Annual Report

January 31, 2020

Ortho Regenerative Technologies Inc.

ORTHO Regenerative Technologies

Management's Discussion and Analysis for the quarter and the year ended January 31, 2020

(In thousands of Canadian dollars, except for units, share and per share amounts)

Management's Responsibility for Financial Reporting

This Management's Discussion and Analysis ("MD&A") for Ortho Regenerative Technologies Inc. (the "Corporation" or "Ortho RTI") provides an overview of the Corporation's operations, performance and financial results for the three and twelve-month periods ended on January 31, 2020 and compares those of the same periods in fiscal year 2019. This MD&A is the responsibility of management and has been reviewed and approved by its Board of Directors. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board of Directors and is comprised of financially literate directors. This report was reviewed by the Corporation's Audit Committee on May 27, 2020, approved by Ortho RTI's Board of Directors on May 28, 2020 and should be read in conjunction with the financial statements for the year ended January 31, 2019. Unless otherwise noted, all amounts are presented in thousands of Canadian dollars, except for share and per share amounts.

The ability of the Corporation to fulfill its obligations and finance its future activities depends on its ability to raise additional capital and the continuous support of its creditors. The Corporation believes its efforts to raise sufficient funds to support its activities will be successful, however, there is no assurance that funds will continue to be raised on acceptable terms. This indicates the existence of a material uncertainty that may cast a significant doubt about the Corporation's ability to continue as a going concern without obtaining additional financial resources. Failure to obtain such additional financing could result in delay or indefinite postponement of the Corporation's strategic initiatives. The financial statements as at and for the year ended January 31, 2020 do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

Forward-looking statements

The information contained in this MD&A may contain some forward-looking statements. Forward-looking information is not limited to information with respect to our future financial and operating performance, future development activities and adequacy of financial resources. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience. Our forward-looking statements are based on the reasonable beliefs, expectations and opinions of management on the date of this management analysis. Although we have attempted to identify important factors that could cause actual results to differ from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information.

GLOSSARY OF ABBREVIATIONS

Calendar & Financial

CDU	Convertible Debenture Units
FY-19	Fiscal Year ended on January 31, 2019
FY-20	Fiscal Year ended on January 31, 2020
FY-21	Current Fiscal Year ending on January 31, 2021
G&A	General and Administrative
ITC	Investment tax credits
Q1-21	First quarter 2021
Q4-20	Fourth quarter 2020
Q3-20	Third quarter 2020
Q2-20	Second quarter 2020
Q1-20	First quarter 2020
Q4-19	Fourth quarter 2019
Q3-19	Third quarter 2019
Q2-19	Second quarter 2019
Q1-19	First quarter 2019
R&D	Research and Development
YTD	Year to date
YE-21	Year-end 2021 – January 31, 2021
YE-20	Year-end 2020 – January 31, 2020
YE-19	Year-end 2019 – January 31, 2019

Corporate & Operations

cGMP	current Good Manufacturing Practice
CMO	Contract Manufacturing Organization
CSE	Canadian Securities Exchange
FDA	US Food and Drug Administration
IDE	Investigational Device Exemption
IND	Investigational New Drug application with the FDA
MCRA	MCRA, LLC, a US based orthopedic specialty CRO
MRI	Magnetic Resonance Imaging
MTA	Material Transfer Agreement
Ortho RTI	Ortho Regenerative Technologies Inc.
Ortho-C	Proprietary biopolymer for Articular Cartilage repair
Ortho-M	Proprietary biopolymer for Proprietary Biopolymer for Meniscus repair
Ortho-R	Proprietary biopolymer for Rotator cuff repair
Ortho-V	Proprietary biopolymer for Osteoarthritis healing
Polytechnique	Ecole Polytechnique de Montreal
PRP	Platelet-rich plasma
Pre-RFD	Pre-Request for Designation

Overview of the Business

Ortho RTI has been incorporated under the Canada Business Corporations Act. The Corporation's head office, principal address and registered office is located at 16667 Hymus Blvd., Kirkland, Quebec, Canada. The Corporation's shares are publicly traded on the CSE under the symbol "*ORTH*." The Corporation has 24,752,424 common shares that are issued and fully paid as at January 31, 2020 of which 3,452,685 shares are held in escrow; half of which were released on 10 April, 2020 and the balance expected to be released on October 10, 2020.

The Corporation is an emerging Orthopaedic and Sports Medicine biologics company dedicated to the development of novel therapeutic soft tissue repair technologies to dramatically improve the success rate of orthopaedic and sports medicine surgeries. The Corporation's proprietary biopolymer has been specifically designed to increase the healing rates of occupational and sports related injuries to tendons, ligaments, meniscus, and cartilage. The biopolymer – autologous PRP combination implant, can be directly placed into the site of injuries by surgeons during routine operative procedures without significantly extending the duration of surgeries and without further interventions. The Corporation's technology was developed at Polytechnique, and senior researchers at Polytechnique are still actively involved in the day-to-day development of Ortho RTI's pipeline.

Development Pipeline

Ortho RTI's pipeline includes four active R&D projects:

Development Stage

Program	Indication	Details
Ortho-R	Rotator Cuff	Ortho-R is Ortho RTI's lead program. Ortho-R is a biopolymer-PRP bioactive implant, specifically designed to guide and accelerate the repair of various musculoskeletal conditions. We are aiming to assess the clinical efficacy of Ortho-R, initially for Rotator Cuff repair. Ortho-R can also be used to accelerate the healing of other soft tissues such as ligaments and meniscus (see Ortho-M).
Ortho-M	Meniscus	Testing the efficacy of our biopolymer-PRP bioactive implant for meniscus repair

Feasibility Stage

Product	Indication	Details
Ortho-C	Cartilage repair	Feasibility research on a freeze-dried matrix with ultra-high porosity designed to augment bone marrow stimulation procedures for articular cartilage repair, including microfracture and drilling.
Ortho-V	Osteoarthritis	Feasibility research on a freeze-dried biopolymer formulation combined with autologous biologics, tailored for intra-articular injections to provide visco-supplementation of articular joints and potentially gain disease modification outcomes in applications such as Osteoarthritis.

Considering the significant bioactivity and residency of our proprietary biopolymer – PRP implants, Ortho RTI continues to assess its potential for therapeutic uses outside of the soft tissue repair market.

Ortho-R for Rotator Cuff repair

Ortho-R is a freeze-dried formulation that contains a biopolymer, a lyoprotectant and a clot activator. This freeze-dried formulation can be solubilized in platelet-rich plasma ("PRP") to form injectable bioactive implants that coagulate after implantation. Extensive in vitro testing has allowed the Corporation to identify specific formulations that meet the criteria for optimal commercial products:

- (i) rapid and complete solubilization in PRP;
- (ii) biopolymer-PRP mixtures having paste-like handling properties desired by surgeons;
- (iii) biopolymer-PRP mixtures that coagulate rapidly to form solid biopolymer-PRP hybrid implants;
- (iv) biopolymer-PRP implants that are mechanically stable and resist platelet-mediated clot retraction; and
- (v) dispersion of the biopolymer in the implants that is homogenous for optimal biodegradability.

The use of Ortho-R in conjunction with standard of care suturing techniques produced promising histological findings in small and large animal models, which is expected to translate into superior rotator cuff repair for humans. No adverse events were found in any of the above-mentioned animal studies, which suggests a high level of safety. Progress made during the recent quarters have set the stage for achievements of major corporate/regulatory/strategic milestones over the current and upcoming calendar years. Having completed the in-life portion of our pivotal animal study at the end of Q2-20, the preclinical study samples preparation and process were completed during the quarter. The pivotal study analysis is currently being processed with final results and report expected in June 2020. During the quarter, the Corporation has continued working on completing the product stability testing, and cGMP manufacturing processes, FDA regulatory documentation requirements and as well as advancing the planned US clinical trial submission in H1-2020 (calendar year).

The following tables presents a summary of the past and projected milestones based on calendar quarters/years for the 2019-2021 period:

Past and Projected Milestones Year 2019-2021	Calendar	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	2021	2022
		Calendar Quarters/Years									
Corporate / Strategic											
MTA collaboration	Initial Phase			➔							
	interim report				☑						
MTA collaboration - Step 2	On-Hold (Covid-19)										
Ortho-R Clinical Trial - Rotator Cuff repair											
CMC Manufacturing - Clinical Batch				➔				■			
6-month pivotal animal trial	in-life portion	➔		☑							
	results						■				
Pre-IND Meeting - FDA		☑									
US IND/IDE	Preperation			➔	☑						
	Filing Pre-RFD					➔					
	IND/IDE filing						■				
	approval							■			
US Human Clinical	CRO Selection			☑							
	trial START							➔			
	enrolment initiated								■		
	enrolment completed									■	
	interim results									■	
	Completion										■

➔ Initiation
■ Target
☑ Completed

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

Fiscal year 2020, and other highlights subsequent to year-end:

Ortho-R Program

- In February 2019, we held a successful pre-IND meeting with the FDA. The pre-IND meeting helped formalize the requirements for the planned filing of our US-IND application to initiate a Phase I/II clinical trial for assessing the clinical safety and efficacy of our Biopolymer-PRP bioactive implant (Ortho-R) in Rotator Cuff Tear repair. Since then we have focused our efforts on addressing the regulatory requirements and preparing and assembling documentation for both IND and IDE application options. MCRA, our US regulatory CRO have recommended to explore the possibility of obtaining a device combination designation as Ortho-R primary mode of action is physical. We have therefore submitted in March 2020 a Pre-Request for Designation to the FDA and are awaiting a response in the second quarter of 2021.

- In August 2019 we completed the in-life portion of the 6-month preclinical pivotal study.

- In September 2019, we selected MCRA, LLC as our US based orthopedic specialty CRO, to conduct our upcoming rotator cuff tear repair Ortho-R clinical trial. We plan to prospectively enroll 70 patients, randomized between a standard of care control versus standard of care plus Ortho-R treatment across multiple sites in the US. MCRA is a leading advisory firm and CRO focused on the neuro-musculoskeletal industry. MCRA has key relationships with hundreds of US surgical sites and has provided assistance to more than 600 companies including the top 10 largest US Orthopaedic companies. MCRA will be integrating regulatory and reimbursement expertise in conjunction with its CRO services into the Ortho-R clinical program.

