



MANAGEMENT DISCUSSION AND ANALYSIS

FOR THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2021

1. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The discussion and analysis of Aquarius Surgical Technologies Inc. (the "Corporation" or "ASTI") may contain forward-looking statements, which involve risks and uncertainties. Actual events could differ from those anticipated in forward-looking statements. While this MD&A reflects the period ending September 30, 2021, it also addresses key events that have occurred up to and including the date of this Report. Readers are specifically referred to Note 19 – Litigation, in the Notes to the Condensed Consolidated Interim Financial Statements to September 30, 2021.

Forward-looking statements may include sales, earnings, and profitability comments. These statements may contain words such as "anticipated", "expected", "could", "should", "may", "plans", "will", or similar expressions that are based on and arise out of our experience, our perception of trends, current conditions and expected future developments as well as other factors. By their very nature, forward-looking statements involve uncertainties and risks that the forecasts and targets will not be achieved. Readers are cautioned not to place undue reliance on forward looking statements as a number of important factors, as disclosed herein and in the Corporation's other continuous disclosure documents, could cause actual results to differ materially from those expressed in such forward looking statements.

2. INTRODUCTION

The following is a discussion and analysis of the Corporation's results of operations and financial condition for the period ended September 30, 2021 and should be read in conjunction with its consolidated interim financial statements for the three and six month period ended September 30, 2021 and the related notes thereto (the "Interim Financial Statements"). The amounts included in the following discussions are expressed in Canadian dollars (unless otherwise indicated).

3. GOING CONCERN

The Interim Financial Statements have been prepared on a going concern basis which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations. The Corporation incurred operating losses in the fiscal year ended March 31, 2021 and in the current period to September 30, 2021. These circumstances cast doubt on the ability of the Corporation to continue as a going concern which is dependent on the support of its creditors, the ability to obtain additional financing, and ultimately, the attainment of profitable operations. The Corporation's largest shareholder, which is also the largest lender, has indicated that its support will continue over the forthcoming year. As indicated in Note 2 to the Interim Financial Statements, those Statements do not include any adjustments to the amounts or classification of financial statement items that might be necessary if the Corporation was unable to continue as a going concern and no adjustment has been made in those financial statements to reflect liquidation values of assets on a non-going concern basis as any such adjustment, if required, would not have a material effect on the Corporation's balance sheet.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared by management using the accounting policies and methods as outlined in Note 3 to the Consolidated Financial Statements for the year ended March 31, 2021. The Interim Financial Statements have, in management's opinion, been properly prepared using judgement within reasonable limits of materiality and are in conformity with International Financial Reporting Standards ("IFRS").

5. BUSINESS OVERVIEW

As of March 20, 2017, the Corporation acquired all the outstanding shares of Surgical Lasers Inc. ("SLI"). SLI, is principally a provider of innovative, minimally invasive medical laser systems and consumables for multiple medical disciplines, principally in the field of urology.

The Corporation's primary focus is the development, sale, distribution, marketing, and exploitation of technologies for use in surgical environments.

The Corporation offers strong market potential in today's medical world where the technology vertical is predicted to be worth billions of dollars in the near term.

The Corporation is currently generating revenue from sales and service operations through its subsidiary SLI. This is expected to increase each year going forward along with adding value added services and technologies through organic growth and acquisition.

SLI's focus has always been on clinical efficacy, evidence-based research, proven technologies, and value. This allows us to deliver practical solutions which not only enhances patient care, but also introduces operational and financial benefits to your practice. In this regard, we deliver measurable benefits to patients, clinicians, and the medical system alike. We offer the following benefits:

- Enhanced patient care
- Minimally invasive laser treatments
- Value based, cost-effective & practical laser based solutions
- Best of breed technology
- Cost effective consumables
- Unparalleled support & comprehensive educational programs

Following the temporary setbacks caused by shutdowns during the pandemic, we are looking forward to getting back to a more normal and predictable environment and steady recovery and regrowth for our shareholders and clients.

As described in Press Releases issued in February and March, 2021, former management personnel were removed in February, 2021, Salumatics Inc. has been retained to provide overall Management and Administration services to SLI and the offices of SLI have been moved to Mississauga, Ontario. Further, as described in Note 19 to the Interim Financial Statements, significant litigation has been commenced against certain former management personnel and their related corporations.

