to the donor. Collecting stem cells from the umbilical cord is a simple, non-invasive process and poses no risk to mother or child.

Bone marrow transplantation is an often-used means of medical treatment for a variety of diseases, resistant malignancies and genetic blood diseases. Both stem cell transplants and bone marrow transplants require that the transplanted material be matched and not rejected by the recipient patient. The search process to find a matched donor can take many months and is expensive.

Storing a person's stem cells at birth ensures a perfect tissue match for that person with no chance of rejection, should the stem cells be required for transplantation. The stem cells may also be a match for siblings or parents.

Umbilical cord blood has several other advantages over other sources for stem cell transplantation.

- Cord blood stem cells are collected from a readily available source, the umbilical cord, which is routinely discarded after delivery
- Collection of cord blood stem cells is non-invasive
- Cord blood stem cells are readily available for transplantation
- Compared to peripheral blood and bone marrow, cord blood appears to contain a more naive, or less developed and more easily manipulated or modified, cell population and thus is associated with a decreased risk of cellular rejection of the transplant by the recipient (graft-versus-host disease)
- Collecting stem cells from cord blood avoids the ethical issues surrounding embryonic stem cell collection

Transplantation centres world-wide have found that cord blood is a viable alternative to bone marrow as a source of hematopoietic (blood producing) stem cells.

Storing cord blood stem cells is a form of biological insurance.

Stem cells are typically stored for 5 to 15 years. There is no evidence at present that stem cells stored at -196 degrees Celsius in an undisturbed manner lose their suitability for transplant or other use.

Stem cell research - potential future benefits

Key areas of stem cell research include the developing field of gene therapy and in rescue therapy after high-dose chemotherapy.

Cord blood stem cells offer several advantages for gene therapy protocols not found with other sources of stem cells. First, due to the decrease in side effects, individuals receiving therapy would not trade one serious disease for another life threatening one. Second, it is significantly easier to introduce, or transfer, new genes in cryopreserved cord blood stem cells than in stem cells from other sources.

In transplant medicine, umbilical cord blood as a source for stem cells has demonstrated advantages over bone marrow and peripheral blood sources.

Research studies indicate that stem cells collected from umbilical cord blood could be used in the development of new treatments for repairing muscle, neural and liver tissue damaged by various human conditions.

Our clients will have the potential benefit from future therapies developed from the ongoing research.

Operations

Our facilities

Our administration office, laboratory and storage areas are located at 1500 University Avenue, Richmond, British Columbia.

Our facility is within a 45 minute drive of all major hospitals in the Greater Vancouver metropolitan area and is within a 15 minute drive from the Vancouver International Airport.

We employ three full time employees and four part-time employees. In addition to our employees, we have engaged a part-time marketing consultant.

We have stored over 900 samples. Our current laboratory space and processing equipment is sufficient to process the cord blood stem cells from over 400 new clients every month. We have the capacity to store 2,000 additional samples in our existing liquid nitrogen storage tanks. Additional storage tanks that hold 1,000 samples each may be purchased at a current cost of approximately $30,000. We will need to hire additional personnel as sample volumes increase.

Delivery of our services

We have developed our own protocols and systems for the collection, processing and storage of cord blood.

The following summarizes the collection and storage of cord blood:

- the expectant mother signs a client agreement and provides us with her medical history in advance of her due date

- we provide the expectant mother and her physician with written information as to the collection procedure and a sterile collection kit

- the delivering physician or a midwife uses the syringes contained in the collection kit to draw the blood sample from the umbilical cord or placenta immediately following delivery of the baby

- the sample is returned to us within 36 hours after collection

- we mark each sample with three unique identifiers and record the details of collection, including blood volume, collection date and time
- the mother and the sample are tested for infectious diseases
- the sample is placed in quarantine until the infectious disease test results are known
- if the infectious disease tests are negative, our technologists process the sample and then transfer it to a freezing container which allows storage of the sample in liquid nitrogen at –196^{0}Celsius
- under the client agreement we agree to store the sample for 15 years
- the sample is available exclusively to the client

For each sample, our clients are charged a collection and processing fee of $850.00 plus an annual storage fee of $125.00.

The liquid nitrogen storage tanks in our facility are equipped with a continuously monitored alarm device to detect temperature variations and malfunctions. Standard operating procedures are in place in the event of unexpected mechanical failure or liquid nitrogen loss. Our entire facility is continuously monitored and secured.

Marketing

Target market

The persons having the most influence over the decision of whether or not to store a newborn's cord blood are the expectant parents and their physicians. For this reason, our target markets are expectant parents and their physicians.

The decision by parents on storage of their soon-to-be-born infant’s cord blood may be based on any number of factors, including understanding the potential of stem cells, price, quality of service and reputation, past experience and level of expertise at the storage facility.

In order to deal effectively with physicians and other members of the medical community, we need to inform the physicians that the storage of cord blood is an available and legitimate process. While initially somewhat hesitant to take an interest in cord blood banking, physicians in the greater Vancouver area are becoming more accepting of the process. It is interesting to note that to date, approximately one-quarter of our clients are medical professionals.

While all of these factors are important, our approach has focused on making both target markets aware of the present and potential future therapeutic value of stored umbilical cord blood stem cells.

Nature of market

To date, our clients have found and chosen us based primarily on a referral system, either from the medical community or from friends and acquaintances.

While most of our samples have been collected from babies born in British Columbia, we have received approximately 25% of our samples from other areas in North America.

The only time a collection of cord blood stem cells can occur is immediately after the birth of a child. Accordingly, the key market for our service is families of childbearing age in Western Canada. Ultimately, we plan to cover the market in Eastern Canada and the North-western United States. This would include expectant parents and their relatives, with approaches organized through gynecologists, obstetricians, prenatal classes, hospitals and health care agencies.

Our existing client information indicates that higher income earners, particularly professionals, appear to be the most likely expectant parents to seek our services. We also believe that families considered to be at higher risk in terms of leukemia and other types of cancer will be interested in our services.

Studies have shown that matching of stem cells for bone marrow transplants is difficult in non-Caucasian ethnic groups and, accordingly, we intend to work with this market to ensure that they are aware of the advantages of our services.

The total number of births in Canada from July 1, 2001 to June 30, 2002 was 329,791, as reported by Statistics Canada. The total number of births in the United States from July 1, 2001 to June 30, 2002 was approximately 4,045,000, as reported by the United States Department of Health and Human Services.

Within Canada (1) and Washington State (2), the births from July 1, 2001 to June 30, 2002 were as follows:

British Columbia	40,165
Alberta	35,938
Saskatchewan	12,541
Manitoba	14,170
Ontario	130,672
Québec	71,463
New Brunswick	7,650
Nova Scotia	9,267
Newfoundland and Labrador	4,679
Other Canada	3,246
Washington State	80,791

Notes:

(1) As reported by Statistics Canada

(2) Estimate based on preliminary National Vital Statistics Reports published by the United States Department of Health and Human Services

Pricing of our services

Our fees are based on several factors including time and resources needed to complete the process, overhead costs, and comparable fees charged by other storage facilities in North America. Our current pricing is:

- Cord blood processing and banking fees $850
- Annual storage fee $125

There are only two other facilities in Canada, one in Alberta and one in Ontario, which store private cord blood samples. Their current pricing is:

- Cord blood processing and banking fees $500 to $900
- Annual storage fee $125

Typical processing and storage fees charged for this service in the US are:

- Cord blood processing and banking fees $225 to $1,405 (US)
- Annual storage fee $50 to $100 (US)

Our services may be paid for by cheque, cash or credit card.

