

Hamilton Thorne Ltd.
Management Discussion and Analysis
December 31, 2010

The following discussion and analysis of the operations, results, and financial position of Hamilton Thorne Ltd, (the "Company") for the year ended December 31, 2010 should be read in conjunction with the Company's December 31, 2010 audited consolidated financial statements and the related notes thereto. Such financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The effective date of this report is April 21, 2011. All financial figures are in United States dollars (US) unless otherwise indicated.

Forward-Looking Statements

Certain statements in this management discussion and analysis ("MD&A") may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward-looking statements, such as significant changes in market conditions, the inability of the Company to close sales and the inability of the Company to attract sufficient financing and including the risk factors summarized below under the heading "Risk Factors". New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the effective date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the effective date hereof or to reflect the occurrence of unanticipated events, except as required by securities legislation.

Description of Operations and Outlook

Hamilton Thorne Ltd. is an Ontario corporation currently trading on the TSX Venture Exchange, as a Tier 2 Corporation, under the stock symbol "HTL". The Company was formed via a reverse takeover of Calotto Capital Inc. on October 28, 2009 ("RTO") and commenced trading on November 5, 2009. The Company's principal business is the development, manufacture and sale of advanced laser systems and instruments for living cell applications in the regenerative medicine research and fertility markets. The Company's operations are conducted by its wholly owned subsidiary, Hamilton Thorne, Inc., a Delaware corporation.

The Company sells its products through its direct sales force and through distributors to pharmaceutical companies, biotechnology companies, fertility clinics, hospitals, educational institutions and other commercial and academic research establishments worldwide.

Hamilton Thorne's innovative laser systems attach to standard inverted microscopes and operate as robotic micro-surgeons, reducing time and increasing efficiency in key stem cell, embryo, developmental biology and other advanced cell biology procedures, including cancer research. Currently the Company has four lasers that have been introduced, and two more that are in development. Each member of the laser family is built on the same architecture but serves different market applications. The miniature size, high performance and reasonable price permit laboratories to mount several of the Company's lasers onto one microscope and thus have different applications at the researcher's fingertips.

Hamilton Thorne's CASA (Computer Assisted Sperm Analysis) systems are designed to bring quality, efficiency and reliability to studies of reproductive cells in the animal and human infertility and reproductive toxicology fields. These systems assist researchers and clinicians in analyzing sperm motility and other characteristics in human fertility, toxicology and animal applications. These "legacy" products generate meaningful cash flow with relatively little investment in a stable market and are sold through similar distribution channels as the laser family.

During the fourth quarter and year ended December 31, 2010, Hamilton Thorne generated sales increases of 41.8% (Q4) and 29.3% (Year 2010) from its existing products, particularly its Zilos-tk laser systems. The company expects to see continued growth for its existing laser products as the demand for its laser systems continues to grow, and as its continued investments in sales and marketing personnel and programs bear fruit.

The Company expects to generate additional growth from new products that provide solutions in additional research areas in the stem cell field, such as the Staccato laser which was introduced in June 2010, and the Stiletto laser which was introduced in the fourth quarter 2010. The Company continues to innovate, and is expecting to introduce its next generation Lykos lasers and showcase a novel 3D (obtained under license) capability in 2011.

The Company also has the opportunity to expand by providing both its existing and new products into other advanced cell biology fields, such as cancer research. These fields are large, growing and well funded. While early adopters have begun to publish articles highlighting the use of Hamilton Thorne's lasers for applications in these fields, it is expected to take some time for Hamilton Thorne to penetrate these new markets significantly.

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While the regenerative medicine/stem cell field is rapidly growing, it is also continually evolving and demand for the Company's products has periodically been impacted as certain procedures and research paths increase and decline in laboratory usage. In addition, as the field evolves, the Company's spending priorities may change or be accelerated to address new opportunities in the market

Hamilton Thorne's 2010 sales were made in diverse geographic areas worldwide, with approximately 40% in North America, 30% in Europe, Middle East and Africa and 30% in Asia. The Company intends to focus sales efforts on all of its global markets, with a particular emphasis in Asia, and in North America, where demand is growing, in part as a result of the release of additional National Institute of Health funding for stem cell research.