SLI utilized the opportunity of the consequences of the COVID epidemic and the reorganization of management and administration to redevelop many processes, procedures and systems including an online e-commerce storefront for consumables and many cost saving improvements that will provide benefits for years to come.

The Government of Canada has provided various programs designed to aid small business suffering from the effects of the Covid-19 pandemic. The Corporation has been able to take advantage of the following program:

Canadian Emergency Business Account (“CEBA”) – This program provides interest free loans of up to \$60,000 to eligible businesses. Repayment of the loan prior to December 31, 2022 will entitle the borrower to a 33 1/3% forgiveness of the amount borrowed up to a maximum of \$20,000. Any loans outstanding at December 31, 2022 will be automatically renewed for further 3 years at an interest rate of 5%. The Corporation has borrowed \$60,000 under this program and has recorded a forgiveness of debt in the amount of \$20,000.

6. OVERALL PERFORMANCE RELATING TO OPERATIONS FOR THE THREE AND SIX MONTH PERIODS ENDING SEPTEMBER 30, 2021

Revenues from operations for the three and six month periods ended September 30, 2021 were \$145,834 and \$196,028 respectively, compared to \$79,476 and \$172,234 for the prior comparative periods. Cost of goods sold in the three and six months periods ended September 30, 2021 were \$76,033 and \$99,396 respectively, compared to \$37,960 and \$97,386 in the prior year comparative periods.

General and administrative expenses in the three and six month periods ended September 30, 2021 were \$198,423 and \$405,868 respectively compared to \$283,149 and \$546,550 in the prior year comparative periods.

Bank charges and interest in the three and six month periods ended September 30, 2021 were \$50,490 and \$103,463 respectively, compared to \$90,716 and \$184,733 in the prior year comparative periods. The charges in the six month period to September 30, 2021 include \$34,123 (2020 - \$106,077) of imputed interest on the related party loan and long term debt. The charges in the prior year comparative six month period also include a \$12,000 finders fee relative to new long term financing.

Amortization expense in the three and six month periods ended September 30, 2021 was \$12,456 and \$25,050 respectively, compared to \$32,293 and \$67,805 in the prior year comparative periods. The reduction in amortization expenses in the current year reflect the write off of equipment in the last fiscal year.

Interest income in the six month period ended September 30, 2021 was \$6,901 compared to \$7,093 in the comparative period of the prior year

Aquarius Surgical Technologies Inc.
Management Discussion and Analysis
For the three and six months ended September 30, 2021



The net loss and comprehensive loss for the three and six month periods ended September 30, 2021 was \$188,193 and \$430,848 respectively (\$0.01 and \$0.02 per share) compared to \$361,018 and \$717,147 (\$0.02 and \$0.03 per share) in the prior year comparative periods.

7. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected items from the Consolidated Balance Sheets as at September 30, 2021, September 30, 2020, and September 30, 2019:

Balance Sheet Item	30-Sep-21	30-Sep-20	30-Sep-19
	\$'s	\$'s	\$'s
Cash and deposits	168,752	156,100	32,996
Accounts receivable	236,073	115,764	180,863
Inventory	60,187	269,287	277,490
Prepaid expenses and deposits	18,353	18,836	20,129
Due from related party	258,644	247,518	231,703
Equipment	284,786	953,355	1,028,151
Accounts payable	732,598	476,382	286,768
Current portion long term debt	312,985	93,753	-
Note payable	153,496	-	250,000
Long term debt	326,677	591,487	-
Related party advances	2,326,548	1,975,540	1,891,599
Series "A" special shares	-	1	1
Shareholders Equity (Deficiency)	(2,825,508)	(1,376,301)	(657,035)

8. CASH AND DEPOSITS

Cash and deposits on hand at September 30, 2021, increased to \$168,752 from \$156,100 in the prior year. The current year balance includes a term deposit in the amount of \$100,000 (2020 - \$100,000).

9. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2021 increased to \$236,073, compared to \$115,764 in the prior year. Included in accounts receivable is HST receivable of \$24,259 (2020 - \$71,924).