Marketing activities and strategy

Until we began our current marketing program in November 2002, we conducted our marketing activities on a very limited trial basis. They included:

- occasional distribution of leaflets to physicians' offices, clinics and hospitals
- occasional magazine advertising
- occasional parent seminars and medical meetings and conferences
- occasional interviews with media in the Vancouver area

In 2002 we hired a marketing consulting firm to assist us in assessing our marketing. This resulted in the development of new corporate artwork and new printed marketing materials, including a "glossy" brochure aimed at expectant parents, a quarterly newsletter and a frequently asked questions brochure. We then hired a part-time marketing manager, a media relations representative and a full-time marketing representative to call on physicians and prospective clients. We started to distribute the new marketing materials in November 2002.

Following the changes made in 2002, sample volumes increased significantly. See "Results of operations" under section 4.7.

We plan to distribute our marketing materials to physicians and other health care providers on a more regular basis and to increase the frequency of our magazine advertising and media interviews and articles. In addition, we intend to be more direct in our approach by putting our representatives in front of expectant parents and their physicians.

Our initial plan is to develop the market in the Vancouver area. We will then expand into other metropolitan areas, firstly in British Columbia and Alberta and secondly, across Canada and Washington State.

Competitive conditions

We compete with other cord blood banking facilities in North America. We believe that the choice of the particular facility by the client is based primarily on price, location, quality of service and reputation, past experience and the perceived level of expertise at the storage facility.

There are at least 15 other companies in North America that provide services similar to ours. At least two of these companies have been in business for over six years. One of our competitors indicates that it has stored over 10,000 samples.

We compete with these other umbilical cord blood banks on the basis of price, the quality of our service and, to a lesser extent, the fact that we are based in Canada.

Regulatory issues

Private cord blood banks are unregulated and unaccredited in Canada. Standards covering the banks and stem-cell transplantation exist in draft form and a Health Canada official has stated that it may be 2004 before such standards become law. We plan to apply for accreditation as soon as the accreditation standards are adopted.

In 2002 the Government of Canada introduced Bill C-56 “Assisted Human Reproduction Act” which regulates certain activities and materials, including human cells, relating to assisted reproductive technologies. A preliminary review of the Bill indicates that if the Bill becomes law there will not be any material impact on our business or procedures.

Our operating procedures follow the standard guidelines used by Canada’s traditional blood banks.

We also adhere to policies and procedures that we believe satisfy the regulations and standard protocols of the following regulatory and advisory groups:

- The International Society for Hematotherapy and Graft Engineering
- The American Society for Blood and Marrow Transplantation
- The Canadian Bone Marrow Transplant Group
- Canadian Society for Transfusion Medicine
- American Association of Blood Banks
- Foundation for the Accreditation of Hematopoietic Cell Therapy

We are an unaccredited member of the American Association of Blood Banks, which accredits American laboratories that conduct peripheral stem cell, cord blood and bone marrow collection, processing, storage and distribution. We may consider accreditation from this organization later to enhance our marketing efforts.

Business objectives

Short term objectives

Our objective for the next 12 months is to increase our volumes to at least 160 samples per month.

If the number of samples is increased to 160 per month and we assume that operating costs increase in direct relation to revenue, we would estimate an increase in revenue of $120,000 per month and an increase in operating costs of $72,000 per month, for a net contribution to earnings of $48,000 per month. Based on the same assumptions, we would have positive earnings once our sample volume reaches 60 samples per month.

Whether or not we will be able to meet our objective of 160 samples per month is very uncertain and is dependent on a number of factors, many of which are beyond our control. Even if we are able to reach a volume of 160 samples per month, our estimates of increased revenues, operating costs and earnings, are based on assumptions. Actual results may turn out to be materially different from our estimates.

How we intend to meet our 12 month objectives

We intend to do the following to meet our objectives for the next 12 months:

What we will do and how we will do it	Estimated time period involved	Estimated cost over the next 12 months
Meet with local media to encourage news coverage of events related to umbilical cord blood stem cell storage	Commenced October 2002 – To continue indefinitely	$60,000
Arrange meetings with local obstetricians and gynecologists in the Greater Vancouver area	Commenced November 2002 – To continue until May 2003	$15,000
Evaluate the results of the brochure distribution in the Greater Vancouver area. Refine the distribution procedures and commence distribution across Canada	June 2003 - To continue indefinitely	$230,000
Secure and retain a medical advisory board	June 2003 - To continue indefinitely	$60,000
Implement a print advertising campaign	June 2003 - To	$150,000

What we will do and how we will do it	Estimated time period involved	Estimated cost over the next 12 months
	continue indefinitely	
Start the process to become a Health Canada accredited cord blood stem cell bank	June 2003 to January 2004	$30,000
Complete leasehold improvements and furnishing our facilities	June 2003	$30,000
Complete the re-design of our Company's internet web-site and monitor and maintain search engine links	July 2003 - To continue indefinitely	$40,000
Open a satellite facility in Québec	November 2003	$750,000

We have an agreement to purchase from Knowledge Pharmaceuticals Corp. certain reagents (chemicals that we use in processing samples). Our monthly obligation under the contract is $5,400 per month, increasing to $12,000 per month in May 2005 until the contract expires in May 2008. We can cancel the contract on 60 days notice for a cancellation fee of $21,600, increasing to a fee of up to $48,000 beginning in May 2005.

Long term objectives

Our long term objectives over the next 3 to 5 years are to:

- expand our cord blood banking services into other areas of North America and Europe through opening or acquiring additional facilities
- license or otherwise partner our systems and protocols in at least three international markets in which operations are more feasible through a local operator
- expand our core stem cell banking business beyond family storage to include an indexed and searchable cord blood bank to offer commercially viable stem cell related services to others, including other biotechnical, bioinformatic or pharmaceutical companies

Our history and development

In January 1997, one of our founding shareholders elected to privately store his newborn daughter's cord blood at an Arizona blood bank, as there was not then a private storage facility in Canada. At that time there was less awareness than there is today of the potential benefits of storing umbilical cord blood.

We were incorporated in May 1997 to address the potential market in Canada for private umbilical cord blood banking.

In July 1997 we stored the first private cord blood sample in Canada.

By the end of the fiscal year ended May 31, 2000, we had stored 255 cord blood samples.

Occasional advertisements in periodicals aimed at expectant parents, distribution of brochures and "word-of-mouth" referrals from our clients were the primary means of attracting clients. During the fiscal years ended May 31, 2001 and 2002, we continued to rely primarily on word-of-mouth referrals and occasional magazine advertisements to increase the number of samples stored. We stored 134 cord blood samples during the year ended May 31, 2001; 187 samples during the year ended May 31, 2002; and 137 samples during the six months ended November 30, 2002. A total of 932 samples were in storage at February 28, 2003.

In 2002, we developed and began to implement a more comprehensive marketing plan. See “Marketing activities and strategy” under section 1.1.