- On March 12, 2020, Ortho RTI announced positive results following completion of its MRI segment analysis of its pivotal preclinical study in Rotator Cuff Tear repair. The results confirmed the safety profile of ORTHO-R treatment as well as statistical significance over standard-of-care control. The results demonstrated a statistically significant decreased in MRI tendon gap measurement, which is indicative of faster restauration of tissue structure. The MRI also showed a higher signal intensity ratio at the humeral head at 6 months with standard of care control, compared to ORTHO-R treatment. Higher SI ratio is indicative of less trabecula (bone structural tissue), more fluid, or combination thereof. Severe heterotopic ossification (HO) was less frequent with ORTHO-R treatment as scored by MRI. HO is a condition of abnormal formation of bone in tissue. The formation of HO around the shoulder is a rare but potentially debilitating condition (Hallock 2019). These successful MRI analysis results clearly demonstrated the superiority of the Ortho-R treatment over standard of care control, in our "state-of-the-art" pivotal large animal study.

Other corporate and financial highlights:

- In August 2019, we announced the signing of a collaborative MTA with a leading global Orthopaedic Company (the “Partner”). The initial phase of the MTA was conducted during the remainder of calendar year 2019. During this initial phase, a formulation of the Partner’s commercial product was evaluated for its properties when used in conjunction with Ortho’s Ortho-R product. Ortho RTI’s proprietary biopolymer matrix acts as a biodegradable scaffold with great residency properties that can be used to retain any type of bioactive material, prolong their therapeutic effect and ultimately may significantly improve benefits to patients. The agreement fits the Corporation’s strategy of working with other companies to assess whether Ortho RTI’s proprietary biopolymer platform could be used in conjunction with other companies’ products for uses outside of our core focus. It also serves as a third-party validation of the Corporation’s platform and dramatically increases commercial market opportunities. The initial phase was successfully completed in December 2019 with Ortho-R successfully demonstrating the capacity of our chitosan biopolymer platform to meet various tests objectives. Unfortunately, the COVID-19 pandemic situation has significantly impacted the partner’s elective surgery business and they have therefore made the decision to abandon the second phase of work under the MTA.
- In August 2019, the Corporation signed a new short-term loan agreement to finance its FY-20 ITCs in an amount of $342. The loan is secured by a first-rank moveable hypothec on all assets and bears interest at a fixed rate of 1.5% per month.
- Between October 8th, 2019, and April 22, 2020 the Corporation closed three (3) non-brokered private placements (“Private Placements”) totaling $3,204 including a $894 from conversion of loans from Manitex Capital Inc. Excluding the Manitex conversion, the total funds secured from insiders totaled $1,213 or 38% of all subscriptions, representing a significant endorsement of the Corporation’s development programs and other fast-developing corporate initiatives.

  As part of the Private Placements, Ortho RTI issued unsecured convertible debenture units (the “Units”) at a purchase price of $1 (one thousand) per Unit. Each Unit consisted of one 10% unsecured convertible debenture for a principal amount of $1 (one thousand) (each, a “Debenture”) convertible at a $0.30 price per Class “A” share (“Common Share”) and 2,000 Common Share purchase warrants (each, a “Warrant”), with an exercise price of $0.50 (“Exercise Price”), representing a 60% warrant coverage. In the event that the average VWAP over any twenty (20) consecutive trading days is greater or equal to $1.00, the Corporation may give notice to the warrant holder that it must exercise its remaining warrants within a period of 30 days from the date of receipt of the notice, failing which the warrants will automatically expire. Both the Debentures and the Warrants have a 24-month maturity date after each private placement closing.

  - On October 8, 2019, Ortho RTI closed an initial $1.6 million Private Placement of Units consisting of $750 of new subscriptions and $894 from conversion of loans from Manitex Capital Inc. The Company issued 1,644 Units for gross proceeds of $1,644. Both the Debentures and the Warrants issued as part of this first closing have a maturity date of October 8, 2021. Concurrent to the Private Placement, the Corporation amended the terms of a note payable of $150 (the “Note”), and a convertible loan of $744 (the “Convertible Loan”), both owed to Manitex Capital. Such amendment allowed both the Note and Convertible Loan to be converted to any kind of securities. Following such amendment, both the Note and the Convertible Loan plus accrued interest totalling $894 were converted into the first closing of the Private Placement.
  - On December 30, 2019, Ortho RTI closed a second Private Placement and issued 500 Units for gross proceeds of $500. Both the Debentures and the Warrants issued as part of this second closing have a maturity date of December 30, 2021.
  - On April 22, 2020, Ortho RTI closed a third Private Placement and issued 1,060 Units for gross proceeds of $1,060. Both the Debentures and the Warrants issued as part of this third closing have a maturity date of April 21, 2022.

Selected Fiscal Year Financial Data

The following table sets forth financial information for the Corporation for the periods indicated and should be read in conjunction with the audited financial statements for the year ended January 31, 2020.

	Q4-20	Q4-19	*Change*		2020	2019	*Change*	
	$	$	*$*	*%*	**$**	$	*$*	*%*
Expenses (income)								
R&D (Gross)	**187**	589	*(402)*	*(68%)*	**1,263**	1,342	*(79)*	*(6%)*
less ITCs	(46)	(171)	*(125)*	*(73%)*	(200)	(260)	*(60)*	*(23%)*
% recovered	*24%*	*29%*	*(5%)*		*16%*	*19%*	*(3%)*	
R&D (Net)	**141**	418	*277*	*66%*	**1,063**	1,082	*(19)*	*(2%)*
G&A	**136**	248	*(112)*	*(45%)*	**955**	1,089	*(134)*	*(12%)*
Share-based compensation	**74**	36	*38*	*106%*	**165**	134	*31*	*23%*
Financial	**126**	(17)	*142*	*835%*	**305**	94	*211*	*224%*
Total Expenses Net of ITCs and financial income	**477**	685	*(208)*	*(30%)*	**2,488**	2,399	*89*	*4%*
Net Loss and comprehensive loss	**(477)**	(685)	*208*	*30%*	**(2,488)**	(2,399)	*(89)*	*(4%)*
Loss per share (Basic and diluted)	**(0.02)**	(0.03)	*0.01*	*30%*	**(0.10)**	(0.10)	*(0.00)*	*(4%)*

	Q4-20 vs Q4-19	FY-2020 vs FY-2019
Revenues	• Since Ortho RTI is a clinical stage company, there was no revenue generated during each of FY-19 and FY-20.	
R&D expenses (Gross)	• Gross R&D expenses include, development costs related to work performed under a Collaborative R&D contract with Polytechnique as well as specific manufacturing activities, regulatory, pre-clinical and clinical work to advance our pipeline. R&D expenses and both internal and external expenses related to the development of our product pipeline. For most contracts, expenses are accounted for when contractual obligations are met. Gross R&D expenses are presented prior to considering R&D tax credits (ITCs) recovered from the provincial government for Scientific Research and Experimental Development (SR&ED) programs.	
	• The 68% decrease is due to a large expense incurred in Q4-19 for the start of our preclinical trial on Ortho-R which has not been matched by any major non-recurrent cost in Q4-20. The reduction also includes savings made following the termination in Q2-20 of a senior R&D staff member involved in project management. They have been replaced by the new CEO who possesses the required skills to assume project management duties.	• R&D expenses remained stable from FY-19 to FY-20. We continued to incur the costs related to the Collaborative R&D contract with Polytechnique and continued progressing our Ortho-R program towards our first US clinical trial set to start during the 2020 calendar year. We realized some savings from the termination of a senior R&D staff member mid-way through the year – see Q4-20 vs Q4-19 comments.
ITCs	• ITCs represent R&D tax credits recovered from the provincial government for Scientific Research and Experimental Development ("SR&ED") programs. Claims can be made for eligible R&D expenses and the recovery rates vary depending on the nature of the expense.	
	• The ITCs claimed for Q4-20 were $45 as compared to $171 for Q4-19 representing a 74% reduction. The reduction is driven by a decrease in R&D spend compared to Q4-19.	• The total ITCs claimed for FY-20 was largely in line with last year with a 16% recovery as compared to 19%.
R&D expenses (Net)	• Net R&D expenses was 66% lower for the quarter after considering the ITCs to be recovered. The reduction comes from lower R&D spending related to the Ortho-R program – see Gross R&D comments.	• Net R&D expenses remained stable from FY-19 to FY-20.
G&A expenses	• G&A expenses include consulting fees paid to non-R&D staff, conferences and travel expenses, professional fees, and investors relation activities. G&A expenses also include office lease costs, presented as amongst depreciation	

<table>
<tr><td></td><td colspan="2">for the right-of-use asset and interest accretion on the related lease liability starting in FY-20. (see IFRS 16 – Leases).</td></tr>
<tr><td></td><td>• G&A expenses decreased significantly between Q4-19 and Q4-20 following changes in senior management and continued control over expenses. Moreover, there was a $51 reduction in audit fees following the reversal of the provision for the FY-20 audit, which will be expensed in the first half of FY-21 upon execution of the year-end 2020 audit work. Going forward, we will not be providing for year-end audit fees prior to commencement of the audit.</td><td>• During FY-20, the Corporation continued to benefit from significant savings on staff costs following the change of CEO and CFO which took place in Q2-20, and Q3-19, respectively. The new CEO is also assuming the scientific leadership and project management duties for all ongoing projects in addition to their other CEO responsibilities. For the FY-20 period, the savings on staff/consulting fees were offset by a non-recurrent $120 severance granted to the previous CEO on his departure. The staff changes and internalization of certain activities will provide material savings going forward without impacting our ability to achieve our projected corporate and R&D milestones. The 12% decrease in G&A expenses also includes the reversal of provisions for audit fees now expensed in the period when they are incurred.</td></tr>
<tr><td>Share-based compensation</td><td colspan="2">• Represents the expense related to issuing options to staff, board members and consultants.</td></tr>
<tr><td>Financial expenses</td><td colspan="2">• Financial charges increased significantly in FY-20 as compared to FY-19 as the Corporation financed its operation via the issuance of interest-bearing instruments such as CDUs and ITC loans as opposed to equity. The FY-20 financial expenses totaled $305 compared to $94 in FY-19 representing a $211 increase. The increase includes $107 interest on the new CDUs issued on October 8, 2019 and December 30, 2019, and $116 interest and amortization of financial fees for ITC loans compared to $34 in FY-19. The financial expenses also included $34 of other interest expenses, partially offset by a $55 gain realized on revaluation of the derivative liability related to the convertible loan from Manitex. This loan was subsequently converted into the CDU financing on October 8, 2019.</td></tr>
<tr><td>Total Expenses</td><td colspan="2">• Total expenses net of ITCs for FY-20 were $2,488 compared to $2,399 for FY-19 representing a 4% increase. However, excluding financial expenses, other expenses (net of ITC's) were $2,183 in FY-20 compared to $2,305 in FY-19 representing a 5% decrease. The overall expenses have been impacted by the financing strategy adopted by the Corporation which represented a $211 negative impact on our overall results for FY-20 compared to FY-19. However, most of the financial expenses are non-cash thus not impacting the cash requirements to fund our operations.</td></tr>
<tr><td>Net loss for the period</td><td colspan="2">• As indicated above, the loss for the year increased slightly due to the financing strategy adopted to attract capital during the year. Our lead program Ortho-R is entering human clinical trial phase in FY-21, which should facilitate equity-based financings as opposed to issuance of CDUs.</td></tr>
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Balance Sheet Highlights

The following table sets forth the financial information related to the Corporation's statements of financial position for the periods indicated and should be read in conjunction with the audited financial statements for FY-20.