10. INVENTORIES

Inventories at September 30, 2021, were \$60,187 compared to \$269,287 in the prior year. The prior year inventory includes laser equipment which was reclassified as equipment at the end of the last fiscal year.

11. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits at September 30, 2021, were \$18,353 compared to \$18,836 in the prior year.

12. DUE FROM RELATED PARTY

Due from related party at September 30, 2021, was \$258,644 (see Notes 6(A) and Note 19 to the Interim Financial Statements); (2020 - \$247,518).

13. EQUIPMENT

Equipment at September 30, 2021, was \$284,786 compared to \$953,355 in the prior year. In light of the events which occurred in the last fiscal year management of the Corporation undertook a review of all laser equipment and determined that the equipment had not been serviced or properly maintained. As a result, an impairment charge of \$680,935 was recorded in the last fiscal year. The equipment will be inspected and calibrated by licensed technicians and used for 0\$ Capex placements where suitable. (See also Note 19 - Litigation to the Interim Financial Statements).

Aquarius Surgical Technologies Inc.
Management Discussion and Analysis
For the three and six months ended September 30, 2021



14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable at September 30, 2021 increased to \$732,598 from \$476,383 in the prior year.

15. CURRENT PORTION LONG TERM DEBT

The current portion of long term debt at September 30, 2021, was \$312,985 compared to \$93,753 in the prior year. Please refer to Note 10 to the Interim Financial Statements for pertinent information concerning the long term debt.

16. NOTE PAYABLE

Note payable at September 30, 2021, was \$153,496 compared to \$ nil in the prior year.

17. LONG TERM DEBT

Long term debt at September 30, 2021, was \$326,677 compared to \$591,487 in the prior year. A portion of the credit facility which had been classified as a current liability in the last period has now been re-classified as long term debt. The convertible debenture due April 15, 2022 is now classified as a current liability. Please refer to Note 10 to the Interim Financial Statements for pertinent information concerning the long term debt.

18. RELATED PARTY TRANSACTIONS

The amount due to related party increased to \$2,326,548 at September 30, 2021 compared to \$1,975,540 at September 30, 2020. Please refer to Note 6(A) and (B) to the Interim Financial Statements for pertinent information pertaining to the Related Party transactions.

19. SELECTED QUARTERLY FINANCIAL DATA

The table below presents selected unaudited financial data for each of the eight quarters ending September 30, 2021:

	30-Sep 2021 \$'s	30-Jun 2021 \$'s	31-Mar 2021 \$'s	31-Dec 2020 \$'s	30-Sep 2020 \$'s	30-Jun 2020 \$'s	31-Mar 2020 \$'s	31-Dec 2019 \$'s	30-Sep 2019 \$'s
OPERATIONS									
Sales									
Equipment	62,859	-	194,838	-	-	-	60,308	79,744	100,285
Fibers	68,982	44,447	121,843	66,000	75,371	84,233	176,775	105,525	111,043
Equipment rental	-	-	-	8,760	-	-	-	-	4,043
Other	13,993	5,747	9,555	10,214	4,105	8,525	14,221	3,945	(366)
	145,834	50,195	326,236	84,974	79,476	92,758	251,304	189,214	215,005
Cost of sales	76,033	23,364	227,916	41,548	37,960	59,425	180,883	123,644	118,681
Gross Margin	69,801	26,831	98,320	43,426	41,516	33,333	70,421	65,570	96,324
Expenses and other items									
General and administrative	198,423	207,445	789,750	218,411	283,149	263,401	427,720	391,688	364,062
Amortization	12,456	12,595	33,902	33,902	32,293	35,512	31,662	32,400	33,547
Interest and bank charges	50,490	52,973	93,417	93,305	90,716	94,017	73,580	78,115	80,267
Gain on forgiveness CEBA loan	-	-	-	(20,000)	-	-	-	-	-
Interest income	(3,374)	(3,527)	(3,617)	(4,058)	(3,624)	(3,468)	(3,373)	(3,759)	(4,009)
	257,995	269,486	913,452	321,560	402,535	389,462	529,589	498,444	473,867
Net Loss	(188,193)	(242,655)	(815,132)	(278,134)	(361,018)	(356,129)	(459,168)	(432,874)	(377,543)
EPS	(0.01)	(0.01)	(0.04)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)