In December 2002, we leased new laboratory and office space.

In addition to the expansion of our core business of processing and storing umbilical cord blood, we are exploring other business opportunities which can build on our expertise in cryogenics and access to stem cells.

Available funds

The net proceeds from the Offering and the funds that will be available to us on completion of the Offering are as follows:

		If minimum offering is completed	**If maximum offering is completed**
A.	Amount to be raised by the Offering	$1,700,000	$3,230,000
B.	Estimated transaction costs:		
	Underwriter compensation[1]	$170,000	$323,000
	Legal, accounting and printing	$78,000	$85,000
		$248,000	$408,000
C	Net proceeds: C = A - B	$1,452,000	$2,822,000
D.	Current working capital (or working capital deficiency) of the issuer as at February 28, 2003	$2352	$2352
E.	Available funds: E = C + D	$1,454,352	$2,824,352

Note:

(1) Crystal Securities Inc. has also been paid a due diligence fee of $35,000. See section 5.2.

Use of available funds

We will use the available funds as follows:

Description of intended use of available funds listed in order of priority	If minimum offering is completed	If maximum offering is completed
Pay the cost of our marketing program until May 31, 2004	$500,000	$500,000
Pay rent on our facilities for the next 16 months	$200,000	$200,000
Complete leasehold improvements and furnishing of our facilities	$100,000	$100,000
Purchase of laboratory equipment	$150,000	$150,000
Pay our administration costs until May 31, 2004	$410,000	$410,000
Hire and train additional marketing personnel across Canada, and provide sufficient funds to pay their salaries and expenses until May 31, 2004	$ nil	$400,000
Lease and equip a satellite facility in Québec	$ nil	$750,000
Loan repayment (1)	$ nil	$9,000
General working capital	$94,352	$305,352

Note:

1. The loan repayment is to Firoz Mohtadi, a significant shareholder of the Company.

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

Upon completion of the minimum offering, we will have sufficient working capital to fund our ongoing operations and meet our administrative costs for twelve months. Depending on the results of our operations during the next twelve months, we may require additional financing to continue or expand our operations. There is no certainty that we will be able to obtain additional financing.

1.2 Trend information

Advancements of medical research into the use of stem cells for the treatment of various diseases and increasing public awareness of the importance of stem cells have had a positive influence on our development. We expect these trends to continue as research continues and more expectant parents become aware of the possible benefits of stem cell storage.

Part 2 – Risk Factors

2.1 Risk factors

Our securities are speculative

The purchase of our common shares is highly speculative. You should buy them only if you are able to bear the risk of the entire loss of your investment. An investment in our common shares should not constitute a major portion of your portfolio. You should consult your own independent advisors as to the tax, business and legal considerations regarding an investment in our securities.

We are a young business

Young businesses are riskier investments than established ones, for various reasons, most of which apply to us:

- We are not yet profitable (our accumulated deficit is $515,148 as at November 30, 2002). We will not become profitable unless we can successfully implement our long and short term business plans.

- Not only is our business young, the sector in which we compete is also at the development stage. The ultimate size and growth of the market is unknown. Biotechnical industries are characterized by rapid and substantial technological change. Discoveries or developments by others could render our services non-competitive or obsolete. Our competitors may develop services or technologies that could be more effective and less costly than our services. In addition, alternative forms of medical treatment may render our services of lower or no value. Our future success will depend on our ability to adapt to this change and keep pace with biotechnical developments and emerging industry standards.

- We have stiff competition. There are at least 15 companies in North America that provide services similar to ours. We expect competition in the market to increase because there are few barriers to entry. We will be competing with established businesses that have longer operating histories, and greater financial resources, management experience and market share than we have. There is no assurance that our sales will continue to increase or even maintain current levels.

- We have grown rapidly, which has strained our management systems and resources. Our success will be dependent in part on how well we manage our growth by improving financial and management systems and controls, and hiring, training and keeping skilled staff.

- We will likely need to raise more capital. Even if we sell the maximum number of common shares under the Offering, we anticipate that we will need additional working capital to significantly expand our operations as part of our strategy to achieve profitability. There is no assurance that we will be able to obtain additional financing on reasonable terms or at all. At this stage of our development, it is likely that the only source of new capital will be through the sale of new equity. If we raise additional capital through equity, existing shareholders will experience dilution.

We depend on the services of a key employee, whose knowledge of stem cell banking would be difficult to replace

Our success depends substantially on the services of Piers Axtell. Our business may be harmed if we lose his services and we are not able to attract and retain a qualified replacement in a timely manner.

We may need to change the manner in which we conduct our business if government regulation increases or changes

There are currently few laws or regulations that specifically regulate umbilical cord blood banking in Canada. Laws and regulations may be adopted in the future, however, that could have a material adverse impact on our business.

We depend on others for the supply of materials

We rely on inventory materials that we buy from third parties. Any shortage in these inventories may affect our performance. In addition, increased costs of reagents or any other third party supplied material could increase our costs.

We have uninsured risks

While we maintain basic liability insurance, our insurance cannot cover all risks of third party liability. Liability insurance is costly, availability is limited and additional insurance may not be available on terms that we would accept or could afford.

An active market for our shares may not develop

Before the Offering, there has been no public market for our common shares. An active public market for the common shares may not develop or be sustained after the Offering. The offering price of the common shares under the Offering was determined by negotiations between Crystal Securities Inc. and us, and this price will not necessarily reflect the prevailing market price of the common shares following the Offering. If an active public market for the common shares does not develop, the liquidity of your investment may be limited.

Part 3 – Management and others involved with the issuer

3.1 Our management

Piers Axtell: Age 49, R.T., M.B.A. (in progress), Chief Executive Officer, President and Director. As our Chief Executive Officer and President, Mr. Axtell is responsible for our overall operations. Mr. Axtell is a full time employee.

From 1994 to 1998 Mr. Axtell was the Laboratory Manager at the Federal Blood Services Seattle Center; from 1975 to 1994 he was the Clinical Laboratory Manager at the Seattle Hospital, Washington State University. Since 1975, he has been involved with a number of laboratories across the United States and Canada in the capacities of instruction, management, inspection and quality control, specifically in the field of hematology.

Mr. Axtell has a Health Care Management Certificate and is a registered technologist from the Canadian Society of Laboratory Technologists. Besides his activities as President of the Company, he is a Clinical Instructor for the Bachelor of Medical Laboratory Science Program at Washington State University. He is currently near completion of a Masters in Business Administration (Marketing).

Henry Owens Age 44, B.A., CMA, Chief Financial Officer, Secretary/Treasurer and Director. As our Chief Financial Officer, Mr. Owens is responsible for overseeing our financial operations. It is anticipated that Mr. Owens will expend approximately 15% of his efforts for the benefit of the Company.

Mr. Owens received a B.A. (honours) from the faculty of Business Administration, Simon Fraser University, in 1981 and has been a Certified Management Accountant since 1986. From 1983 to date he has been employed in a variety of senior accounting and financial management positions for public enterprises. He has been a director and senior financial officer of companies listed on the TSX, TSX Venture, NASDAQ and over-the-counter markets. In addition, since 1989, he has been a director and the part-time secretary treasurer of Pacific Enterprises Corporation (NASDAQ: PEC), a public company engaged in the manufacture of disposable paper and polyethylene products for the medical market.