As at,	31-Jan-20	31-Jan-19	Change	Change
	$	$	$	%
Cash	**302**	524	(222)	(42%)
ITC	**361**	378	(17)	(4%)
Current assets	**741**	998	(257)	(26%)
Intangible assets	**396**	428	(32)	(7%)
Non-current assets	**546**	606	(60)	(10%)
Total assets	**1,287**	1,605	(317)	(20%)
Liabilities – current	**1,637**	1,339	299	22%
Note payable & convertible loan (Manitex Capital Inc.)	**-**	791	(791)	(100%)
CDUs (Convertible Debenture Units)	**1,726**	0	1,726	100%
Liabilities - non-current	**2,049**	854	1,195	140%
Total liabilities	**3,686**	2,193	1,494	68%
Common shares	**5,418**	5,430	(12)	0%
Warrants	**732**	665	67	10%
Equity Component of CDU	**385**	-	385	100%
Contributed surplus	**955**	717	237	33%
Deficit	**9,889**	7,401	2,488	34%

Selected items	YE-20 vs YE-19
Cash	• Cash at the end of FY-20 was $302 as compared to $524 at the start of the year. During the year the financial resources of the company have been used mainly to fund R&D activities. Despite limited resources, Ortho RTI has been able to meet all its R&D timelines in FY-20. The Corporation continues to progress towards the initiation of its first human trial on its lead program Ortho-R for rotator cuff tear repair planned in FY-21 by successfully securing the required capital to fund its operations.
Current assets	• The 26% decrease relates to the decrease in cash resources, with other short-term assets remaining stable.
ITCs	• Total current ITCs have remained relatively stable between the two periods showing a nominal 4% decrease.
Intangible Asset	• Intangible assets reflect the net book value of our patents and biopolymer technology acquired from Polyvalor. The reduction between FY-19 and FY-20 results from the amortization of these assets. Ortho RTI is the owner of 4 patent families. Our patent portfolio includes the following: o Patent Family No.1: Clot-activated polymer composition for repairing the tissue of the subject, where the polymer composition adheres to the tissue and promotes cell proliferation, comprising platelet-rich plasma (PRP), a biopolymer, a salt and a clot activator. o Patent Family No.2: Novel formulation of physiological biopolymer-inorganic salt solution/blood mixtures for tissue repair. *This patent family was abandoned on November 9, 2019*. The company's Freeze-Dried platform patents (family 3-4, covers all applications found in the Patent Family No.2 plus many other claims, such as faster coagulation onset time, easier use for the clinicians and a much longer commercially viable shelf life. o Patent Family No.3: Freeze-dried polymer compositions for mixing with platelet rich plasma to form implants for tissue repair or compositions for therapeutic intra-articular injection. o Patent Family No.4: Freeze-dried biopolymer scaffolds that form a hydrated microparticle dispersion after contact with blood or blood-derived fluids and stimulate anabolic wound repair processes, including angiogenesis, cell chemotaxis, tissue remodeling, and extracellular matrix.
Current liabilities	• Current liabilities as at YE-20 have increased by 22% or $299 compared to YE-19. The variance includes a $232 increase in ITC loans and a $46 (5%) increase in trade payables. ITC loans have been secured to fund FY-20 and prior years ITCs, and are reimbursed on collection of ITC's from the government. Trade payables are mainly composed of R&D suppliers involved in the Ortho-R projects and G&A suppliers.
Convertible debentures units (CDU)	• During the year, the Corporation issued $2,144 worth of CDUs to fund its operation including a $1,644 closing on October 8, 2019, and a $500 closing on December 30, 2019. The $791 loan and note due to Manitex Capital Inc. at the end of FY-19 were converted (with accrued interest) into the first CDU closing on October 8, 2019 resulting in a positive variance compared to FY-19. At YE-20, the 2 CDU financings plus accreted interest resulted in a $1,726 amount being presented as convertible debenture units, $385 representing the equity associated with the

	conversion feature on the debenture and $140 of warrants issued as part of the CDUs. Both the conversion feature and the warrants form part of equity. Finally, the total liabilities include a $302 long-term loan representing a $300 advance (plus $2 accrued interest) for the CDU financing closed on April 22, 2020 (See "Subsequent Events - Note a")
Warrants	• $67 increase relates to the issuance of warrants as part of the CDU financings, offset by a fair value adjustment to related to extended warrants.
Contributed Surplus	• $237 increase relates mainly to the stock-based compensation charged during the year.
Deficit	• Increase reflects the performance of the Corporation during the year – See Statement of Loss

Summary of Quarterly Results

The following table sets out the Corporation's selected unaudited quarterly financial information for the eight quarters ended January 31, 2020. This information is derived from unaudited quarterly financial statements prepared by management in accordance with IFRS. The following quarterly information is presented on the same basis as the audited financial statements and should be read in conjunction with those statements and their accompanying notes.

	Q4-20	**Q3-20**	Q2-20	Q1-20	**Q4-19**	Q3-19	Q2-19	Q1-19
R&D expenses (Net of ITCs)	**141**	**347**	245	331	**418**	403	112	148
G&A expenses	**136**	**254**	360	205	**248**	296	309	236
Share-based compensation	**74**	**37**	44	10	**36**	50	26	23
Financial expenses (income)	**126**	**49**	63	67	**(17)**	29	38	44
Net loss for the quarter	**477**	**687**	712	613	**685**	778	485	451
Loss per share (Basic and diluted)	**0.02**	0.03	0.03	0.02	**0.04**	0.03	0.02	0.02

Notes	**Valuable information**
R&D expenses (Net of ITCs)	• Net R&D expenses represent gross R&D expenses less ITC provisions related to these costs and to be claimed after year-end. R&D expenses net of ITC provisions have fluctuated from quarter to quarter depending on the timing of work performed by our partners and suppliers as well as internal R&D spending. Fees for maintenance and filing of patents have been consistent over the comparable periods. • Net R&D expenses in Q4-20 have been lower than prior quarters due to the nature of the work performed. The reduction in R&D spending does not directly translate into reduced R&D progress. Manufacturing development has been completed over prior quarters as well as specific animal study milestones.
G&A expenses	• G&A expenses consist primarily of salaries or consulting fees for non-scientific management and staff, professional fees for audit and tax related matters, in-house counsel, insurance, and fees paid to investor relations firms. • G&A expenses have fluctuated from quarter to quarter but have showed a marked reduction in Q4-20 as compared to the previous quarters. Over the reported periods, Ortho RTI made significant changes to its senior management team, which resulted in the termination of the then acting CFO and the nomination of a new Senior Vice President and CFO in Q3-19, as well as termination and replacement of the CEO in Q2-20. The net effects of these changes included severance payments to the prior CFO, and CEO but more importantly resulted in a substantial reduction of salaries/fees paid for the CFO role starting in Q4-19 and same for the CEO position starting Q4-20. In addition to the reduction of the G&A expenses, the replacement of the CEO has led to material decrease in R&D salaries as the new CEO is also assuming duties previously handled by a senior R&D staff member terminated in Q2-20. The full benefit of these staff changes represent in excess of 50% in annual recurrent savings for salaries and consulting fees for the position mentioned above, and will positively impact the Corporation's financial results over the quarters ahead as Ortho RTI is now allocating a greater % of its financial resources towards R&D activities. Other expenses, such as rent, insurance, and office expenses, have been relatively stable and had no significant impact on the overall spending.
Share-Based Compensation	• Share-based compensation are costs for the issuance of options to senior management, staff, board of directors, scientific advisory board and consultants working for the Corporation. • Share-based compensation has fluctuated as a results of staff changes, and due to the timing of expense recognition associated with the vesting of the options issued.
Financial expenses	• Financial expenses are costs associated with the ITC loans, term loan, notes payable and CDUs.

	• Financial expenses have fluctuated over the reported periods, based on addition and repayment of ITC loans, reduction/conversion of the Manitex note and loan. The net income of $17 for Q4-19 was from the settlement/conversion of a loan from Manitex. The significant increase in financial expense in Q4-20 results from the issuance of $1,644 worth of convertible debenture units during the last portion of Q3-20 and $500 in Q4-20, as well as incremental ITC loans secured during Q3-20.
Net loss	• Net loss in Q4-20 is in line with previous quarters. Excluding financial expenses, which reflect the financing strategy adopted by the company to attract the required capital to fund its operations, Q4-20 is significantly lower than Q3-20 and lower than all 7 preceding quarters. Excluding financial expenses, the net loss in Q4-20 was $352 as compared to $638 in Q3-20 representing a 50% reduction. Going forward Ortho RTI's net loss should be directly related to the level of R&D spending made to advance the Corporation's lead program Ortho-R.