Key Financial Data and Comparative Figures

	Years Ended December 31	
	2010	2009
Income Statement		
Sales	\$ 6,200,430	\$ 4,794,693
Gross profit	\$ 3,850,723	\$ 3,025,035
Operating expenses	\$ 5,352,774	\$ 4,333,646
Net income (loss)	\$ (1,843,263)	\$ (1,674,935)
Basic and diluted (loss) per share	\$ (0.08)	\$ (0.10)
Balance Sheet		
Cash	\$ 714,498	\$ 1,356,371
Working capital	\$ 659,688	\$ 1,168,815
Total assets	\$ 2,534,945	\$ 2,627,983
Non-current liabilities	\$ 6,237,796	\$ 5,057,904
Shareholders' (deficiency)	\$ (5,331,478)	\$ (3,726,154)

Quarterly Data (unaudited)	Dec. 31 10	Sep. 30 10	Jun. 30 10	Mar. 31 10	Dec. 31 09	Sep. 30 09	Jun. 30 09	Mar. 31 09
Sales	\$ 1,697,859	\$ 1,713,364	\$ 1,608,520	\$ 1,180,687	\$ 1,197,160	\$ 1,463,109	\$ 1,018,870	\$ 1,115,554
Gross profit	\$ 1,088,653	\$ 1,042,547	\$ 1,009,321	\$ 710,202	\$ 743,713	\$ 969,971	\$ 614,658	\$ 696,693
Operating expenses	\$ 1,602,178	\$ 1,250,292	\$ 1,310,926	\$ 1,189,377	\$ 1,241,584	\$ 1,042,708	\$ 1,047,581	\$ 1,001,773
Net income (loss)	\$ (629,626)	\$ (300,742)	\$ (363,771)	\$ (549,125)	\$ (577,877)	\$ (185,998)	\$ (521,584)	\$ (389,476)
Basic and diluted (loss) per share	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ (0.01)	\$ (0.03)	\$ (0.02)

The above financial information has been prepared in accordance with Canadian generally accepted accounting principles and is stated in US dollars.

Results of Operations for year ended December 31, 2010

The Company total sales increased 29.3% to \$6,200,000 for the year ended December 31, 2010, an increase of \$1,405,000 from \$4,795,000 during the previous year. This increase of \$1,405,000 was attributable to increased demand for our existing products and improved budget availability for capital equipment purchases across all customer types and geographic regions. The Company's customers in the regenerative medicine field primarily use the Company's products in research applications. During 2009, the Company's sales, particularly in North America and Europe, were adversely impacted by budget freezes and extended purchasing cycles for research products. Sales rebounded sharply in both regions in 2010.

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Gross profit for the year increased 27.3% to \$3,851,000 in 2010, compared to \$3,025,000 in the previous year. The gross profit as a percentage of sales declined slightly to 62.1% from 63.1% for 2009 due primarily to increased material costs and pressures on pricing, particularly aggressive pricing offered to one customer to establish a reference site for the Hawk-I, a new product line.

Operating expenses were \$5,353,000 for the year ended December 31, 2010 up from \$4,334,000 during the previous year, an increase of \$1,019,000, or 23.5%. This increase in expenses represents continued strategic investment in the growth of the Company. Research and development expenses increased 16.8% to \$985,000 due to continued development of new products. Sales and marketing expenses increased 22.4% to \$2,372,000 due to the expansion of our sales force, commission expense on higher sales volume, and increased variable costs of selling. General and administrative (G&A) expenses increased 28.6% to \$1,995,000 due primarily to increases in public company expenses such as investor relations, professional fees and director fees. G&A also increased due to increased investments in staffing, and the favorable settlement of an employment labor claim.

Net interest expense decreased to \$341,000 for 2010 from \$367,000 for 2009. The decrease was due to the elimination of interest accreted on the preferred stock redeemed in the 2009 merger, offset by the initial interest expense, both coupon and accreted, on the convertible debentures issued in August 2010.