Dr. Leon Markham Age 35, B. Med.Sci., M.D., Ph.D., FRCS(c), Medical Director and Director. As our Medical Director, Dr. Markham is responsible for overseeing medical issues that arise in connection with our business. It is anticipated Dr. Markham will expend approximately 10% of his efforts for the benefit of the Company.

Dr. Markham is a practicing surgeon and medical doctor and holds a Ph.D. from the University of British Columbia, Department of Experimental Medicine. Since 1991, in addition to practicing as a medical doctor, Dr. Markham has conducted biomedical research at the University of Toronto, the University of Alberta and University of Chicago Hospital in Chicago, Illinois, in the areas of high-energy radiation physiology, myocardial function in sepsis and leukocyte-endothelial interaction.

Nicholas Wong: Age 47, B.A. Economics and Math, Director. Mr. Wong acts in an advisory capacity to us and has substantial experience in managing the business affairs of companies. It is anticipated Mr. Wong will expend approximately 10% of his efforts for the benefit of the Company.

Mr. Wong graduated from Queens University in Economics and Mathematics. He also holds a Diploma from Université d'Aix à Marseille, France and a Management Diploma from Wharton School of Business. Mr. Wong has worked in France, England and China in addition to Canada. He is currently a partner with Star Developments, a commercial real estate developer in Vancouver. From 1993 to 2001 he held senior management positions in Vancouver and Toronto with Builders Inc., a real estate developer.

George Westwood Age 45, B.Comm., LLB, Director. Mr. Westwood acts in an advisory capacity to us and has substantial experience in legal matters related to public companies acquired over the past fifteen years. It is anticipated Mr. Westwood will expend approximately 10% of his efforts on behalf of the Company.

Mr. Westwood is a 1983 law graduate from the University of British Columbia. He has practiced in the Vancouver area since 1983 and is a partner with Black and White, a firm practicing primarily in corporate finance and securities. He has clients in a wide range of industries and in various geographical locations.

3.2 Board committees

We have an audit committee comprised of Piers Axtell, George Westwood and Nicholas Wong. The main responsibilities of the audit committee are to:

- review all annual and interim financial statements intended for circulation among our shareholders and report on those statements to the board of directors
- review all annual and quarterly management's discussion and analysis (MD&A) and report on them to the board of directors
- recommend the appointment of a firm of chartered accountants as our auditors, or any change of auditors, and review the factors that might impair, or be perceived to impair, the independence of our auditors
- consider any problems found by the auditors in performing the audit, such as limitations or restrictions imposed by management, or situations where management seeks a second opinion on a significant accounting issue
- consult with our auditors with regard to the adequacy of the internal accounting controls and similar matters, and review management responses
- monitor policies and procedures for reviewing officers' expenses and perquisites, and inquiries about the results of such reviews

- conduct reviews of our major accounting policies with management and the auditors, including the impact of alternative accounting policies

3.3 Arrangements with senior management and key persons

We have an employment contract with Piers Axtell. The agreement with Mr. Axtell is for a period of three years, ending July 18, 2005 and renews automatically for successive one year terms, unless either party gives notice of its intention not to renew at least 90 days before the next renewal date.

In addition to setting out Mr. Axtell's compensation and duties, the agreement with Mr. Axtell contains a confidentiality covenant, a prohibition against Mr. Axtell engaging in activities that compete with us during his employment and for 24 months after termination of his employment and an assignment of inventions provision.

All of the shares held by our directors are subject to an escrow agreement. See section 4.3.

3.4 Interest of management and others

The following describes any interest of our directors, senior officers and significant shareholders, and any of their associates or affiliates, in any transaction involving the Company within the last three financial years and the subsequent period to date:

1. We entered into a lease agreement on December 1, 2002 with RDG Properties Ltd. for our premises at 1500 University Avenue, Richmond, British Columbia. The monthly rate is $12,500 per month. The lease expires on December 1, 2005 and includes an option to renew for five years at market rates. Leon Markham, a director and Medical Director of the Company, and his family own RDG Properties Ltd.

2. On September 18, 2002 we loaned $16,500 to Henry Owens, a director, Chief Financial Officer and Secretary/Treasurer. The loan bears interest at 6% per year and is repayable on demand. As at February 28, 2003, $16,500 is outstanding on the loan.

3. Black and White provide legal services to the Company. The Company has paid Black and White $2,000, $3,600 and $15,000 for the years ending May 31, 2000, 2001 and 2002, respectively and $50,000 for the subsequent period to date. George Westwood, a director of the Company, is a partner of Black and White.

4. In April, 1999 Firoz Mohtadi, a significant shareholder, loaned $9,000 to the Company for working capital. The loan is repayable on demand and does not bear interest. If the maximum number of shares is sold in the Offering, the loan will be repaid.

We are not aware of any other existing or potential conflicts of interest between the Company and any of our directors, senior officers, significant shareholders or their associates and affiliates.

3.5 Legal, administrative and bankruptcy proceedings

Henry Owens was a director of an issuer at a time when the British Columbia Securities Commission issued a cease trade order against the issuer for failing to file its annual financial statements. The cease trade order was lifted after the financial statements were filed (about three months late).

3.6 Compensation

The following tables set out the compensation that we have paid in the last financial year and will pay in the current financial year to:

- our Chief Executive Officer
- our senior management, excluding the Chief Executive Officer
- our independent directors, as a group
- each of our significant shareholders and promoters

Compensation (other than securities or stock appreciation rights)

	Compensation received in last financial year		**Compensation to be received in current financial year**	
Piers Axtell, Chief Executive Officer, Vancouver, BC	Cash	$85,000(1)	Cash	$65,000(2)
	Automobile allowance $13,500		Automobile allowance $13,500	
Senior management(3), excluding the Chief Executive Officer	Cash	$15,000	Cash	$15,000
	Other	nil	Other	$ nil
Independent directors (as a group) (5),	Cash	$ nil	Cash	$3,000(4)
	Other	$ nil	Other	$ nil
Firoz Mohtadi, significant shareholder, Vancouver, BC	Cash	$ nil	Cash	$ nil
	Other	$ nil	Other	$ nil

Notes:

(1) Of this amount, $65,000 represents salary and $20,000 represents a bonus. The bonus was paid to Mr. Axtell because the Company substantially met its corporate objectives in the last financial year.

(2) This amount does not include any bonus that may be paid. Should the Company meet its corporate objectives for the current financial year, the Board of Directors may award Mr. Axtell with a similar bonus.

(3) Henry Owens, our Chief Financial Officer, is the only person in this group.

(4) This amount was paid to Leon Markham, our Medical Director.

(5) George Westwood is a partner in the law firm of Black and White. Black and White receive fees for providing legal advice to the Company. See section 3.4.

Incentive stock options[1]

	Options received in last financial year	Total number of securities under option	Exercise price $/security	Market price of securities underlying options on date of grant $/security	Expiration date	% of all outstanding incentive stock options
Piers Axtell, Chief Executive Officer, Vancouver, BC	150,000	150,000 50,000	0.90 0.80	not applicable not applicable	March 6, 2008 June 3, 2006	29%
Senior management[2], excluding the Chief Executive Officer	100,000	100,000	0.90	not applicable	March 6, 2008	14%
Independent directors[3] (as a group)	200,000	200,000	0.90	not applicable	March 6, 2008	29%

Notes:

(1) This table does not include any options that may be granted in the current financial year.