Discussion of Selected Financial Data - Operations

In the three and six months ended September 30, 2021 equipment sales were \$62,859 (2020 - \$ nil); fiber sales were \$68,982 and \$113,429 respectively (2020 - \$75,371 and \$159,604); equipment rentals were \$ nil (2020 - \$ nil) and other sales and services were \$13,993 and \$19,470 respectively (2020 - \$4,105 and \$12,630). Cost of sales for the three and six months ended September 30, 2021 were \$76,033 and \$99,396 respectively (2020 - \$37,960 and \$97,396). The gross margin for the three and six months ended September 30, 2021 was \$69,801 and \$96,632 (2020 - \$41,516 and \$74,848).

For the three and six months ended September 30, 2021, General and administrative expenses were \$198,423 and \$405,868 respectively (2020 - \$283,149 and 546,550); Amortization was \$12,456 and \$25,050 respectively (2020 -

Aquarius Surgical Technologies Inc.
Management Discussion and Analysis
For the three and six months ended September 30, 2021



\$32,293 and \$67,805); Bank charges and interest were \$50,490 and \$103,463 respectively (2020 - \$90,716 and \$184,733) and Interest income was \$3,374 and \$6,901 respectively (2020 - \$3,624 and \$7,093).

The net loss for the three months ended September 30, 2021 was \$188,193 (\$0.01 per share) compared to loss of \$361,018 in the same period in the prior year (\$0.02 per share). For the three months ended September 30, 2021 the weighted-average number of shares outstanding was 23,079,172 (September 30, 2020 – 22,916,536).

The results for the three and six month periods ended September 30, 2021, compared to the results of the same periods in 2020, reflect that during the comparative periods in 2020, certain senior management personnel – who have since been removed, and are now subject to litigation as described in Note 19 to the Interim Financial Statements - were diverting business opportunities and potential sales, as well as their own attention, away from the business of the Corporation and towards their own self-interest. Administrative and management expenses during the three and six month periods ended September 30, 2021, have been directed principally towards establishment of efficient inventory management, well supervised sales management and development of business opportunities. As noted at Item 13 above, a significant impairment charge in respect of equipment was recorded in the fiscal year ended March 31, 2021 to reflect that laser equipment had not been serviced or properly maintained. That equipment is now being fully inspected and calibrated by licensed technicians, and will be used for 0\$ Capex placements where suitable. The anticipated increase in equipment directed towards the \$0 Capex placement program will likely be reflected by an increase in fiber sales in future fiscal periods, while sales of new lasers will be built on a base of entirely new machines.

20. MANAGEMENT OF CAPITAL

The Corporation defines capital that it manages as the aggregate of its loans payable, contingent consideration, share capital, contributed surplus and deficit. Its objectives when managing capital are to ensure that the Corporation will continue as a going concern, so that it can provide returns to its shareholders.

	30-Sep-21	30-Sep-20
	\$	\$
Convertible debenture	-	167,819
Long term debt	326,677	423,668
Amount due to related party	2,326,548	1,975,540
Series "A" Special Shares	-	1
Share capital	19,835,907	19,780,907
Contributed surplus	9,303,859	9,283,951
Deficit	(31,965,274)	(30,441,159)
Total Capital	(172,282)	1,190,728

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions. The Corporation, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Terms of the Credit Facility include financial covenants by the Corporation, including the obligation to maintain Debt Service Coverage, defined as the ratio of EBITDA to the total of Interest Expense and scheduled principal payments in respect of Funded Debt, at the end of each financial year of not less than 1.25:1. The Corporation was in default of these terms of the Credit Facility and the lender have waived that requirement for the last fiscal year.

21. CONTRACTUAL OBLIGATIONS

Effective July 28, 2020 the Corporation was committed to a lease agreement related to the Corporation's premises, commencing on August 1, 2020, and terminating on July 31, 2021. Under the terms of this lease, the Corporation was required to pay a proportionate share of operating costs, realty taxes and utilities, in addition to the minimum lease payments.

That lease is now terminated and the Corporation is maintaining an office on a monthly basis as part of a management contract with Salumatics Inc.

22. CAPITAL RESOURCES

The Corporation does not anticipate any major expenditure on capital resources.

23. OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

24. LONG-TERM INVESTMENTS

Woodland Biofuels Inc. ("Woodland")

The Corporation holds 112,272 shares in Woodland; further details appear in Note 7 of the Interim Financial Statements for the period ended September 30, 2021. During fiscal 2016 the Corporation wrote down the value of this investment to a nominal amount. Management is of the opinion that the full value of this investment will be realized; however, because there is no ready market for these shares, IFRS regulations require that the investment be written down to a nominal value. The Corporation will recognize the value of this investment when circumstances warrant a review.

25. RISKS AND UNCERTAINTIES

In addition to the general Risks and Uncertainties, Readers are referred to Note 19 – Litigation – in the Interim Financial Statements to September 30, 2021

There are risks and uncertainties with the business operation and results of the Corporation. The risks noted below are not the only risks associated with the Corporation and its business, in particular the business of its wholly owned operating subsidiary, Surgical Lasers Inc. ("SLI"). Additional risks and uncertainties, including ones that the Corporation is not aware of or that the Corporation believes currently are not material, may also adversely affect the Corporation's business.

The Corporation is in the Development Stage: The business of SLI, in particular as it is a development stage company, involves a high degree of risk, including, but not necessarily limited to, the risk factors described below.

Limited Operating History: Investment in the Corporation should be regarded as speculative, due to the nature of and the present stage of development of its business. SLI has a limited operating history. The likelihood of the success of the SLI, and thus the Corporation, must be considered in light of the risks inherent in, and the difficulties, costs, and complications encountered in the early growth stage of a business enterprise and the development and marketing of new technologies. As a result of its early growth stage of business and its limited operating history, sales and results from operations are inherently more difficult to predict, and as a result, SLI may sustain operating losses.

Uncertainty of Market Acceptance: The Corporation currently derives a substantial portion of its revenues from the sale of its portable laser systems and related fiber-optic consumables. Those sales are exclusively to sophisticated medical professionals, and are presently concentrated only in the United States of America. Because of this limited marketplace and target market concentration, a decline in the demand for the products would have a material adverse effect on the Corporation. There can be no assurance that the Corporation's expanded marketing and sales efforts will result in increased market acceptance for its products.

Supply Dependency: Manufacture of the products distributed by SLI is dependent on the continued efficient supply of component parts from two key exclusive suppliers, both based in Europe. The shortage of supply of any machines, parts or materials would seriously jeopardize the SLI's ability to bring its products to market.

Dependence on Distribution Relationships: The business of SLI is dependent on the performance of its distributors.

Technological Factors: Technology of the complexity developed by SLI and its manufacturers may contain errors which, from time to time, become apparent subsequent to product introduction. To date, the cost to SLI of meeting its warranty obligations has not been significant and is, as far as possible, passed back to the respective manufacturer. However, SLI's product operating experience is limited, and increased warranty claims could have a material adverse effect on SLI's stature and acceptability in its marketplace.

Product Liability: The Corporation believes that it has adequate third party liability and errors and omissions insurance. To date, it has not made any claims with respect to this insurance. However, future product liability claims not covered by such insurance or in excess of the limits of such insurance could have a material adverse effect on the financial condition of the Corporation.

Technological and Product Obsolescence: The medical/surgical laser industry is characterized by rapid and significant technological changes. Current competitors or new market entrants could introduce new or enhanced products with features that render SLI's products obsolete or less marketable. Certain competitors are significantly larger, and thus have substantially greater financial resources. The ability of SLI to compete successfully will depend in large measure on the ability of SLI and its respective exclusive manufacturers to maintain a technically superior research and development staff and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of its products with evolving industry standards.

Protection of Intellectual Property: The Corporation has not applied for patents relating to the products it distributes because, at this time, the relevant technology rights belong to third parties, namely the manufacturers. SLI is preparing certain technological products and improvements that it may, if and when the opportunity arises, become the subject of application for patent or other proprietary right protection. It may be possible for competitors or customers to copy or duplicate certain aspects of the products distributed by SLI or obtain information that SLI and/or its manufacturers regard as proprietary. Furthermore, there can be no assurance that others will not independently develop products similar to those developed or planned by SLI and its manufacturers.