The net loss for the year was \$1,843,000, an increase of 10.0% over the net loss of \$1,675,000 for the same period of the previous year. The increased loss was due primarily to the additional investments by the Company in research, product development, sales and marketing, plus additional general and administrative expenses, partially offset by increased gross profit resulting from increased sales.

Fourth Quarter Results

The Company total sales increased 41.8% to \$1,698,000 during the quarter ended December 31, 2010, which was up \$501,000 from \$1,197,000 during the previous year quarter, as the Company continued to grow its sales in all of its regional markets. Gross profit increased 46.4% to \$1,089,000, and gross profit as a percentage of sales improved to 64.1% from 62.1% in the previous year. Operating expenses increased 29.0% to \$1,602,000 due primarily to planned increases in staffing levels in sales and marketing, increased variable commission and sales expenses, increased G&A staffing, and the favorable settlement of an employment labor claim.

The net loss for the fourth quarter was \$630,000, an increase of 9.0% over the net loss of \$578,000 for the same period of the previous year. The increased loss was due primarily to the additional investments by the Company in research, product development, sales and marketing, as well as additional general and administrative expenses, partially offset by increased gross profit resulting from increased sales.

Liquidity

The Company's cash balance at December 31, 2010 was \$714,000 as compared to \$1,356,000 in the previous year, a reduction of \$642,000. Working capital decreased to \$660,000 from \$1,169,000 at December 31, 2009. The decrease in cash was due primarily to the net losses incurred for the year, partially offset by the cash proceeds from the August 2010 sale of convertible debentures.

Cash used by operations was \$1,685,000 for the year 2010, compared to \$646,000 used in the prior year, due primarily to the net loss for the year, as well as the increase in accounts receivable due to sales concentration in December 2010. Cash utilization was partially offset by increases in accounts payable, accrued liabilities, and deferred revenue.

Cash used in investing activities was \$55,000, primarily for the purchase of equipment.

In August 2010, the Company took steps to improve its cash position and liquidity by selling \$1,250,000 in convertible debentures, maturing two years from the date of issue, resulting in net cash proceeds of approximately \$1,113,000. Some payments were made against other debt, resulting in \$1,098,000 provided by net financing activities.

Although the Company currently has positive working capital, it should be noted that the Company has incurred recurring losses over its history and has been able to meet its obligations through equity and debt financings. In March 2011, the Company completed a private placement of an additional \$650,000 in convertible debentures maturing in August 2012, with net proceeds of approximately \$575,000. The Company also extended its bank line for one year to October 1, 2011 and is now examining options to meet that obligation, including reviewing the possibilities of refinancing/extending the note, raising additional equity, and other financing alternatives. The Company expects that the convertible debentures issued in August 2010 and March 2011 will convert to common stock at maturity, or earlier if there is a significant qualified equity financing.

The Company is expected to continue to use cash in funding its operations during 2011. The Company believes that, assuming current sales trends continue, its current cash position, reduced by cash used in operations, will be sufficient to support operations through the remainder of 2011.

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Capital Resources

As the Company's manufacturing operations consist primarily of final assembly and quality control, it does not have significant capital expenditures as part of its financial plans and outlook. It is expected that its capital expenditures in the coming year will be primarily for new computers, software, and equipment used in research, development and demonstrations, and will total approximately \$120,000. Many of these expenditures will be purchased with current funds, and the majority may be financed through equipment leasing arrangements.

The purpose of the reverse takeover and private placement in 2009 was to provide financing to undertake the continued development of existing laser products, expansion of the laser product family and to get these products to market in 2010 and the ensuing years. The purpose of the 2010 and the subsequent 2011 Debentures financings was to accelerate the development of certain laser products and to support the working capital needs of the Company.

Share Capital

As of December 31, 2010, there were 24,415,157 common shares issued and outstanding.