(2) Henry Owens, our Chief Financial Officer, is the only person in this group.

(3) Leon Markham has 80,0000 options, Nicholas Wong has 60,000 options and George Westwood has 60,000 options.

The options are to purchase common shares.

We expect to hire a Vice President, Finance and Business Development, either in the current financial year or in the next financial year. The salary of this officer would increase the amount of cash compensation that we pay to senior management. Additional incentive stock options would likely be issued as well.

3.7 Securities held

The following table sets out securities of the Company held by:

- our Chief Executive Officer
- our senior management, excluding the Chief Executive Officer
- our independent directors, as a group
- each of our significant shareholders and promoters

	Number and percentage of securities of the Company held prior to completion of minimum offering (1)(2)	**Number and percentage of securities of the Company held assuming completion of minimum offering** (1)(2)	**Number and percentage of securities of the Company held assuming completion of maximum offering** (1)(2)
Piers Axtell, Chief Executive Officer, Vancouver, BC	112,004 common shares being 6% 2,000,000 preferred shares being 66%	112,004 common shares being 4% 2,000,000 preferred shares being 66%	112,004 common shares being 3% 2,000,000 preferred shares being 66%
Senior management(3), excluding the Chief Executive Officer	250,000 preferred shares being 8%	250,000 preferred shares being 8%	250,000 preferred shares being 8%
Independent directors (as a group) (4)	150,000 common shares being 8% 770,000 preferred shares being 25%	150,000 common shares being 5% 770,000 preferred shares being 25%	150,000 common shares being 4% 770,000 preferred shares being 25%
Firoz Mohtadi, significant shareholder, Vancouver, BC	1,000,000 common shares being 50%	1,000,000 common shares being 33%	1,000,000 common shares being 26%

Notes:

(1) The preferred shares are convertible into common shares on a 1 for 1 basis. See section 4.2.

(2) The percentages calculated do not include common shares issuable on the conversion of the outstanding 1,143,250 special warrants.

(3) Henry Owens, our Chief Financial Officer, is the only person in this group.

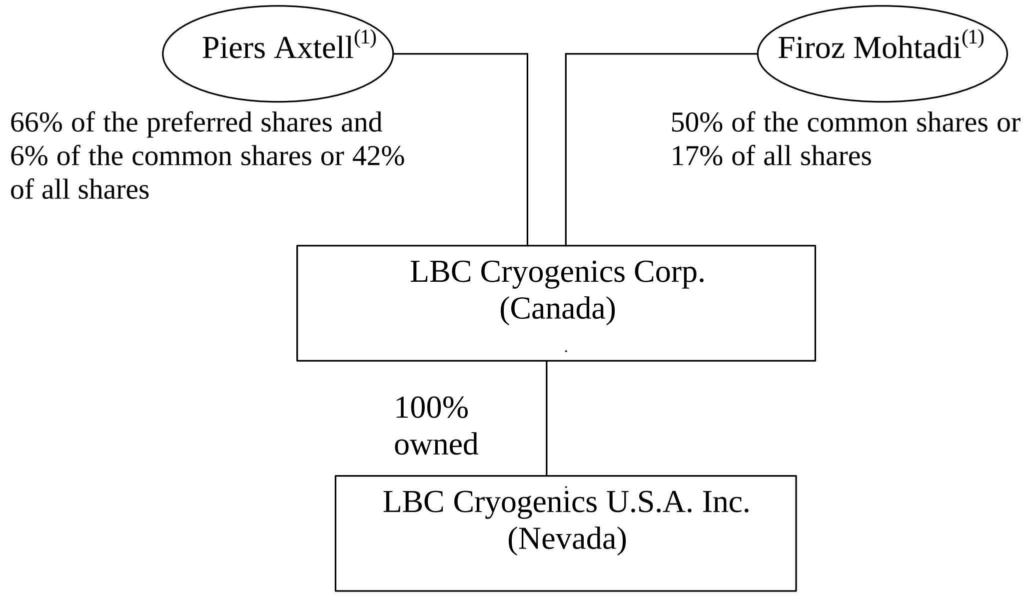
(4) The independent directors Leon Markham, Nicholas Wong and George Westwood.

Part 4 - General corporate information

4.1 Business and corporate structure

We were incorporated under the Canada Business Corporations Act on May 21, 1997.

The following chart shows our organizational structure:



Notes:

1. The percentages calculated indicate the % of the outstanding shares held prior to the completion of the Offering and do not include common shares issuable on the exercise of the special warrants.

2. LBC Cryogenics U.S.A. Inc. was incorporated under the Nevada Corporations Act on May 20, 2002, and is inactive.

4.2 Outstanding securities and consolidated capitalization

Material terms of issuer's outstanding securities

Common shares - Each common share entitles the holder to one vote at all meetings of the shareholders. The holders of the common shares, subject to the prior rights, if any, of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the board of directors of the Company may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the common shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company.

Preferred shares - The preferred shares vote equally with the common shares. The preferred shares do not participate in the earnings of the Company and participate in the distribution of the assets of the Company upon wind-up or other dissolution at the rate of 0.4% of the amount being distributed per common share. Each preferred share is convertible at the option of the holder into one common share upon payment of an additional $0.009 per share to the Company.

Special warrants - Each special warrant is convertible into one common share at the option of the holder and will be deemed to have been converted into a common share on April 17, 2005. On April 15, 2002 we issued 1,143,250 special warrants (convertible into an equal number of common shares for no additional consideration) for a price of $0.40 per special warrant.

Incentive stock options - Each incentive stock option entitles the holder to purchase one common share. The exercise prices of the options range from $0.20 to $0.60 per share and the terms range from one to five years, the last of which expires February 4, 2008.

Debenture - The debenture bears interest at Canadian Imperial Bank of Canada prime plus 2% and is repayable on October 15, 2006.

Agent's warrants - As partial consideration for the sale of common shares under the Offering we have agreed to grant to Crystal Securities Inc. warrants entitling them to purchase up to 15% of the number of common shares sold pursuant to the Offering at a price of $1.80 per common share during the first year and at a price of $2.00 per common share during the second year following completion of the Offering.

4.3 Escrowed securities

The following table sets forth information relating to our securities that will be subject to an escrow arrangement after the Offering:

Class of Security	Number of securities to be held in escrow	Percentage of outstanding securities of the class on completion of the minimum Offering	Percentage of outstanding securities of the class on completion of the maximum Offering
Common shares	1,135,804	38%	29%
Preferred shares	2,718,000	90%	90%

Release of escrow shares

Under the applicable policies and notices of the Canadian Securities Administrators, securities held by Principals (as defined below) are required to be held in escrow in accordance with the national escrow regime applicable to initial public offerings. Equity securities owned or controlled by Principals (except for 10% of each Principal's holdings of common shares and for common shares issuable pursuant to incentive stock options) are subject to the escrow requirements.