Cash Flows, Liquidity and Capital Resources

Sources and Uses of Cash	**Q4-20**	**Q4-19**	***Change***		**2020**	**2019**	***Change***	
			$	*%*			*$*	*%*
Operating activities:								
Net loss from operations	**(477)**	(685)	208	30%	**(2,488)**	(2,399)	(89)	(4%)
Other Items not affecting cash	**529**	(13)	542	4169%	**816**	273	543	199%
Changes in non-cash working capital	**(294)**	506	(800)	(158%)	**81**	740	(659)	(89%)
Cash used in operations	**(242)**	(192)	(50)	(26%)	**(1,591)**	(1,386)	(205)	(15%)
Investing activities:								
Cash used by investing activities	-	(21)	21	100%	-	(75)	75	100%
Financing activities:								
Cash provided by financing activities	**546**	379	167	44%	**1,369**	1,534	(165)	(11%)
Increase (Decrease) in cash	**304**	166	138	83%	**(222)**	74	(296)	(400%)
Cash (overdraft), beginning of period	**(2)**	358	(360)	(101%)	**524**	450	74	16%
Cash, end of period	**302**	524	(222)	(42%)	**302**	524	(222)	(42%)

	Q4-20 vs Q4-19	**FY-20 vs FY-19**
Cash used in operations	• Cash used in operations represents the cash flows from operations, excluding income and expenses not affecting cash plus changes in non-cash working capital items.	
	• Cash used in operations was limited to $242 for Q4-20 despite the $477 loss for the quarter and a reduction of accounts payable following the CDU financing closed late in Q3-20. The $242 cash used was favorably impacted by $529 of items not affecting cash which included $262 of consulting fees paid by issuing CDUs, and $196 of financial charges accrued on loans and CDUs, $75 for share-based compensation, and $32 of depreciation and amortization.	• Cash used in operations for FY-20 was $1,573 compared to $1,386 for FY-19, representing a 14% increase. The negative impact of the loss from operation of $2,488 was partly offset by $834 worth of items not affecting cash including $262 consulting fees paid by issuing CDUs, $357 of financial charges accrued on loans and CDUs, $165 for share-based compensation, $118 of depreciation and amortization, and other items.
Cash used in investing activities	• There was no cash used for investing activities during Q4-20 and the FY-20 as the Corporation continued to leverage its agreement with Polytechnique with access to their laboratories.	
Cash provided by financing activities	• Financing activities contributed $546 during Q4-20 as compared to $379 in Q4-19. The Corporation collected $296 from the CDU financing closed on December 30, 2020 and secured a $300 term loan to be converted into the CDU financing which closed subsequent to YE-20.	• During FY-20, financing activities provided cash of $1,351 compared to $1,534 in FY-19. In FY-20, a total of $968 was raised by issuing CDUs on October 8, 2020 and December 30, 2020, $300 from a term loan to be converted into the CDU financing closed subsequent to year-end, and $137 from ITC loans net of reimbursements.

At the end of FY-20, the Corporation had cash resources of $302 compared to $524 at the end of FY-19. During Q4-20, the Corporation was successful in improving its working capital situation. The working capital as at the end of Q4-20 was negative $896 as compared to a negative working capital of $1,519 at the end of Q3-20 representing a 41% improvement of the working capital shortfall. This was made possible by the CDU offerings which took place in the later part of the year and tight control on expenses.

As at,	**YE-20**	YE-19	*Change*	
	$	$	*$*	*%*
Cash	**302**	524	(222)	(42%)
Working Capital (i)	**(896)**	(341)	(555)	(163%)
Total assets	**1,287**	1,604	(317)	(20%)

(i) Working capital is a measure of current assets less current liabilities

Despite the limited liquidities, Ortho RTI continued to make significant progress towards the start of its first human trial on Ortho-R for rotator cuff repair. The Corporation is still on track to meet this important corporate milestone in FY-21 and has been able to secure additional capital after the end of the year to meet its financial obligations. (See "Subsequent events – note a").

Future financing

As at January 31, 2020, Ortho RTI had 7,306,100 warrants outstanding including 3,012,500 exercisable at $0.70 and 4,293,600 exercisable at $0.50. These warrants are currently out-of-the-money as that their exercise price exceeds the stock price for the underlying common shares of Ortho RTI. In the event that the average VWAP over any twenty (20) consecutive trading days is greater or equal to $1.00, the Corporation may give notice to the warrant holder that it must exercise its remaining warrants within a period of 30 days from the date of receipt of the notice, failing which the warrants will automatically expire .

The extent to which these warrants are exercised will be a function of the market price of the Corporation's underlying common shares and investors' view of the opportunity for shareholder value creation over the investment time for each individual investor. If the acceleration clause is exercised, the maximum inflow of cash to the Corporation would be approximately $4,256. During the year, and considering the exercise price of the warrants outstanding, the Corporation has extended the majority of the warrants expiring in 2019 as well as warrants expiring up to April 2020 for one additional year.

The Corporation's use of available funds over the coming year is of utmost concern to the Board. Since the extent and timing of warrant exercise as a source of financing are uncertain, management continues to look for alternative sources of financing to secure the required capital necessary to fund its operations and development projects. Management's focus is on securing equity-based financings from Canadian and US based institutional and/or accredited investors. The Corporation is also actively promoting its technologies to strategic partners.

Going Concern

This MD&A has been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging liabilities in the normal course of business for the foreseeable future. As reflected in the annual audited financial statements, the Corporation is still a clinical stage R&D company and has not yet achieved profitability. During the year ended January 31, 2020, the Corporation incurred a net loss of $2,488, used cash in operations of $1,591 and had a working capital deficiency of $896 at year-end. This raises significant doubt about the Company's ability to continue as a going concern.

Accordingly, the ability of the Corporation to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing and ultimately on generating future profitable operations. Subsequent to year end, management was successful in raising additional capital to mitigate the working capital deficiency (see Subsequent Events). Management anticipates that the continued advancement of its lead Ortho-R program will facilitate securing additional funds from existing and new investors. There is no assurance that any fund-raising initiatives will be successful. Factors within and outside the Corporation's control could have a significant bearing on its ability to obtain additional financing. The annual consolidated financial statements as at and for the year ended January 31, 2020 do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern.

Discussion of operating cash requirements

All programs in the Corporation's current portfolio will require a significant investment to increase their market value (through, for example, clinical trials) or to attract a strategic partner. We estimate that $35 million will be required to bring our rotator cuff, meniscus, and cartilage programs to market. There are several areas where duplication between programs can provide savings such as the manufacture of the chitosan material, which is common across our product platform. We therefore do not need to replicate manufacturing capabilities, or the associated costs, for each of the projects.

Ortho-R for the repair of rotator cuff tears is a clinical development stage program and represents our lead product for commercialization. We currently estimate that an additional investment of at least $5 million will be required to provide proof of concept in human and another $10 million to bring the same program to commercialization.

Ortho-M (meniscus) is the Corporation's second candidate and is also in a development phase. Proof of efficacy in a large animal preclinical model is expected to take place in the coming fiscal year. Ortho-M's development pathway and plan will be similar to Ortho-R and will benefit from all cGMP activities performed on scaling-up Ortho-R. Consequently, management estimates that $1.5 million will be required prior to submitting an IDE application for testing Ortho-M in human for meniscus tear repair.

Ortho-C and Ortho-V are currently at earlier stage of development and management does not intent to commit any sums to the advancement of these projects until its successfully advances Ortho-R and Ortho-M in human clinical testing.

In order to successfully advance its current R&D programs, Ortho RTI entered, on September 1, 2018, into a $887 Collaborative R&D Agreement with Polytechnique to ensure access to Polytechnique's staff, expertise and laboratories up until September 2021.

Off-Balance Sheet Arrangements

The Corporation has one off-balance sheet arrangement see ("Commitments") below.

Transactions with Related Parties

The following table presents the related party transactions presented in the statement of loss for the year ended:

	January 31, 2020 **$**	January 31, 2019 $
Transactions with key management and members of the Board of Directors:		
Salaries and employee benefits expense	**-**	148
Share-based compensation to employees and directors	**137**	84
Termination benefits paid to a former CEO	**120**	-
Consulting fees paid to a director, CEO and CFO	**270**	293
Interest charged by Manitex, a shareholder of the Corporation:	**161**	119
R&D costs paid to École Polytechnique, a partner of Polyvalor	**294**	318

The following table presents the related party transactions presented in the statement of financial position as at:

	January 31, 2020 **$**	January 31, 2019 $
Accounts payable and accrued liabilities due to a director, CEO and CFO (Note 1)	**100**	-
Accounts payable due to École Polytechnique, a partner of Polyvalor	**74**	150
Convertible debenture due to a director, CEO and CFO	**516**	-
Convertible debenture due to Manitex, a shareholder of the Corporation	**783**	-

Note 1: this amount includes $75 due to the prior acting CEO.

All other related parties' transactions are disclosed in the respective notes in these financial statements.

Financial Risk Factors

The Corporation's activities expose it to financial risks: market risk, more specifically cash flow and fair value interest rate risk, and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation does not use derivative financial instruments to hedge these risks.

(a) Credit risk

Credit risk arises from cash deposited with a financial institution. The Corporation reduces this risk by dealing with creditworthy financial institutions.

(b) Market risk

(i) Cash flow and fair value interest rate risk

The Corporation is exposed to fair value interest rate risk due to its note payable, short-term debt and convertible loan negotiated at a fixed rate.

(ii) Currency risk

The Corporation has cash and accounts payable and accrued liabilities denominated in U.S. dollars and other currencies. The Corporation does not hold financial derivatives to manage fluctuation in these currencies.

The following presents the accounts that are exposed to foreign exchange volatility as at January 31, 2020:

	Foreign Currency $	CDN equivalent $
Cash – USD	0.4	0.6
Accounts payable and accrued liabilities – USD	(56.0)	(74.1)
Accounts payable and accrued liabilities – GBP	(6.4)	(9.4)
Accounts payable and accrued liabilities – JPY	(161.1)	(2.0)

For the comparative period, these amounts were not material. If the foreign exchange rate had been 5% higher or lower, all other variables held constant, the impact of the foreign exchange gain or loss would not have been material.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities:

As at January 31, 2020		***Carrying value*** $	***Contractual cash flows*** $	***Less than 60 days*** $	***60 days to 12 months*** $	***More than 12 months*** $
Accounts payable and accrued liabilities		**1,021**	1,021	210	811	-
Investment tax credit loan	(i)	**596**	723	-	723	-
Long term loans	(i)	**302**	302	-	-	302
Convertible debenture	(i)	**1,726**	2,573	-	-	2,573
		3,645	4,619	210	1,534	2,875

(i) Includes interest payment to be made at the contractual rate

As at January 31, 2019		***Carrying value*** $	***Contractual cash flows*** $	***Less than 60 days*** $	***60 days to 12 months*** $	***More than 12 months*** $
Accounts payable and accrued liabilities		**975**	975	604	371	-
Investment tax credit loan	(i)	**364**	433	-	261	172
Note payable	(i)	**139**	155	-	-	155
Convertible loan	(i)	**652**	795	-	-	795
		2,130	2,358	604	632	1,122

(i) Includes interest payment to be made at the contractual rate

(d) Capital risk management

The Corporation's definition of capital includes equity, comprised of issued common shares, warrants and contributed surplus. The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient financial resources to meet its financial obligations and maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. To secure the additional capital necessary to carry out these plans, the Corporation will attempt to raise additional funds through the issuance of equity or by securing strategic partners. The Corporation is not subject to any externally imposed capital requirements.