As of December 31, 2010, there were 6,045,006 warrants outstanding to purchase common shares: 5,500,005, at a price of Cdn \$0.60 expire in April 2011, 440,001 at a price of Cdn \$0.40 expire in April 2011. In connection with the August 2010 sale of the convertible debentures, the Company issued to its financial advisor 105,000 warrants to acquire one common share at an exercise price of Cdn\$0.50, expiring in August 2012.

Stock options issued to employees and directors outstanding at December 31, 2010 totaled 4,272,022 at exercise prices ranging from Cdn \$0.205 to Cdn \$0.7712. Options for 2,040,463 shares are exercisable as of December 31, 2010. Options expire at varying times from July 2012 through December 2020.

Agent compensation options outstanding at December 31, 2010 totaled 440,001 options to purchase units at a price of Cdn \$0.40. Each unit consists of one common share and a warrant to purchase a common share at a price of Cdn \$0.50. The options and warrants will expire in April 2011.

A subordinated convertible note for \$50,000 was outstanding at December 31, 2010. The note was issued in September 2009 to a then director. The note was convertible, at the option of the holder, in the next round of equity financing that raised a minimum of \$1.5 million (exclusive of the noteholders participation in the equity financing) at the same terms and conditions as other investors participating. The noteholder chose not to convert this note in the financing. Had the noteholder participated in the financing, the noteholder would have received 132,500 common shares. It is not possible to determine the number of shares issuable as of December 31, 2010 to this now shareholder.

In August 2010, the Company sold an aggregate of \$1,250,000 of debentures to two investors. The debentures were issued in Canadian dollars at the applicable Bank of Canada noon exchange rate on the day before issuance (Cdn\$1,304,250). At maturity, the debentures will convert at a 20% discount to its then volume weighted average market price, with a minimum conversion price of Cdn\$0.20 per share and a maximum conversion price of Cdn\$0.60 per share. The debentures stipulate that, subject to the foregoing, in the event the Company completes an equity offering for gross proceeds of at least \$1,500,000 (an "Equity Offering"), the debentures will automatically convert, with a 10% discount to the Equity Offering price if the Equity Offering is completed in the first year of the debenture and a 20% discount to the Equity Offering price if the Equity Offering is completed in the second year. Depending upon the then market price, a minimum of 2,173,750 and a maximum of 6,521,250 shares will be issuable upon conversion.

In March 2011 the Company sold an aggregate of \$650,000 of convertible unsecured subordinated debentures in a private placement. The debentures mature on August 12, 2012, will rank pari passu with the debentures issued by the Company in August 2010, and contain substantially the same provisions and rights as the sale of the initial convertible debentures in August 2010, with a minimum conversion price of Cdn\$0.24. In addition, the Company issued to its financial advisors 89,435 warrants to acquire one common share each at an exercise price of Cdn\$0.50 for a period of two years.

Related Parties

At December 31, 2010, the Company was indebted to certain officers under various unsecured notes payable bearing interest at 7%.

In December 2008 an officer of the Company lent \$50,000 on a promissory note payable, subordinated to the bank line of credit, with interest at the prime rate plus 1%. In April 2010 the Board of Directors, with the permission of the bank providing the Company's line of credit, allowed the offset of a \$20,000 note to the officer, along with accrued interest of \$4,023, and \$24,042 of advances to the same officer against the \$50,000 note due to that officer and the accrued interest due on the note. Total indebtedness to officers at December 31, 2010 amounted to \$7,279.

In October 2006 a shareholder advanced the Company \$50,000 in return for a promissory note payable upon demand with interest at the prime with interest at the prime rate (3.25% at December 31, 2010), plus 1%. In November 2006, \$25,000 of principal was repaid leaving \$25,000 outstanding at December 31, 2010.

In August and September 2009 a then director of the Company lent the Company \$75,000 and \$50,000, respectively, on subordinated convertible notes. All these notes were subordinated to the Company's bank line of credit. In October 2009 immediately preceding the RTO, \$75,000 of these notes were converted to equity as part of the private placement, leaving a \$50,000 convertible note, due October 18, 2011 as outstanding at December 21, 2010 and December 31, 2009. The note is classified as short-term as of December 31, 2010.