Principals include all persons that, on the completion of the Offering, fall into one of the following categories:

(i) directors and senior officers of the Company or of a material operating subsidiary of the Company;

(ii) promoters of the Company during the two years preceding this Offering;

(iii) those who own and/or control more than 10% of our voting securities immediately after completion of this Offering if they also have appointed or have the right to appoint a director or senior officer of the Company or of a material operating subsidiary of the Company;

(iv) those who own and/or control more than 20% of our voting securities immediately after completion of the Offering; and

(v) associates and affiliates of any of the above.

The Principals of the Company are Piers Axtell, Henry Owens, Leon Markham, Nicholas Wong, George Westwood and Firoz Mohtadi.

Under an escrow agreement dated as of March 13, 2003 among the Company, Financial Trust Company and the Principals, the Principals agreed to deposit in escrow their common shares with Financial Trust Company. Financial Trust Company will release the shares from escrow in equal blocks at 6 month intervals over the 36 months following the completion of the Offering (that is 15% of each Principal's holdings being released in each block) (with 10% of each Principal's holdings being exempt from the escrow provisions).

The Company is an "emerging issuer" as defined in the applicable policies and notices of the Canadian Securities Administrators and if the Company achieves "established issuer" status during the term of the escrow agreement, it will "graduate", resulting in a catch-up release and an accelerated release of any securities remaining in escrow under the 18 month schedule applicable to established issuers as if we had originally been classified as an established issuer.

Pursuant to the terms of the escrow agreement, the securities held in escrow may not be transferred or otherwise dealt with during the term of the escrow agreement, except in limited circumstances.

4.4 Head office

Our head office is located at 1500 University Avenue, Richmond, British Columbia, V3K 7Q3. We can be contacted at:

Telephone:	604-761-3219
Facsimile:	604-761-3222
E-mail address:	life@lbc.com

Our securities are not presently listed, quoted or traded on any exchange, quotation reporting system or market. We have applied to list our common shares on the TSX Venture Exchange following completion of the Offering. See section 5.2

4.5 Transfer agents and registrars

The registrar and transfer agent for our common shares is Financial Trust Company, 729 Dunlop Street, Vancouver, British Columbia, V6K 2N9. The registers for our other securities are maintained at our head office.

4.6 Interest of expert

Except for legal fees paid to Black and White, no expert involved in preparing this AIF or any report or valuation relating to our business has an interest in any of our property, owns any of our securities, or is likely to become one of our directors, senior officers, employees or consultants. See section 3.4.

4.7 Financial statements and MD & A

Annual information

The following table sets forth summary financial information for our fiscal years ended May 31, 2002, May 31, 2001 and May 31, 2000 and for the six month interim period ended November 30, 2002 and as at the end of those periods. This information has been summarized from our audited financial statements for the years ended May 31, 2002, May 31, 2001 and May 31, 2000 and from our unaudited interim financial statements for the six months ended November 30, 2002. This summary financial information should only be read in conjunction with our financial statements, including the notes thereto, included elsewhere in this AIF.

	Six months Ended November 30, 2002 (unaudited)	**Year Ended May 31, 2002**	**Year Ended May 31, 2001**	**Year Ended May 31, 2000**
Total revenues	$ 169,856	$ 221,864	$ 160,585	$ 137,204
Operating expenses	81,623	76,951	37,378	39,093
General and administrative expenses	198,640	154,884	130,033	150,506
Net (loss)	(110,407)	(9,971)	(6,826)	(52,395)
Net (loss) per common share, basic and fully diluted	(0.055)	(0.005)	(0.003)	(0.026)
Total assets	520,373	544,117	102,789	107,589
Long-term financial liabilities	0	0	0	0
Cash dividends per share	0	0	0	0

Quarterly information

The following table sets forth certain summary financial information for our past six quarters. We do not have quarterly financial information for previous quarters.

	Nov. 30, 2002	**Aug. 31, 2002**	**May 31, 2002**	**Feb. 28, 2002**	**Nov. 30, 2001**	**Aug. 31, 2001**
Total revenues	$ 77,685	$ 92,171	$ 70,623	$ 52,608	$ 49,838	$ 48,795
Operating expenses	44,151	37,472	23,511	23,453	17,746	12,241
General and administrative expenses	139,574	59,066	63,789	26,011	31,333	33,751
Net (loss) income	(106,040)	(4,367)	(16,677)	3,144	759	2,803
Net (loss) income per common share – basic – fully diluted	 (0.053) (0.053)	 (0.002) (0.002)	 (0.008) (0.008)	 0.002 0.001	 0.000 0.000	 0.001 0.001

Dividends

We have not declared or paid any dividends on any of our shares. We intend to retain our earnings to finance growth and expand operations and do not expect to pay any dividends on our common shares in the foreseeable future.

Management's discussion and analysis

Note to reader: As the MD&A requirements under CMA have not yet been determined, the following MD&A is based on existing requirements.

This discussion is based on our audited financial statements for the fiscal years ended May 31, 2000, May 31, 2001 and May 31, 2002, and our unaudited interim financial statements for the six month periods ended November 30, 2001 and November 30, 2002. Our financial statements summarize the financial impact of our financings, investments and operations. The financial statements are included in this AIF and should be referred to when reading this discussion.

We have had losses in all fiscal periods since our inception and have an accumulated deficit of $404,741 at May 31, 2002 and $515,148 at November 30, 2002. Our ability to continue as a going-concern is dependent upon our ability to achieve profitability and fund any additional losses we may incur. Our financial statements are prepared on a going-concern basis, which implies that we will realize our assets and discharge our liabilities in the normal course of business. Our financial statements do not reflect adjustments to the carrying value of assets and liabilities that would be necessary if we were unable to achieve and maintain profitable operations.

Liquidity and capital resources

We have leased facilities and acquired capital assets (laboratory and cryogenics equipment, office furnishings and equipment, and leasehold improvements) to enable us to provide our services of processing and cryogenically storing umbilical cord blood stem cells. We have issued share capital to finance our acquisition of capital assets and to provide working capital until our operations are profitable.

In 1997 and 1998 we issued 2,000,000 common shares for cash proceeds of $425,350 to finance our initial investment in capital assets and working capital. The positive cash flow from operations during the fiscal years ended May 31, 2000, 2001 and 2002 financed our activities during those years. Our cash requirements during those years were kept low because management services were provided without cash remuneration by our directors and officers. Our directors and officers were given the opportunity to purchase a total of 3,020,000 of our preferred shares at nominal prices.

We commenced a new marketing program in November 2002 in an attempt to increase our operating revenues. In addition, we increased our administrative personnel and moved to larger premises on December 1, 2002 in order to be able to handle increased sales volume and to manage our marketing program effectively. We purchased $57,443 in capital assets during the six months ended November 30, 2002 and plan to purchase more within the next year. Operating cash flows are not sufficient to finance these increased activities.

In April 2002, we issued 1,143,250 special warrants (convertible into an equal number of common shares for no additional consideration) for net cash proceeds of $383,804. The net proceeds from the minimum Offering are expected to be sufficient to finance our operating cash requirements and equipment and marketing costs over the next eighteen months.

At November 30, 2002, we had working capital of $68,823, capital assets of $141,726 and other assets of $109,445.