RECENTLY ADOPTED ACCOUNTING POLICIES

IFRS 16, Leases.

In January 2016, the IASB released IFRS 16 "Leases" replacing IAS 17 "Leases" and related interpretations. The new standard eliminates the classification of leases as either operating or finance leases for lessees and requires the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. The Corporation has adopted IFRS 16, effective February 1, 2019, using the modified retrospective approach and has not restated prior periods for the impact of IFRS 16. Comparative information is still reported under IAS 17 and IFRIC 4.

On initial adoption, the Corporation applied the following practical expedients permitted under the standard: (i) short-term leases and leases of low value assets (less than $5) that have been identified at February 1, 2019 are not recognized on the condensed interim balance

sheet; (ii) leases with terms ending within 12 months of February 1, 2019 are treated as short-term leases and have not been recognized on the condensed interim balance sheet; (iii) contracts that were not previously identified as containing a lease under the previous standard have not been reassessed under IFRS 16; (iv) initial direct costs were excluded from the measurement of right-of-use assets for the purpose of initial measurement on transition; (v) a single discount rate was used for remaining lease payments on leases with similar characteristics; (vi) the Corporation elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition; (vii) instead of performing an impairment review on the right-of-use assets at the date of initial application, the Corporation has relied on historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 13%.

The Corporation quantified the impact of IFRS 16 adoption on the 2020 opening consolidated balance sheet. On transition to IFRS 16, the Corporation recognized right-of-use assets and lease liabilities. This non-cash adjustment has been excluded from the Statement of Cash Flows.

The impact on transition is summarized below:

	February 1, 2019
Recognition of right of use assets	**58**
Recognition of lease liabilities	**58**

Statement of Compliance

The financial statements included in this MD&A for the year ending January 31, 2020 have been prepared in accordance with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board ("IASB")* as well as with those standards and interpretations as issued by the *International Financial Reporting Interpretations Committee ("IFRIC")* issued and effective or issued and early adopted as at the time of preparing these statements.

Use of Estimates and Judgements

Reference should be made to the Corporation's annual consolidated financial statements, *Note 3*, for an extended description of the information concerning the Corporation's significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses.

Commitments

On June 19, 2015, the Corporation entered into three (3) long term research service agreements with École Polytechnique. When the Corporation's product is commercialized, it must make non-refundable payments to Polyvalor equal to 1.5% of net sales.

Subsequent events

a) On April 22, 2020, the Corporation completed a non-brokered private placement for $1,060 worth of unsecured convertible debentures at a price of $1 (one thousand) per debenture. The debentures bear interest at a rate of 10% per annum with a maturity date of April 21, 2022. The debentures are convertible at a price per Class A common shares of $0.30, in whole or in part, at the option of the holder at any time prior to the close of business on the last business day immediately preceding the maturity date. Each debenture unit consisted of one $1 ($ one thousand) principal amount unsecured convertible debenture and 2,000 share purchase warrants, each exercisable into one common share of the Company at $0.50 per share two years from issuance. In the event that the average VWAP over any twenty (20) consecutive trading days is greater or equal to $1.00, the Corporation may give notice to the warrant holder that it must exercise its remaining warrants within a period of 30 days from the date of receipt of the notice, failing which the warrants will automatically expire . The "average VWAP" is the average of the volume weighted average market prices of the Corporation's Class "A" Shares on a single day. Long term loans of $302 as at year-end 2020, consisted of subscriptions received in advance and accrued interest to be converted on the closing of April 22, 2020.

b) The recent outbreak of a novel and highly contagious form of coronavirus ["COVID-19"], which the World Health Organization has declared to constitute a pandemic, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries, including Canada, have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. The impact of COVID-19 has led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Management determined that such financial and economic market uncertainty is indicative of conditions that arose subsequent to the financial statements date and therefore, the assets and liabilities of the Corporation as at January 31, 2020 were not adjusted to reflect the impact of COVID-19. However, management considered the impact of COVID-19 in its assessment of the Corporation's ability to continue as a going concern. Nevertheless, any public health emergency, including any outbreak of COVID-19 or other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on the future operations of the Corporation, and cause significant adverse changes to assets or liabilities of the Corporation, including the recoverability of financial instruments measured at cost, amortized cost, and fair value and potential impairment charges on equipment and intangible assets. Given the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect at this time.

c) On May 20, 2020, the Corporation announced that it has entered into a strategic and licensing agreement (the "Agreement") with Ingenew Pharmaceuticals Inc. ("Ingenew"). The Agreement will explore the expansion of the scope of Ortho's proprietary technological platform applications to include the delivery of therapeutics. Under the Agreement, Ingenew will fund the research and development activities looking to specifically further advance Ortho RTI's proprietary technology platform as a delivery system for its proprietary therapeutics. Ingenew plans to integrate Ortho RTI's platform in its ongoing various oncology, urology and periodontal diseases programs, which are the main therapeutic areas that are exclusive to Ingenew under the Agreement. Ortho RTI is entitled to royalties on sales of products and on licensing revenues integrating Ingenew therapeutics agents and Ortho RTI's proprietary delivery platform. Ortho RTI will also benefit from a fully paid up grant back license from Ingenew to access all improvements to its proprietary technology platform for orthopedic applications. Other therapeutic fields can be targeted leveraging the further advanced Ortho RTI platform developed by either party or in collaboration.

Financial Statements

Ortho Regenerative Technologies Inc.

January 31, 2020

Management's Responsibility

To the Shareholders of Ortho Regenerative Technologies Inc.,

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safe guarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Audit Committee is composed of a majority of Directors who are neither management nor employees of the Corporation. The Audit Committee is responsible for overseeing management in the performance of its financial reporting responsibilities. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Corporation's external auditors.

Ernst & Young LLP, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors had full and free access to, and met periodically and separately with the Board, the Audit Committee and management to discuss their audit findings.

May 28, 2020

/s/ "Claude LeDuc "
____
Chief Executive Officer

/s/ "Luc Mainville"
____
Chief Financial Officer

Independent auditor's report

To the Shareholders of
Ortho Regenerative Technologies Inc.

Opinion

We have audited the financial statements of **Ortho Regenerative Technologies Inc**. [the "Company"], which comprise the statements of financial position as at January 31, 2020 and 2019, and the statements of loss and comprehensive loss, statements of changes in shareholders' deficit and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $2.5 million and used $1.6 million in cash for its operating activities, during the year ended January 31, 2020. As stated in Note 1, these events or conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Yann Lavallée.

Ernst & Young LLP [1]

Montreal, Canada
May 28, 2020

[1] CPA auditor, CA, public accountancy permit no. A122471

Ortho Regenerative Technologies Inc.

Statements of Financial Position

In thousands of Canadian dollars

As at January 31,	*Notes*	**2020**	**2019**
ASSETS (Note 9)			
Current			
Cash		**302**	524
Sales tax receivable		**14**	55
Investment tax credits receivable		**361**	378
Prepaid expenses		**64**	41
Total current assets		**741**	998
Equipment	*4*	**112**	178
Right of use asset	*5*	**38**	-
Intangible assets	*6*	**396**	428
Total assets		**1,287**	1,604
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current			
Accounts payable and accrued liabilities	*7*	**1,021**	975
Lease liability	*8*	**20**	-
Investment tax credit loan	*9*	**596**	364
Total current liabilities		**1,637**	1,339
Lease liability	*8*	**21**	-
Note payable	*10*	**-**	139
Convertible loan	*11*	**-**	652
Long-term loans	*12*	**302**	-
Convertible debenture	*13*	**1,726**	-
Derivative liability	*11*	**-**	63
Total liabilities		**3,686**	2,193
SHAREHOLDERS' DEFICIT			
Common shares	*14*	**5,418**	5,430
Warrants	*14*	**732**	665
Equity component of convertible debenture	*13*	**385**	-
Contributed surplus		**955**	717
Deficit		**(9,889)**	(7,401)
Total shareholders' deficit		**(2,399)**	(589)
Total liabilities and shareholders' deficit		**1,287**	1,604

Going Concern Uncertainty (Note 1); Commitments *(Note 23); Subsequent events (Note 24)*

These audited annual financial statements were approved and authorized for issuance by the Board of Directors on May 28, 2020.

"/s/ "Claude LeDuc" " , Director   *"/s/ "Steve Saviuk" "*, Director

The notes are an integral part of these audited annual financial statements.

Ortho Regenerative Technologies Inc.

Statements Loss and Comprehensive Loss

In thousands of Canadian dollars, except for share and per share amount

For the years ended January 31, 2020 and 2019

	Notes	**2020**	2019
Expenses			
Research and development	*16*	**1,063**	1,082
General and administrative	*17*	**955**	1,089
Share-based compensation		**165**	134
Financing expense, net	*18*	**305**	94
		2,488	2,399
Net loss and comprehensive loss		**2,488**	2,399
Loss per share			
Weighted average number of common shares outstanding		**24,752,424**	**24,752,424**
Basic and diluted loss per common share		**0.10**	0.10

The number of shares held in escrow as at January 31, 2020, is 3,452,685 (2019: 6,905,329)

Going Concern Uncertainty (Note 1)

Ortho Regenerative Technologies Inc.

Statements of Changes in Shareholders' Deficit

In thousands of Canadian dollars, except for share and per share amount

For the years ended January 31, 2020 and 2019

	Notes	**Number of shares**	**Share capital**	**Warrants**	**Equity component of convertible debenture**	**Contributed surplus**	**Deficit**	**Total**
Balance, as at January 31, 2018		**20,610,612**	**3,843**	**758**	**-**	**548**	**(5,002)**	**147**
Issuance of shares		3,760,000	1,504	-	-	-	-	1,504
Exercised options		65,000	40	-	-	(34)	-	6
Exercised warrants		16,812	12	(2)	-	-	-	10
Expired warrants		-	-	(136)	-	136	-	-
Settlement of note		300,000	120	-	-	-	-	120
Issuance of warrants		-	(22)	45	-	-	-	23
Share issue costs		-	(67)	-	-	-	-	(67)
Reversal of conversion feature on extinguishment		-	-	-	-	(67)	-	(67)
Share based compensation	*14*	-	-	-	-	134	-	134
Net loss for the period		-	-	-	-	-	(2,399)	(2,399)
Balance, as at January 31, 2019		**24,752,424**	**5,430**	**665**	**-**	**717**	**(7,401)**	**(589)**
Expired warrants	*14*	**-**	**-**	**(102)**	**-**	**102**	**-**	**-**
Share based compensation	*14*	**-**	**-**	**-**	**-**	**165**	**-**	**165**
Issuance of convertible debenture units	*13*	**-**	**-**	**140**	**385**	**-**	**-**	**525**
Fair Value Adjustment – Warrant Extension	*14*	**-**	**-**	**29**	**-**	**(29)**	**-**	**-**
Issue costs	*14*	**-**	**(12)**	**-**	**-**	**-**	**-**	**(12)**
Net loss for the period		**-**	**-**	**-**	**-**	**-**	**(2,488)**	**(2,488)**
Balance, as at January 31, 2020		**24,752,424**	**5,418**	**732**	**385**	**955**	**(9,889)**	**(2,399)**

Going Concern Uncertainty (Note 1)

Ortho Regenerative Technologies Inc.