In August 2010, a Company insider purchased \$500,000 of convertible debentures.

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New Accounting Pronouncements

Business Combinations

Section 1582, Business Combinations, replaces Section 1581, Business Combinations. The section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The new standard is not expected to have a material effect on the Company's consolidated financial statements.

Consolidated Financial Statements

Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests, together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), Consolidated and Separate Financial Statements. The sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The new standard is not expected to have a material effect on the Company's consolidated financial statements.

International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board (AcSB) confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be fully converged into IFRS, as issued by the International Accounting Standards Board (IASB). The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Therefore, the Company will be required to report under International Financial Reporting Standards ("IFRS") no later than in the first quarter of 2011, with restatement of comparative information, as well as the opening balance sheet as of January 1, 2010. The conversion to IFRS will impact the Company's accounting policies, systems, disclosures and controls.

The Company completed the planning phase of its changeover plan in the fourth quarter of 2009 and has recently completed the preliminary impact assessment including a detailed analysis of the impact of adopting IFRS on the Company's financial statements. As a result of its analysis, the Company has reached the following preliminary conclusions.

IFRS Statement 1 - Exemptions for Business Combinations

The Reverse Takeover Transaction with Calotto Capital Inc., as described in the financial statement footnotes, was in substance an issuance of shares and other equity instruments for the cash of Calotto. As an equity transaction, the expenses of the stock and equity instruments' issuance were charged to equity. This accounting treatment is consistent with IFRS accounting for equity transactions per IAS -32 Financial Instruments: Disclosure and Presentation. IAS -32 states that transaction expenses incurred as a necessary part of completing an equity transaction are accounted for as part of that transaction and are deducted from equity.

Balance Sheet accounts

Certain Balance Sheet accounts, as indicated below, were analyzed for the impact of converting to IFRS and our preliminary conclusions are that these accounts would not require an adjustment to convert to IFRS.

IAS -18: Revenue - Reserve for Sales Returns and Allowances

IAS -18: Revenue - Allowance for Doubtful Accounts

IAS -36: Impairment of Assets - Prepaid Expenses and Other Assets

IAS -2: Inventory

IAS -16: Property, Plant and Equipment - Accounting Policy Model

IAS -16: Property, Plant and Equipment - Accumulated Depreciation Reserve

IAS -17: Leases

IFRS -7: Financial Instruments: Disclosures - Accounts Payable and Accrued Expenses

IFRS -7: Financial Instruments: Disclosures - Bank Note Payable

Stock Compensation Accounts

Various accounts relating to stock compensation expense were assessed and analyzed for the impact of converting to IFRS which resulted in the preliminary conclusion that these accounts would require a material adjustment to convert to IFRS -2: Share-based payments.

The Company's options vest generally over a three or four year period, except for certain options that vest monthly, and other options that vested at the date of issuance. IFRS -2 requires that each period of the vesting period is calculated separately, which is graded vesting, and the sum of the periods results in the total stock-based compensation expense for the option awards.

IFRS -2: Share-based payments also requires that an estimate of forfeitures be factored into the calculation of the stock-based compensation expense.

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IAS -12: Income Taxes

IAS -12: Income Taxes is similar to Canadian GAAP as the Company has to recognize deferred taxes on temporary differences between the book carrying value of assets and liabilities, and their tax value, offset by a valuation reserve to the extent that the future tax deductions are unlikely to be deductible due to continuing operating losses.

Deferred tax assets and the offsetting valuation reserve will be recalculated to reflect the changes due to the adoption of the IFRS 2 method of calculating stock-based compensation expense.

Risk Factors

An investment in the Company must be considered highly speculative due to the relatively early stage of the development of its current operations. There are trends and factors that may be beyond the Company's control which affect its operations and business. Such trends and factors include adverse changes in the conditions in the specific markets for the Company's products and services, the conditions in the broader market of laboratory instruments, consumables and accessories and conditions in the domestic or global economy generally. It is not possible for management to predict economic fluctuations and the impact of such fluctuations on its performance.