The significant components of our working capital include cash in current or interest bearing accounts, cash invested in term deposits, accounts receivable from clients, employees and goods and service tax refunds, prepaid expenses (which includes inventories of operating supplies and marketing materials), accounts payable and accrued liabilities and unearned revenue. Many of these components are considered "financial instruments" (see note 2 to the financial statements). We do not have any specific policy to control risks associated with our financial instruments or to avoid undue concentrations of risk.

Prepaid expenses at November 30, 2002 include for the first time $35,850 in inventories of marketing materials. These materials will be used over a period of several months, and then replenished, which will cause significant future fluctuations in prepaid expenses. Our accounts payable and accrued liabilities at November 30, 2002 are higher than normal due to payroll and other operating accruals and large invoices outstanding related to the marketing program. Accounts payable (and accounts receivable) are expected to increase if sales volumes increase. Unearned revenue will continue to grow in relation to the total number of samples in storage. Storage revenue is billed to clients for a full year at a time, at the start of the storage year, and then allocated to earnings over the one year period.

Our investment in capital assets will be increased over the next year. Major additions will be leasehold improvements and office furnishings and equipment, as well as new cryogenic storage tanks and laboratory equipment. These additions will be financed with proceeds from the Offering. If sample volumes increase to approximately 160 samples per month, we will also consider setting up a satellite storage facility in Québec, which is expected to require an investment of approximately $500,000 in capital assets and up to an additional $250,000 in other start-up costs. These additions will be financed with proceeds from the Offering if we complete the maximum Offering.

Lease deposits and deferred finance costs comprise other assets at November 30, 2002. The lease deposits will be applied to rent in future years (see note 8 to the financial statements). The deferred finance costs will be applied against the proceeds from the Offering.

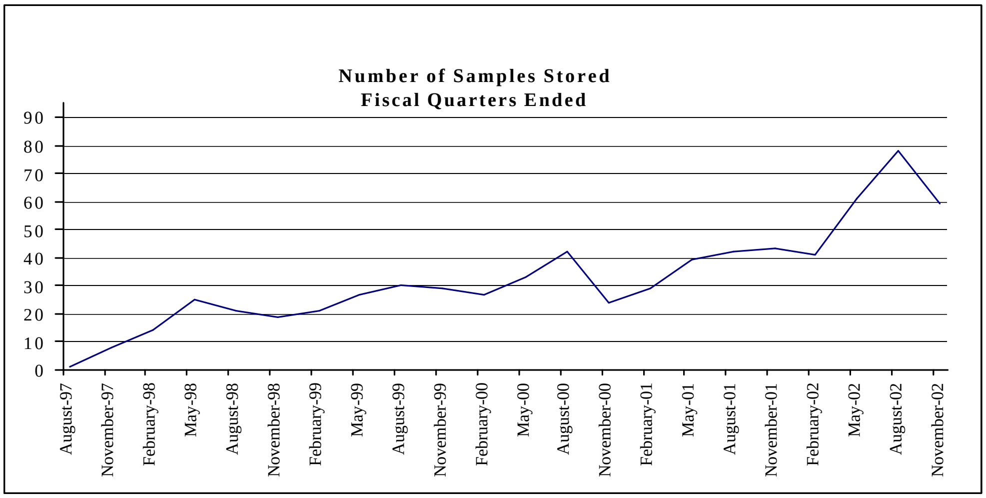
Results of operations

Revenue

We earn revenue from registration fees, processing fees and storage fees. Other revenue is also earned from delivery charges billed back to clients and from interest on surplus cash. The table below shows the number of cord blood stem cell samples we have processed and the total number of samples in storage.

Number of samples stored	Six months ended Nov. 30, 2002	Fiscal years ended May 31, 2002	2001	2000	1999	1998
During the quarter ended August 31	78	42	42	30	21	1
During the quarter ended November 30	59	43	24	29	19	8
During the quarter ended the last day of February	n/a	41	29	27	21	14
During the quarter ended May 31	n/a	61	39	33	27	25
Total for the period	137	187	134	119	88	48
At the end of the period	713	576	389	255	136	48

The growth in our revenue in each period, as compared to prior periods, is directly attributable to the number of samples stored in each period and to the increasing number of samples in storage. This growth is shown in the following chart.



While there are many factors that could influence the number of samples stored, we believe that our marketing efforts, or lack of marketing efforts, are the most significant factor in influencing the number of samples stored. Periods in which the number of samples stored increased follow periods when we placed advertisements, conducted a major distribution of brochures or when a significant event related to stem cell storage was covered in the media. Apart from the quarters ended on November 30, which represent a cyclical low period, periods in which the number of samples stored decreased follow periods when advertising and media covered events did not occur. Specifically:

- Regular advertisements were placed in prenatal magazines from July 1997 to March 1998, during which period we experienced increases in the number of samples stored from July 1997 to May 1998.

- There was little marketing activity from June 1998 to December 1998. There was a corresponding decrease in sample storage volumes during those periods.

- We recommenced advertising in prenatal and other magazines from January 1999 to August 1999. Sample storage volumes increased during those periods.

- There was little marketing activity from September 1999 to April 2000. Sample storage volumes decreased during most of that period.

- We distributed approximately 20,000 brochures to doctors' offices, clinics and hospitals from May 2000 to December 2000. Our web-site was improved in May 2000 and television news features related to stem cell banking and usage were aired in November 2000. In addition, an advertisement was placed in *Canadian Kid* in December 2000. Apart from cyclical declines during the quarters ended in November, there was general growth in the number of samples stored from May 2000 until December 2001.

- In October 2001, *The World* newspaper reported on the use by a six year old girl of her new-born brother's umbilical cord blood stem cells. In April 2002, the Canadian media widely reported on the use by a nine month old boy of his own umbilical cord blood stem cells, which his mother had stored. We believe that these two media events contributed to the significant growth in the number of samples we stored during the quarters ended May 2002 and August 2002.

- In November 2002, we started distributing our new brochures in the Greater Vancouver metropolitan area and meeting with local obstetricians and gynecologists. These activities are on-going. In January 2003, articles on us appeared in *The Vancouver Herald*, a local weekly newspaper, and our new facilities and services were featured on the local television evening news. These activities have coincided with an increase in the number of samples stored since November 2002.

The are many other factors that could affect the number of samples stored, including factors beyond our control, such as birth rates, changes in attitudes to private health services, and research into stem cell use and alternatives to stem cell therapies. Our volumes and experience are not sufficient to determine the significance of these factors to the number of samples stored with us and, accordingly, such factors have not been addressed in this discussion.

In general, during the time we have been in operation, cord blood stem cell storage has been gaining greater acceptance among the medical community and the general population. Our future revenues are expected to continue increasing as we increase our marketing efforts.

Operating expenses

We incurred direct costs to process and store the samples. Significant supplies used include sample collection kits, reagents to test and process the samples for storage and liquid nitrogen to cryogenically freeze the samples. Sample processing costs are for outside services, including infectious disease testing and assays of the samples to determine or confirm the quality of the sample. Wages and employee benefits are paid to the laboratory personnel who process the samples and maintain the cryogenic storage tanks. Delivery costs are incurred to send the collection kits to the expectant mother and to pick the samples up from local hospitals or the Vancouver International Airport.