Statements of Cash Flows

In thousands of Canadian dollars, except for share and per share amounts
For the years ended January 31, 2020 and 2019

	Notes	**2020**	2019
Operating activities:			
Net loss from operations		**(2,488)**	(2,399)
Add items not affecting cash:			
Share-based compensation	*14*	**165**	134
Consulting fees paid by issuance of shares or convertible debenture units		**262**	23
Depreciation and amortization		**118**	89
Amortization of financing costs	*9*	**45**	10
Loss (gain) on debt settlement	*11*	**8**	(58)
Payment of interest		**(84)**	(44)
Gain on revaluation of derivative liabilities	*11*	**(55)**	-
Financing charges		**357**	119
Net change in non-cash working capital items	*15*	**81**	740
Cash used in operating activities		**(1,591)**	(1,386)
Investing activities:			
Acquisitions of equipment		**-**	(75)
Cash used in investing activities		**-**	(75)
Financing activities:			
Proceeds from short-term debt		**420**	389
Repayment of short-term debt		**(218)**	(279)
Proceeds from long-term debt		**300**	
Payment of debt issue costs		**(65)**	(29)
Issuance of convertible debenture units		**968**	-
Issuance of shares		**-**	1,504
Proceeds from exercised warrants		**-**	10
Proceeds from exercised options		**-**	7
Payment of issue costs		**(12)**	(67)
Payment of lease obligation		**(24)**	-
Cash provided by financing activities		**1,369**	1,534
Increase (decrease) in cash		**(222)**	74
Cash, beginning of year		**524**	450
Cash, end of the year		**302**	524

Going Concern Uncertainty (Note 1)

See Note 15 for supplemental cash flow information

1. Presentation of Financial Statements

Description of the Business and Going Concern Uncertainty

Ortho Regenerative Technologies Inc. ("the Corporation", or "Ortho RTi") was incorporated under the Canada Business Corporations Act on February 5, 2015. The Corporation's head office, principal address and registered office is located at 16667 Hymus Blvd., Kirkland, Quebec, Canada. Since October 10, 2017, the Corporation's shares have been listed on the Canadian Securities Exchange ("CSE"), under the symbol ORTH.

The Corporation is an emerging Orthopaedic and Sports Medicine biologics company dedicated to the development of novel therapeutic soft tissue repair technologies to dramatically improve the success rate of orthopaedic and sports medicine surgeries. The Corporation's proprietary biopolymer has been specifically designed to increase the healing rates of occupational and sports related injuries to tendons, ligaments, meniscus, and cartilage. The biopolymer – autologous PRP combination implant, can be directly placed into the site of injuries by surgeons during routine operative procedures without significantly extending the duration of surgeries and without further interventions. Considering the significant bioactivity and residency of our proprietary biopolymer – PRP implants, Ortho RTi continues to assess its potential for therapeutic uses outside of the soft tissue repair market.

The accompanying audited annual financial statements have been prepared on the going concern basis, which presumes the Corporation will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In its assessment to determine if the going concern assumption is appropriate, management considers all data available regarding the future for at least, without limiting to, the next twelve months.

The Corporation has yet to generate revenue and has relied upon the issuance of debt and equity instruments to fund its operations. As at January 31, 2020, the Corporation had a deficit of $9,889 and a negative working capital of $896. During the year ended January 31, 2020, the Corporation incurred a net loss of $2,488.

The ability of the Corporation to fulfill its obligations and finance its future activities depends on its ability to raise capital and on the continuous support of its creditors. The Corporation believes its efforts to raise sufficient funds to support its activities will be successful, however, there is no assurance that funds will continue to be raised on acceptable terms. This indicates the existence of a material uncertainty that may cast a significant doubt about the ability of the Corporation to continue as a going concern without obtaining additional financial resources.

Failure to obtain such additional financing could result in delay or indefinite postponement of the Corporation's strategic goals. These audited annual financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

These financial statements were approved and authorized for issuance by the Board of Directors on May 28, 2020.

2. Summary of Significant Accounting Policies

Basis of measurement

These audited annual financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

Functional and presentation currency

These audited annual financial statements are presented in Canadian dollars, which is also the functional currency of the Corporation.

Transactions denominated in foreign currencies are initially recorded in the functional currency of the related entity using the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Any resulting exchange difference is recognized in the statement of loss and comprehensive loss. Non-monetary assets and liabilities denominated in foreign currencies and measured at historical cost are translated using historical exchange rates, and those measured at fair value are translated using the exchange rate in effect at the date the fair value is determined. Expenses are translated using the average exchange rates for the period or the exchange rate at the date of the transaction for significant items.

	January 31, 2020	January 31, 2019
End of period exchange rate – USD	**1.3233**	1.3144
Period average exchange rate - USD	**1.3252**	1.3034

Statement of Compliance

These audited annual financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared in accordance with those IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective or issued as at the time of preparing these audited annual financial statements. The policies set out below have been consistently applied to all the periods presented.

The preparation of the Corporation's audited annual financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Corporation's accounting policies, management has made judgments and estimates disclosed in Note 3, which have the most significant effect on the amounts recognized in the financial statements.

Recently adopted accounting policies

IFRS 16, Leases

In January 2016, the IASB released IFRS 16 "Leases" replacing IAS 17 "Leases" and related interpretations. The new standard eliminates the classification of leases as either operating or finance leases for lessees and requires the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value (less than $5). IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. The Corporation has adopted IFRS 16, effective February 1, 2019, using the modified retrospective approach and has not restated prior periods for the impact of IFRS 16. Comparative information is still reported under IAS 17 and IFRIC 4.

On initial adoption, the Corporation applied the following practical expedients permitted under the standard: (i) short-term leases and leases of low value assets that have been identified at February 1, 2019 are not recognized on the balance sheet; (ii) leases with terms ending within 12 months of February 1, 2019 are treated as short-term leases and have not been recognized on the balance sheet; (iii) contracts that were not previously identified as containing a lease under the previous standard have not been reassessed under IFRS 16; (iv) initial direct costs were excluded from the measurement of right-of-use assets for the purpose of initial measurement on transition; (v) a single discount rate was used for remaining lease payments on leases with similar characteristics; (vi) the Corporation elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition; (vii) instead of performing an impairment review on the right-of-use assets at the date of initial application, the Corporation has relied on historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 13%. The Corporation quantified the impact of IFRS 16 adoption on the fiscal 2020 opening balance sheet. On transition to IFRS 16, the Corporation recognized right-of-use assets and lease liabilities. This non-cash adjustment has been excluded from the Statement of Cash Flows.

2. Summary of Significant Accounting Policies – *cont'd*

The impact on transition is summarized below:

	February 1, 2019
Recognition of right of use assets	**58**
Recognition of lease liabilities	**58**

Accounting policy applicable from February 1, 2019

For any new contracts entered on or after February 1, 2019, the Corporation considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period in exchange for any consideration. To apply this definition the Corporation assesses whether the contract meets three key evaluations which are whether; (i) the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation; (ii) the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and (iii) the Corporation has the right to direct the use of the identified assets throughout the period of use. The Corporation assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

As a lessee, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Corporation, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Corporation also assesses the right-of-use asset for impairment when such indicators exist. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Corporation's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to the initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

For exceptions, such as short-term leases and leases of low-value assets using the right-of-use asset and lease liability are not recognized in the Corporation's statements of financial position. Payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Accounting policy applicable before February 1, 2019

Leases are classified as finance or operating leases. A lease is classified as a finance lease if it effectively transfers substantially the entire risks and rewards incidental to ownership. At the commencement of the lease, the Corporation recognizes finance leases as an asset acquisition and an assumption of an obligation in the balance sheet at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the incremental borrowing rate is used. The interest element of the lease payment is recognized as finance cost over the lease term to achieve a constant periodic rate of interest on the remaining balance of the liability. Any initial direct costs of the lessee are added to the amount recognized as an asset. The useful life and depreciation method are determined on a consistent basis with the Corporation's policies for property and equipment. The asset is depreciated over the shorter of the lease term and its useful life. All other leases are accounted for as operating leases, wherein payments are expensed on a straight-line basis over the term of the lease. Lease incentives received are recognized.

2. Summary of Significant Accounting Policies – *cont'd*

Investment tax credits

Investment tax credits are comprised of scientific research and experimental development tax credits and are recognized when there is reasonable assurance of their recovery and recorded as a reduction of the related expense or cost of the asset acquired, as applicable. Investment tax credits are subject to the customary approvals by the pertinent tax authorities. Adjustments required, if any, are reflected in the year when such assessments are received.

Intangible assets

The intangible assets of the Corporation include intellectual properties and technologies acquired from a third party and are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Initial acquisition cost is based on the fair value of the consideration paid and is amortized on a straight-line basis over the estimated useful life of 15 years. The Corporation reviews the estimated useful lives and carrying value of its technology rights as part of its periodic assessment for impairment of non-financial assets.

Equipment

Equipment is recorded at cost less accumulated amortization. Equipment is amortized over their estimated useful life over three- to five- year.

Research and development costs

Research, development costs and costs for new patents and patent applications are charged to operations in the year in which they are incurred, net of related investment tax credits.

Impairment of non-financial assets

The Corporation assesses, at each reporting period, whether there is an indication that an asset may be impaired. Impairment is recognized when the carrying amount of an asset, exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Equipment, as well as intangible assets with a finite useful life are tested for impairment whenever there is an indication that the carrying amount of the asset exceeds its recoverable amount. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the recoverable amount of the asset. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized.