Infringement of Proprietary Rights: Although the Corporation believes that the products it distributes do not infringe on the proprietary rights of others and has not received any notice of claimed infringement, certain of the products it distributes could infringe on existing proprietary rights. If any such infringement does exist, there can be no assurance that any necessary licenses or rights could be obtained on terms satisfactory to Corporation or the respective manufacturer or that necessary modification could be made to the infringing products in a timely or commercially feasible manner.

Strict regulatory environment: SLI's laser devices and fiber delivery systems require regulatory approval for commercial sale. Numerous statutes and regulations govern human testing and the manufacture and sale of medical devices in the United States, Canada and the European Union and other countries where SLI intends to market its product. Such legislation and regulation bears upon, among other things, the approval of protocols, human testing, the approval of manufacturing facilities, testing procedures and controlled research, review and approval of manufacturing, preclinical and clinical data prior to marketing approval, as well as regulation of marketing activities including advertising and labelling.

While SLI has obtained relevant regulatory approvals in the United States for its current range of key laser products, future products and future developments of existing products may require submission for further testing of which the outcome cannot be guaranteed. Any failure to obtain necessary regulatory approval in future would materially adversely affect SLI's business, financial condition and results of operations.

Dependence Upon Key Personnel: The success of the Corporation is largely dependent on the personal efforts of certain key officers and employees. The loss of any of these key individuals could have a material adverse effect on the Corporation's business and prospects. In this respect the Corporation does not currently maintain keyman insurance. All employees, as a condition of employment, have signed confidentiality and non-compete agreements.

Government Assistance: The Corporation may utilize its entitlement for government assistance under applicable plans or programs that are designed to encourage investment in technology. There can be no assurance that such assistance will be made available to the Corporation with respect to any research and development of its technologies. There can be no assurance that the Corporation's research and development efforts will qualify for such assistance. Further, should the Corporation become listed on a major exchange, the rate of tax credits available on qualifying research and development expenditures will decrease by approximately 50%, and such credits will no longer be refundable.

Risk of International Sales: The continued growth of the Corporation's business will depend to a significant extent on sales to customers located outside Canada – principally in the United States of America and the Caribbean. The cost of supporting a widespread customer base could have a materially adverse effect on the Corporation.

Insurance costs could negatively impact profitability: The cost of insurance, including director and officer, worker's compensation, property, product liability and general liability insurance, has risen significantly in recent years and is

expected to continue to increase. These increases, and the Corporation's increased risk due to increased deductibles and reduced coverages, could have a negative impact on results of operations, financial condition and cash flows.

Risk of product liability claims: The use of medical devices for treatment of humans, even after regulatory marketing clearance approval is obtained, can result in product liability claims. Product liability claims can be expensive, difficult to defend and may result in large judgments or settlements. The Corporation currently maintains product liability insurance in connection with the use of its devices but may not, in the future, be able to obtain or maintain adequate protection against potential liabilities arising from such use. If the Corporation is unable to obtain sufficient levels of insurance at acceptable cost or otherwise protect against potential product liability claims, it will be exposed to product liability claims. A successful product liability claim in excess of the Corporation's insurance coverage could harm the Corporation's financial condition, results of operations and ability to continue in business. Even if a claim is not successful, defending such a claim may be time-consuming and expensive.

Risk of use of product in unapproved circumstances: While the Corporation is prohibited by law from marketing or promoting any unapproved use of its products, physicians/clinicians in most jurisdictions, can use these products in ways or circumstances other than those strictly within the scope of the regulatory approval. Although the product training the Corporation will provide to physicians and other health care professionals will be limited to approved uses or for clinical trials, no assurance can be given that claims might not be asserted against the Corporation if its product is used in ways or for procedures that are not approved.

Unexpected product safety or efficacy concerns: Unexpected safety or efficacy concerns can arise with respect to marketed products, whether or not scientifically justified, leading to product recalls, withdrawals or declining sales, as well as product liability, consumer fraud and/or other claims. This could have a material adverse effect on the Corporation's business, financial results and operating results

Future Financing Requirements: The Corporation anticipates that it will require additional financing in the future in order to fund continued product development and marketing. There is no assurance that such financing will be available.