Operating expenses normally vary in direct relation to revenue. Exceptions in the financial statements included in this AIF are:

- Supplies expense increased to 20% of revenue during the six month period ended November 30, 2002 as compared to 12-14% for the other periods reflected in the financial statements. This increase is due primarily to the cost and quantity of reagents required to test the quality of the cord blood samples. The reagent supplier discontinued distribution of the reagents that were previously used and the sample testing must now be done with more expensive reagents.

- Sample processing expense increased to 15% of revenue during the six month period ended November 30, 2002 as compared to 9% for all other periods except the year ended May 31, 2001. This increase was due to a one-time "catch-up" to bring all sample testing up to date. Sample processing expense was unusually low during the year ended May 31, 2001 due to processing a relatively large credit for testwork related to 1998 and 1999.

- We did not incur any operating wages and employee benefits during the years ended May 31, 2000 and 2001 as the President of the Company performed all of the required laboratory procedures without remuneration. The processing volume increases during the year ended May 31, 2002 required us to hire part-time laboratory personnel. Laboratory staff levels at November 30, 2002 have increased to approximately one full-time equivalent.

General and administrative expenses

The general and administrative expenses are incurred to provide the infrastructure that enables us to operate. Administration and office expenses include bank charges, stationery and other office supplies, web-site hosting and a variety of miscellaneous expenses necessary to keep us in good standing and to manage the office. Depreciation and amortization reflect the utilization of the economic values of capital assets. Insurance is purchased to protect against standard risks of loss and general third-party liability claims. Marketing expenses are incurred to generate additional revenue. Professional fees are paid for our auditors and lawyers. We pay rent for our office and laboratory space. Telephone expense covers the cost of toll-free telephone communications with clients, including cell phones for employees to enable 24 hour coverage during non-business hours. We incur travel and entertainment expenses to allow us to maintain good relations with the blood banking industry and to further our objectives. Wages, salaries and consulting fees are paid to our administrative personnel.

Significant variations in general and administrative expenses over the periods covered by the financial statements included in this AIF are:

– Administration and office expenses increased by 35% in 2001 over 2000 and a further 7.5% in 2002 over 2001. The six months ended November 30, 2002 reflects a 62% increase over the corresponding period in 2001. These increases are due to the increasing sales volumes that we are experiencing, which generates additional administration activities and record keeping.

– Depreciation and amortization decreased in 2001 as compared to 2000 as the result of the re-evaluation of the expected useful economic lives of our capital assets. The increases in 2002 over 2001 are due to the addition of new capital assets and the acceleration of the amortization of leasehold improvements as a result of our not exercising its option to renew the lease on our previous premises.

– Marketing expenditures were sporadic until the last quarter of the fiscal year ended May 31, 2002. Availability of cash to pay advertising expenses was the main determining factor in incurring the expense. We have adopted a marketing program and expect to incur significantly higher costs in future periods. The program budget for the 12 months ending November 30, 2003 is $372,000.

– The increased professional fees in both the year ended May 31, 2002 and the six months ended November 30, 2002 over corresponding prior periods are due to legal fees in connection with the Company's financing activities and audit fees which were not incurred before.

– Rent expense will increase dramatically in future periods. We moved on December 1, 2002 to larger premises where the rent will average $12,500 per month.

– Decreases in telephone expenses from 2000 to 2001 and 2001 to 2002 are due to cheaper long-distance and cell phone rates. Usage actually increased over these periods. The increase during the six months ended November 30, 2002 over 2001 is due to increased usage.

– Travel and entertainment expenses were kept to a minimum during the three years ended May 31, 2002. During the six month period ended November 30, 2002 the President and the Medical Director traveled to attend conferences related to hematology and blood-banking.

The wages, salaries and consulting fees paid to administrative personnel during the three years ended May 31, 2002 were relatively stable. One full-time office administrator and occasional part-time clerical staff were employed during these periods. During the six months ended November 30, 2002, we also employed additional part-time clerical staff and, commencing in November 2002, a full-time president, a full time administrative assistant and a full-time marketing representative. We expect to hire a Vice President, Finance and Business Development and will need to hire additional administrative personnel over the next six months, which will increase our salaries.

4.8 Investors' rights

If there is a misrepresentation in this AIF or in another document contained in LBC Cryogenics Corp's continuous disclosure record, investors have a statutory right to sue for damages against LBC Cryogenics Corp., every person who was a director or officer at the date of the document, and every underwriter or other due diligence provider involved in the Offering.

This right is available regardless of whether the investor relied on the misrepresentation. There are various defences available to the persons that investors have a right to sue.

If an investor intends to rely on this right, the investor must start an action for damages within

(a) three years of the date the document containing the misrepresentation was first released, or

(b) six months of the date of a news release disclosing that leave has been granted to start an action relating to the representation,

whichever comes first.

Investors should consult a lawyer about these rights and any other rights they may have.

Part 5 - The offering

5.1 Due diligence

We have entered into an agency agreement dated April 4, 2003 with Crystal Securities Inc. in connection with the Offering.

Under the agency agreement, Crystal Securities Inc. has agreed to use its best efforts to complete the Offering and to provide a due diligence function in connection with the Offering and the filing of this AIF. The details of our arrangement with Crystal Securities Inc. are described below.

5.2 The transaction

The Offering consists of a minimum of 1,000,000 common shares ($1,700,000) and a maximum of 1,900,000 common shares ($3,230,000).

The common shares are described under section 4.2.

We have engaged Crystal Securities Inc. as our exclusive agent for the purposes of the Offering, and through them, are offering for sale to the public in Alberta, British Columbia and Ontario, on a best efforts basis, a minimum of 1,000,000 and a maximum of 1,900,000 common shares at $1.70 per share. The offering price of $1.70 per share was determined by negotiation between the Company and Crystal Securities Inc.

Crystal Securities Inc. is not obligated to buy any common shares under the Offering and may in its discretion, terminate its obligation to sell the Offering.

Crystal Securities Inc. may appoint one or more licensed sub-agents to assist in selling the Offering.

We have agreed to pay Crystal Securities Inc. a $35,000 due diligence fee plus a cash commission equal to 10% of the gross proceeds raised under the Offering. We have paid the due diligence fee. The commission will be paid on closing of the Offering. We have also agreed to issue to Crystal Securities Inc. warrants to purchase common shares equal to 15% of the number of common shares sold under the Offering. The warrants will be exercisable for two years after the closing of the Offering, at $1.80 per share in the first year and at $2.00 per share during the second year.

We will not close the Offering unless a minimum of 1,000,000 common shares are sold. Until the minimum Offering is achieved and the Offering closed, all subscription proceeds for the common shares will be held by Crystal Securities Inc. as custodian. If the minimum Offering is not achieved, all subscription proceeds will be returned to the subscribers.

We have applied to list our common shares, including those being offered under the Offering, on the TSX Venture Exchange. The listing is subject to us fulfilling all of the listing requirements of the exchange.

We reserve the right to reject any subscriptions that we may receive, in which case, the subscription proceeds will be returned to the subscribers.

5.3 Net proceeds and other available funds

See “Available funds” in section 1.1.

5.4 Use of proceeds and other available funds

See “Use of available funds” in section 1.1.

5.5 Income tax consequences

You should consult your own professional advisers to obtain advice on the tax consequences that apply to you.