The reversal of impairment losses is limited to the amount that would bring the carrying value of the asset to the amount that would have been recorded, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of loss and Comprehensive loss in the same line item where the original impairment was recognized.

Financial instruments

All financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. Subsequent measurement and recognition of the changes in fair value of financial instruments depends upon their initial classifications. Amortized cost financial assets are measured at fair value with subsequent changes in fair value recognized in current period net income.

Fair value through profit or loss ("FVTPL") assets, loans and receivables and other financial liabilities, initially measured at fair value and subsequently measured changes recognized in current period net income. Fair value through other comprehensive income ("FVTOCI") financial assets measured at fair value with subsequent gains or losses included in other comprehensive income until the asset is removed from the statements of financial position.

2. Summary of Significant Accounting Policies – *cont'd*

The following summarizes the Corporation's classification and measurement of financial assets and liabilities as at January 31:

	Measurement
Financial asset:	
Cash	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Investment tax credit loan	Amortized cost
Loans	Amortized cost
Note payable	Amortized cost
Convertible debenture	Amortized cost
Derivative liability	FVTPL

The initial carrying amount of a compound financial instrument, i.e., an instrument that comprises a liability and an equity component, is allocated using the residual value method. Under the residual value method, the Corporation first determines the fair value of the liability component, and the residual amount is allocated to the equity component.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the period incurred. Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred. All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value.

Income taxes

Income tax expense comprises current and deferred tax. Tax expense is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in shareholders' equity, in which case the related tax is recognized in shareholders' equity.

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Corporation operates.

Deferred tax

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective tax bases, and for tax losses carried forward. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates that will be in effect for the year in which the differences are expected to reverse.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax asset and liability differences are recognized directly in income, other comprehensive income ("OCI") or equity based on the classification of the item to which they relate. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its tax assets and liabilities on a net basis.

Sales tax

Expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized in the cost of acquisition of the asset or as part of the expense item, as applicable; and receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or accounts payable and accrued liabilities in the statement of financial position.

2. Summary of Significant Accounting Policies – *cont'd*

Segment reporting

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Corporation views its operations and manages its business in one operating segment, which is the development of novel therapeutic soft tissue repair technologies.

Share capital

The Corporation's share capital is classified as equity if it is non-redeemable, or redeemable only at the Corporation's option, and any dividends are discretionary. Incremental costs directly attributable to the issuance of shares and warrants, net of any tax effects, are recognized as a deduction of equity. Dividends thereon are recognized as distributions within equity upon approval by the Corporation's Board of Directors. When the Corporation issues shares that are comprised of a combination of shares and warrants, the value is assigned to shares and warrants based on their relative fair values. The fair value of the shares is determined by the closing price on the date of the transaction and the fair value of the warrants is determined based on a stochastic model.

When warrants are exercised, share capital is credited by the sum of the consideration paid, together with the related portion previously recorded to warrants. Share capital is classified as a liability if it is redeemable on a specific date or in the future, or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the statement of loss as accrued.

Share-based compensation

The Corporation grants stock options to directors, officers, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is determined at the date of grant using the Black-Scholes option pricing model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected price of the Corporation's common stock and an expected life of the stock-based instruments. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately to the statement of loss with an offsetting credit to contributed surplus, except for options granted as consideration for share issuance costs, which are charged to share capital.

When stock options are exercised, share capital is credited by the sum of the consideration paid, together with the related portion previously recorded to contributed surplus.

Earnings per share

Basic earnings or loss per share is calculated by dividing the profit or loss of the year by the weighted average number of shares outstanding. Diluted earnings or loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted earnings or loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. For the periods presented, the potentially dilutive effect of options, full warrants and convertible instruments have proved to be anti-dilutive.

3. Use of Estimates and Judgments

The application of the Corporation's accounting policies requires management to use estimates and judgments that can have a significant effect on the expenses, comprehensive loss, assets and liabilities recognized and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

Management's budget and strategic plans are fundamental information used as a basis for the estimates necessary to prepare financial information. Management tracks performance as compared to the budget, and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

3. Use of Estimates and Judgments – *cont'd*

The following areas require management's critical estimates:

Share-based payments and warrants

The Corporation measures the cost of share-based payments with employees by reference to the fair value of the equity instrument or underlying equity instrument at the date on which they are granted. Estimating fair value for share-based payments requires management to determine the most appropriate valuation model for a grant, which is dependent on the terms and conditions of each grant. In valuing certain types of stock-based payments and warrants granted, the Corporation uses, depending on terms and conditions, the Black-Scholes option pricing model or the stochastic model. Several assumptions are used in the underlying calculation of fair values of the Corporation's stock options and warrants granted using these models, including the expected life of the option or warrant and volatility. Details of the assumptions used are included in *Note 14.*

Valuation of convertible instrument

The Corporation determines the value of convertible loan and debenture by first valuing free-standing instruments and by allocating the value of each free-standing instrument based on a relative fair value basis.

The calculation of the fair value of the debt component of the convertible loan and convertible debenture requires using an interest rate that the Corporation would have had to pay had the loan been obtained without a conversion feature. Such interest rate requires management's estimates by reference to loan interest paid by comparable companies in the similar sector. The Corporation estimates 27.5% being the reasonable interest rate a comparable company in the biotech sector would likely pay in obtaining loans as at October and December 2019. Changes to these estimates may affect the carrying value of the convertible loan and the equity portion of convertible debenture.

The Corporation initially measures the conversion feature by reference to the fair value of the underlying equity instrument at the date on which the option is issued. Estimating fair value for conversion feature requires management to determine the most appropriate valuation model, which is dependent on the terms and conditions of each option. In valuing the conversion feature, the Corporation uses the Black-Scholes option pricing model. Several assumptions are used in the calculation of fair values of the Corporation's conversion feature, including the term of the option and volatility.

Depreciation and amortization

Equipment is depreciated based on the estimated useful life less its residual value. Intangible assets are amortized based on the estimated life. Significant assumptions are involved in the determination of useful life and residual values, and no assurance can be given that actual useful life and residual values will not differ significantly from current assumptions. Actual useful life and residual values may vary depending on several factors including internal technical valuation, physical condition of the asset and experience with similar assets. Changes to these estimates may affect the carrying value of long-lived assets, net loss and comprehensive loss in future periods.

The following area require management's judgment:

Investment tax credits

The amounts and the moment of the recognition of the investment tax credits receivable involve a certain degree of judgment with regards to the eligibility of the research and development expenditures which give rise to the tax credits refunds and to the probability of receiving the amounts. The amounts claimed by the Corporation are subject to the review and the approval of the tax authorities, and it is possible that the amounts granted will differ from the amounts claimed.

4. Equipment

	Cost	Accumulated depreciation	Carrying Value
	$	$	$
Balance as at January 31, 2018	160	-	160
Additions	75	(57)	18
Balance as at January 31, 2019	235	(57)	178
Additions	-	**(66)**	**(66)**
Balance as at January 31, 2020	**235**	**(123)**	**112**

5. Right-of-Use Asset

	Cost $	Accumulated depreciation $	Carrying Value $
Balance as at February 1, 2019, on adoption of IFRS 16	58	-	58
Additions	-	(20)	(20)
Balance as at January 31, 2020	**58**	**(20)**	**38**

6. Intangible Assets

	Cost $	Accumulated amortization $	Carrying Value $
Balance as at January 31, 2018	485	(25)	460
Additions	-	(32)	(32)
Balance as at January 31, 2019	485	(57)	428
Additions	-	**(32)**	**(32)**
Balance as at January 31, 2020	**485**	**(89)**	**396**

7. Accounts Payable and Accrued Liabilities

	2020 **$**	2019 $
Trade accounts payable	**998**	717
Accrued liabilities	**23**	258
	1,021	**975**

8. Lease Liability

	$
Balance at February 1 on adoption of IFRS 16	58
Interest expense	7
Lease payments	(24)
Balance as at January 31, 2020	**41**
Which consists of	
Current lease liability	**20**
Non-current lease liability	**21**

Effective January 1, 2018, the Corporation signed a sublease agreement for the period of January 1, 2018 to December 31, 2021. The sublease agreement does not contain any contingent rent clause and both parties may terminate the sublease agreement by giving a 2-month notice after the initial term of 6 months. The following table presents the minimum obligation over the remaining lease term:

Year ending January 31,	**Occupancy costs**
2021	24
2022	22
	46

9. Investment Tax Credit Loan

	2020 $	2019 $
Opening balance	**364**	272
Additions	**468**	389
Repayment	**(218)**	(273)
Transaction costs	**(63)**	(34)
Amortization of financing costs	**45**	10
Investment tax credit loan	**596**	**364**

On December 19, 2018, the Corporation signed a short-term loan agreement to finance its fiscal year 2017, 2018 and 2019 investment tax credits. The loan is secured by a first-rank moveable hypothec on all assets and bears interest at a fixed rate of 1.5% per month. The amounts are due upon receiving the refunds from the respective governments. Transaction costs of $29 were incurred on issuance of the loan and were netted against the loan. The transaction costs are amortized over the term of the loan and presented as a financing expense.

On August 20, 2019, the Corporation signed a short-term loan agreement to finance its fiscal year 2020 investment tax credits. The loan is secured by a first-rank moveable hypothec on all assets and bears interest at a fixed rate of 1.5% per month. The amounts are due upon

receiving the refunds from the respective governments. Transaction costs of $34 were incurred on issuance of the loan and were netted against the loan. The transaction costs are amortized over the term of the loan and presented as a financing expense.

On December 21, 2019, the Corporation renewed its agreement to finance the balance of its fiscal year 2017, 2018 and 2019 investment tax credits. The loan is secured by a first-rank moveable hypothec on all assets and bears interest at a fixed rate of 1.5% per month. The amounts are due upon receiving the refunds from the respective governments. Transactions costs of $30 were capitalized to the loan balance. The transaction costs are amortized over the term of the loan and presented as a financing expense.

10. Note Payable

On July 28, 2017, the Corporation and Manitex Capital Inc. ("Manitex") signed an unsecured note payable for $225. The note payable bore interest at 12% per annum and matured on October 31, 2018. This note was amended on October 31, 2018, whereby the principal sum due and payable in full, was initially extended to February 1, 2020. On October 8, 2019, this loan was converted into convertible debenture units (Note 13).