1. General Economic Conditions – The demand for capital asset purchases declines in the face of difficult economic conditions such as those experienced in the United States and much of the rest of the world during 2009 and into 2010. The Company's customers include pharmaceutical and chemical companies, laboratories, universities, IVF labs, hospitals, government agencies and public and private research institutions. Many factors, including public policy spending priorities, available resources and product and economic cycles, have a significant effect on the capital spending policies of these entities. These policies in turn can have a significant effect on the demand for its products.

2. History of Losses – The Company has a history of losses and cannot predict the extent of future losses. The Company may not achieve profitability in the foreseeable future, if at all. Its ability to generate profits in the future will depend on a number of factors, including: (i) its ability to grow sales based on the continued market demand for its existing products and expected demand for additional products; (ii) costs relating to the commercialization, sale and marketing of its products; (iii) general and administrative costs relating to its operations; (iv) research and development costs; and (v) charges related to purchases of technology or other assets.

3. Limited Operating History in Certain Markets - The Company will be a small company focused on commercializing, marketing and selling products in the in vitro fertilization, transgenic and regenerative medical research markets. Its operating history in some of these markets is extremely limited. Its laser products for the regenerative medical market are in the early stages of commercialization. Other products are only in the early stages of development. An investor should evaluate the likelihood of financial and operational success in light of the uncertainties and complexities present in an early-stage company, many of which are beyond the Company's control, including: (i) the Company's potential inability to distribute, sell and market its products; and (ii) the significant investment to achieve its commercialization, marketing and sales objectives. The regenerative medicine market is relatively new and its long-term growth prospects are uncertain. Should the regenerative medicine market fail to expand, it could have a materially adverse effect on the Company's business and financial condition.

4. Product Development - The development of additional products is subject to the risks of failure inherent in the development of new, state of the art products, laboratory devices and products based on new technologies. These risks include: (i) delays in product development or manufacturing; (ii) unplanned expenditures for product development or manufacturing; (iii) failure of new products to have the desired effect or an acceptable accuracy profile; (iv) emergence of superior or equivalent products; (v) failure by any potential collaborative partners to successfully develop products; and (vi) the dependence on third parties for the manufacture, development and sale of the Reporting Issuer's products. Because of these risks, the Company's research and development efforts or those of potential collaborative partners may not result in any commercially viable products. If a significant portion of these development efforts is not successfully completed, or any products are not commercially successful, the Company is less likely to generate revenue growth or become profitable. The failure to perform such activities could have a material adverse effect on the Company's business, financial condition and results of its operations.

5. Technological Advancement - The areas in which the Company is commercializing, distributing, and/or selling products involve rapidly developing technology. There can be no assurance that the Company will be able to establish itself in such fields, or, if established, that it will be able to maintain its position. There can be no assurance that the development by others of new or improved products will not make the Company's present and future products, if any, superfluous or obsolete.

6. Intellectual Property Rights - Although four patents have now been issued in the United States, all applications are still pending in all overseas jurisdictions as well as continuations in part and new applications still pending in the United States. The Company's success and ability to compete are substantially dependent on these patents. Although management of Hamilton Thorne believes that the patents and associated trademarks and licenses are valid, there can be no assurance that they will not be challenged and subsequently invalidated and/or canceled. The invalidation or cancellation of any one or all of the patents or trademarks would significantly damage the Company's commercial prospects. Further, the Company may find it necessary to legally challenge parties infringing its patents or trademarks or licensed trademarks to enforce its rights thereto. There can be no assurance that any of the patents would ultimately be held valid or that efforts to defend any of the patents, trade secrets, know-how or other intellectual property rights would be successful.