Debt Service Coverage: The Terms of the Credit Facility include financial covenants by the Corporation, including the obligation to maintain Debt Service Coverage, defined as the ratio of EBITDA to the total of Interest Expense and scheduled principal payments in respect of Funded Debt, at the end of each financial year of not less than 1.25:1

Foreign Exchange Rates: Substantially all of the Corporation's sales are denominated in U.S. dollars. General and Administrative costs are incurred principally in Canadian dollars, while costs of product acquisition from exclusive manufacturers in Europe are denominated in Euros. The economics of the Corporation's business may be adversely affected by fluctuations in foreign exchange rates which may adversely affect both sales and gross margins from the sales of its products.

Dilution: Calls for additional capital to develop the Corporation's business in the future may be met by issuance of common shares, leading to dilution of existing shareholder interests.

No Dividends: The Corporation has not paid any dividends with respect to its Common Shares and does not anticipate paying any dividends in the foreseeable future.

In addition to the foregoing risks and uncertainties, there also financial risks which are discussed in detail in Note 16 to the Interim Financial Statements for the period ended September 30, 2021

26. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109, the Corporation's Acting Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be filing annual and quarterly certificates of disclosure concurrent with the filing of its annual and quarterly filings.

The Board of Directors together with an independent and qualified Audit Committee provide direct oversight responsibilities for the review of the quarterly and annual financial statements.

Aquarius Surgical Technologies Inc.
Management Discussion and Analysis
For the three and six months ended September 30, 2021



27. STOCK EXCHANGE LISTING

Since June 21, 2017, the shares have been listed on the Canadian Securities Exchange, trading under the symbol ASTI.

28. SHARE CAPITAL, WARRANTS AND INCENTIVE STOCK OPTIONS

As at September 30, 2021 and at the date of this Report there are 23,079,172 issued and outstanding common shares (September 30, 2020 – 22,941,672).

As at September 30, 2021 and at the date of this Report there are nil issued and outstanding Series “A” special shares (September 30, 2020 – 919,741).

As at September 30, 2021 and at the date of this Report there are 723,450 issued and outstanding Warrants valid to December 26, 2021 (September 30, 2020 – 723,450) and 90,783 issued and outstanding Brokers Warrants valid until December 26, 2021 (September 30, 2020 – 90,783).

As at September 30, 2021 and the date of this Report there are 797,815 issued and outstanding Warrants valid to May 29, 2022 (September 30, 2020 – 797,815) and 108,892 issued and outstanding Brokers Warrants valid until May 29, 2022 (September 30, 2020 – 108,892).

As at September 30, 2021 and the date of this Report there are 10,000 issued and outstanding Warrants valid to June 6, 2022 (September 30, 2020 – 10,000).

As at September 30, 2021 and at the date of this Report there are 1,310,000 issued and outstanding Incentive Stock Options to purchase common shares (September 30, 2020 – 1,460,000).

Please refer to Notes 8 and 9 to the Interim Financial Statements for the period ended September 30, 2021 for additional information on share capital, Warrants and Incentive Stock Options.

Further Information

For further information please refer to the unaudited interim financial statements for the Three and Six Months ended September 30, 2021, the Audited financial statements for the Years ended March 31, 2021 and 2020, and the Management’s Discussion and Analysis of the Results of Operations for the year ended March 31, 2021. Information may also be obtained from documents filed by the Corporation on SEDAR, at www.sedar.com.

DATED: November 22, 2021

CORPORATE PROFILE

Board of Directors

David J. Hennigar, Bedford, Nova Scotia	Director, Chairman
N. Gary Van Nest, Toronto, Ontario	Director, Vice Chairman
Dr. Robert Francis, Toronto, Ontario	Director
Dr. Stanley Swierzewski III, Holyoke, MA, USA	Director

Corporate Officers

N. Gary Van Nest, Toronto, Ontario	Chief Executive Officer
Lorne S. MacFarlane, Dartmouth, Nova Scotia	Chief Financial Officer
Christopher H. Freeman, King City, Ontario	Secretary

Corporate Office

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Corporate Information

Bankers	Royal Bank of Canada, Richmond Hill, Ontario
Lawyers	C. H. Freeman, Barrister & Solicitor, King City, Ontario
Auditors	RSM Canada LLP, Toronto, Ontario
Transfer Agent & Registrar	TSX Trust Company, Toronto, Ontario