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The Company's future success will depend, in part, on its ability to obtain patents for newly developed products, maintain trade secrets protection, and operate without infringing on the proprietary rights of third parties or having third parties circumvent its rights. The patent position of regenerative medicine firms is uncertain and involves complex legal and financial questions for which, in some cases, certain important legal principles remain unresolved. There can be no assurance that the patent applications made in respect of the owned products will result in the issuance of patents, that the term of a patent will be extendable after it expires in due course, that any patent issued to the Company will provide it with any competitive advantages, that the patents of others will not impede the Company's ability to do business or that third parties will not be able to circumvent or successfully challenge the patents obtained in respect of the products. The cost of obtaining and maintaining patents is high. Furthermore, there can be no assurance that others will not independently develop similar products which duplicate any of the products, or, if patents are issued, design around the patent for the product. There can be no assurance that the Company's processes or products do not or will not infringe upon the patents of third parties, or that the scope of the Company's patents will successfully prevent third parties from developing similar and competitive products.

Much of the Company's know-how and technology may not be patentable, though they may constitute trade secrets. There can be no assurance, however, that the Company will be able to meaningfully protect its trade secrets. To help protect its intellectual property rights and proprietary technology, the Company requires employees, consultants, advisors and collaborators to enter into confidentiality agreements. There can be no assurance that these agreements will provide meaningful protection for the Company's trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure.

The Company's commercial success will also depend, in part, on not infringing on the patents or proprietary rights of others. There can be no assurance that the technologies and products used or developed by the Company will not infringe such rights. If such infringement occurs and the Company is not able to obtain a license from the relevant third party, it will not be able to continue the development, manufacture, use, or sale of any such infringing technology or product. There can be no assurance that necessary licenses to third-party technology will be available at all or on commercially reasonable terms. In some cases, litigation or other proceedings may be necessary to defend against or assert claims of infringement or to determine the scope and validity of the proprietary rights of third parties. Any potential litigation could result in substantial costs to, and diversion of, its resources and could have a material and adverse impact on the Company. An adverse outcome in any such litigation or proceeding could subject the Company to significant liabilities, require it to cease using the subject technology or require it to license the subject technology from the third party, all of which could have a material adverse effect on the Company's business.

The Company's future success and competitive position depends in part upon its ability to maintain its intellectual property portfolio. There can be no assurance that any patents will be issued on any existing or future patent applications. Even if such patents are issued, there can be no assurance that any patents issued or licensed to the Company will not be challenged. The Company's ability to establish and maintain a competitive position may be achieved in part by prosecuting claims against others who it believes to be infringing its rights. In addition, enforcement of the Company's patents in foreign jurisdictions will depend on the legal procedures in those jurisdictions. Even if such claims are found to be invalid, the Company's involvement in intellectual property litigation could have a material adverse effect on its ability to distribute any products that are the subject of such litigation. In addition, the Company's involvement in intellectual property litigation could result in significant expense, which could materially adversely affect the use or distribution of related intellectual property and divert the efforts of the Company's technical and management personnel from their principal responsibilities, whether or not such litigation is resolved in the Company's favor.

7. Competition - The Company is engaged in a rapidly evolving field. Competition for its laser products from numerous companies is expected to increase. Competition from other unknown entities and competition from research and academic institutions is also expected to increase. The market for solutions to the many regenerative medical research problems is growing rapidly and is likely to attract new entrants. Numerous biotechnology companies have focused on developing new media or devices and most, if not all, of these companies have greater financial and other resources and development capabilities than the Company. The Company's future success depends in part on its ability to maintain a competitive position, including its ability to further progress and develop its products for sale and commercialization. Other companies may succeed in commercializing products earlier than the Company or they may succeed in developing products that are more effective than the Company's products. While the Company will seek to expand its technological capabilities in order to remain competitive, there can be no assurance that developments by others will not render its products non-competitive or that the Company will be able to keep pace with technological developments. The success of the Company's competitors and their products relative to the Company's products could have a material adverse effect on the future operations of the Company.

In addition to competing with universities and other research institutions in the development of products, technologies and processes, the Company may compete with other companies in acquiring rights to products or technologies from universities. There can be no assurance that the Company's products, existing or to be developed, will be more effective or achieve greater market acceptance than competitive products, or that its competitors will not succeed in developing products and technologies that are more effective than those being developed by or that would render its products and technologies less competitive or obsolete.

8. Product Liability - The sale of the Company's products may expose it to potential liability resulting from the sale and use of such products. Liability might result from claims made directly by consumers or by laboratory companies. Hamilton Thorne currently maintains US\$3 million of product liability insurance. There can be no assurance that the Company will be able to renew its current insurance, renew it at a rate comparable to what it now pays, or that the coverage will be adequate to protect it against liability. If it were held liable for a claim or claims exceeding the limits of its current or future insurance coverage, or if coverage was discontinued for any reason, it could have a materially adverse effect on the Company's business and financial condition.

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9. Government Regulation - The growth of the regenerative medicine market in the United States and certain other countries has been hampered by government regulations regarding the use of embryonic stem cells. The current political administration in the United States is more supportive of stem cell research than the prior administration, however, there is no assurance that this support will continue and the support could conceivably be reversed if a new administration is elected in 2012 or thereafter. Should these regulations be readopted, stiffened, or extended to other jurisdictions, the market for the Company's products could be adversely affected which could have a materially adverse effect on the Company's business and financial condition.

The Company's business may also be affected in varying degrees by changes to government regulation of intellectual property or export controls. Such changes are beyond the control of the Company and the effect of any such changes cannot be predicted.

The Company conducts its business internationally and is subject to laws and regulations of several countries which may affect its ability to access regulatory agencies and may affect the enforceability and value of its intellectual property rights. There can be no assurance that any sovereign government, including Canada's or the United States', will not establish laws or regulations that will be deleterious to the Company's interests. There is no assurance that the Company, as a Canadian corporation, will continue to have access to the regulatory agencies in any jurisdiction where it might want to obtain final regulatory approval, and there can be no assurance that the Company will be able to enforce its intellectual property rights in foreign jurisdictions. Governments have, from time to time, established foreign exchange controls which could have a material adverse effect on the Company's business and financial condition, since such controls may limit its ability to flow funds or products into a particular country to meet its obligations under distribution agreements and to flow funds which the Company is entitled to, in the form of sales proceeds, out of a particular country.

10. Dependence upon Management - The Company is substantially dependent upon the services of a few key personnel. The loss of the services of any of these personnel could have a material adverse effect on the business of the Company. The Company maintains key man insurance on certain management personnel. The Company may not be able to attract and retain personnel on acceptable terms given the intense competition for such personnel among high technology enterprises, including biotechnology, and healthcare companies, universities and non-profit research institutions. If it loses any of these persons, or is unable to attract and retain qualified personnel, its business, financial condition and results of operations may be materially and adversely affected.

11. Financing - The Company currently maintains a \$5,000,000 secured line of credit with a US bank which was extended in December 2010 to mature on October 1, 2012. This line of credit is secured by two letters of credit, issued by shareholders, which expire on November 1, 2012. If the Company is unable to extend such letters of credit or refinance or pay off the debt to the Bank, or if there were otherwise an event of default, the Company's business, financial condition and results of operations may be materially and adversely affected. The Company issued \$1,250,000 in debentures in August 2010 and \$650,000 in March 2011. These debentures are expected to convert to common stock at maturity in August 2012. If there is an event of default under the debentures or they otherwise do not convert, the Company will need to raise additional cash to retire these debentures.

The Company may need to issue common shares to raise additional capital and/or as full or partial consideration in connection with future acquisitions. To the extent that it does so, existing shareholders will be diluted and the trading price of its shares may also decrease.

12. Dividends - The Company intends to retain any future earnings to finance the growth and development of its business and does not plan to pay cash dividends in the foreseeable future, if ever.

13. Principal Stockholder Influence - The Company's principal stockholders own or control approximately 60% of the shares outstanding and therefore have significant ability to control the outcome of stockholder votes, including votes concerning the election of directors, the adoption or amendment to provisions in the Company's articles or by-laws, the approval of mergers and/or acquisitions, decisions affecting capital structure and other significant corporate transactions.