	2020 $	2019 $
Opening balance	**139**	225
Partial settlement by issuance of shares	**-**	(120)
Conversion to convertible debenture units	**(150)**	-
Interest accrued	**11**	34
Note payable	**-**	**139**

11. Convertible Loan

	2020 $	2019 $
Opening balance	**652**	607
Fair value of option allocated to liability	**63**	(63)
Equity component residual value	**-**	67
Gain on revaluation of derivative liability	**(55)**	-
Loss on debt settlement	**8**	(58)
Accretion expense	**96**	98
Conversion to debenture units	**(764)**	-
Amortization of transaction costs	**-**	1
Convertible loan	**-**	**652**

During the year ended January 31, 2020, the loan and accrued interest was converted into convertible debenture units (Note 13).

11. Convertible Loan – *cont'd*

On April 27, 2017, the Corporation converted a $600 operating loan into a first ranking, long-term convertible loan, bearing interest at an annual rate of 10%, to be repaid in full, principal and interest on February 1, 2019. At any time prior to maturity, Manitex had the option to convert all or any part of the convertible loan amount into shares of the Corporation at a deemed price of $1.00 per share. If, prior to maturity, the Corporation's 20-day volume-weighted average share price equals or exceeds $1.50, the Corporation shall have the right, to require Manitex to convert all, or any part of the balance of the convertible loan at a deemed price of $1.00 per share of the Corporation.

At the time of the issue, the convertible loan was separated into liability and equity components using the residual method. The fair value of the liability component was calculated using discounted cash flows for the convertible loan assuming an effective interest rate of 18%. The effective interest rate was based on the estimated rate for a loan with similar terms, but without a conversion feature, from comparable companies. The fair value of the equity component (conversion feature) was determined at the time of the issue as the difference between the face value of the convertible loan and the fair value of the liability component. The liability component was subsequently measured at amortized cost using the effective interest rate method and is accreted up to the principal balance at maturity. The accretion is presented as a financing expense. Transaction costs of $2 were incurred on the issuance of the convertible loan and were netted against the liability. The transaction costs allocated to the liability component were amortized at the effective interest rate over the term of the convertible loan and were presented as a financing expense.

On January 31, 2019, the repayment of the original loan plus accrued interest amounting to $705 was extended to February 1, 2020. As part of this extension, the interest rate was increased from 10% to 12 %. The loan agreement was also amended to include that at any time until the maturity date, Manitex may notify the Corporation in writing of its intention to convert the loan amount, or any portion thereof, including accrued interest up until the date of such notice, into Class "A" shares of the Corporation at a price equal to the price per Class "A" share that is the lesser of (i) $1.00 per Class "A" share or (ii) the price per Class "A" share offered to investors in the course of an external round of financing in the Corporation concurrently ongoing at the time of the notice, or (iii) the price per Class "A" share that has been paid by investors in the most recent external round of financing that would have closed within thirty (30) days prior to the date of the notice.

12. Long-Term Loans

Long-term loans include the capital and interest portion of unsecured loans representing advances made as part of the Corporation's debenture financing. Amounts owed are presented below:

	Interest Rate	Maturity Date	**2020**	2019
Unsecured	10% per annum	*(i)*	**302**	-

(i) See Note 24 a)

13. Convertible Debenture

	2020 **$**
Opening balance	**-**
Additions	**1,230**
Fair value allocated to warrants	**(140)**
Fair value of option allocated to equity	**(385)**
Accretion expense	**107**
Conversion of note payable and convertible loan	**914**
Convertible debenture	**1,726**

On October 8, 2019 and December 30, 2019, the Company issued unsecured convertible debenture units for a total principal amount of $2,144. The convertible debentures mature on October 8, 2021 and December 30, 2021, respectively and bear interest at an annual rate of 10% per annum. The debentures are convertible at a price per Class A common shares of $0.30, in whole or in part, at the option of the holder at any time prior to the close of business on the last business day immediately preceding the maturity date. Each debenture unit consisted of one $1 ($ one thousand) principal amount unsecured convertible debenture and 2,000 share purchase warrants, each exercisable into one common share of the Company at $0.50 per share two years from issuance. In the event that the average VWAP over any twenty (20) consecutive trading days is greater or equal to $1.00, the Corporation may give notice to the warrant holder that it must exercise its remaining warrants within a period of 30 days from the date of receipt of the notice, failing which the warrants will automatically expire . The "average VWAP" is the average of the volume weighted average market prices of the Corporation's Class "A" Shares on a single day.

13. Convertible Debenture – *cont'd*

Total finders' fee incurred on the issuance of the convertible debenture units consisted of $12 and 5,600 compensation warrants. Each compensation warrant is exercisable into one common share of the Company at $0.50 per share 18 months from issuance. The fair value of $0.30 was assigned to the 5,600 compensation warrants.

The convertible debentures are compound financial instruments with the equity component being the residual value after accounting for the debt component. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 27.5%, being management's best estimate of the rate that a nonconvertible debenture with similar terms would bear as at October and December 2019. The equity component consists of the warrants and the conversion option. The values attributed to each was based on the relative fair value approach. On initial recognition, the liability components were $1,619, the warrants were $140 and the conversion options were $385. Accretion charges, included in financing expense on the statement of loss and comprehensive loss, attributable to the debentures for the year ended January 31, 2020 was $107.

14. Share Capital and other equity instruments

(a) Share capital

The Authorized Share Capital is composed of

i. Unlimited number of Class "A" common shares, no par value
ii. Unlimited number of Class "AA" preferred shares, non-voting, non-cumulative dividends at the discretion of the directors, no par value
iii. Unlimited number of Class "B" preferred shares, redeemable, non-voting, non-cumulative dividends of 1%, no par value

Class "A" common shares		**#**	**$**
Balance as at January 31, 2018		20,610,612	3,843
Issuance of shares	*a & b*	3,760,000	1,415
Partial settlement of note payable by issuance of shares	*c*	300,000	120
Exercise of options	*d*	65,000	40
Exercise of warrants	*e*	16,812	12
Balance as at January 31, 2019		**24,752,424**	**5,430**
Issue costs	*f*	-	(12)
Balance as at January 31, 2020		**24,752,424**	**5,418**

a. Subscription price of $0.40 per share, the Corporation incurred $67 of share issuance costs.

b. In connection with the private placements described in (d), the Corporation issued a total of 145,500 brokers' warrants of which $21 was credited to warrants and debited as issue costs based on the stochastic option model.

c. The Corporation settled a partial amount of its note payable by the issuance of 300,000 shares to Manitex for a fair value of $120

d. The Corporation issued a total of 65,000 common shares upon the exercise of 65,000 options, for a cash consideration of $40 which was credited to share capital and $34 was debited from contributed surplus

e. The Corporation issued a total of 16,812 common shares for the exercise of 16,812 brokers' warrants, of which $12 was credited to share capital and $2 was debited from warrants.

f. In connection with the private placements described in Note 13, the Corporation incurred a total of $12 of share issuance costs. In addition, it issued 5,600 brokers' warrants whereby $0.3 was credited to warrants and debited as issue costs based on a stochastic model.

Based on the escrow agreement filed with the *Autorité des Marchés Financiers*, 3,452,685 shares are held in escrow and will be released from the Escrowed Securities as follows:

Release Date	**Number of Escrowed Securities to be Released**
On April 10, 2020	1,726,322
On October 10, 2020	1,726,363

14. Share Capital and other equity instruments – *cont'd*

b) Share-based compensation

The Corporation implemented an incentive stock option plan for directors, officers, employees and consultants to participate in the growth and development of the Corporation by providing such persons with the opportunity, through stock options, to purchase common shares of the Corporation. The stock option plan provides that the aggregate number of shares reserved for issuance, set aside and made available for issuance may not exceed 10% of the number of issued shares at the time the options are to be granted. The maximum number of options which may be granted to any one beneficiary shall not exceed 5% of the issued shares, calculated at the date the option is granted.

The stock option plan is administered by the Board of Directors of the Corporation and it has full and final authority with respect to the granting of all options thereunder. The exercise price of any options granted under the stock option plan shall be determined by the Board of Directors, subject to any applicable regulations or policies. The term and vesting of any options granted under the stock option plan shall be determined by the Board of Directors at the time of grant, however, subject to earlier termination in the event of dismissal for cause, termination other than for cause or in the event of death, the term of any options granted under the stock option plan may not exceed 5 years. Options granted under the stock option plan are not to be transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession to a qualified successor. In the event of death of an option holder, options granted under the stock option plan expire upon the earlier of the normal expiry date of the options or one year from the date of death of the option holder.

Subject to certain exceptions, in the event that an employee, director, officer, consultant ceases to hold office or provide consulting services, options granted to such a holder under the stock option plan will expire 90 days after the holder ceases to hold office or such earlier date as the Board of Directors may decide at the date the options were granted. Notwithstanding the foregoing, in the event of a termination for cause of an option holder, all unexercised options held by such option holder shall immediately terminate.

The Company recorded compensation expense of $165 (2019: $134) for the year ended January 31, 2020 with corresponding credits to contributed surplus related to the issuance of stock options net of forfeitures of $11. The weighted average fair value of the options granted during the period, estimated by using the Black-Scholes option pricing model, was $0.25 (2019: $0.16). The fair value of the options was estimated on the date of grant based on the following weighted average assumptions:

	2020	2019
Weighted average exercise price	**0.36**	0.38
Weighted average risk-free rate	**1.33%**	2.22%
Weighted average volatility factor *(i)*	**90.6%**	74.4%
Weighted average expected life (years)	**5.0**	4.0

(i) Volatility was determined using the historical share price of the Company.

	2020		2019	
	Number of share options	**Weighted Average Exercise Price**	Number of share options	Weighted Average Exercise Price
Balance beginning of the year	**2,225,000**	**$0.44**	1,700,000	$0.39
Options granted	**750,000**	**$0.36**	665,000	$0.50
Options forfeited/expired	**(75,000)**	**$0.53**	(75,000)	$0.10
Options cancelled	**(775,000)**	**$0.50**	-	-
Options exercised	-	-	(65,000)	$0.10
Balance end of the year	**2,125,000**	**$0.39**	2,225,000	$0.44

All share-based payments will be settled in equity. The Corporation has no legal or contractual obligation to repurchase or settle the options in cash.

14. Share Capital and other equity instruments – *cont'd*

The following options to purchase common shares were outstanding as at January 31, 2020:

Number outstanding		Number exercisable	Exercise price	Remaining contractual life
260,000	(i)	260,000	$0.10	0.50 years
650,000		625,000	$0.50	1.39 – 2.87 years
465,000		150,000	$0.50	3.63 years
750,000		292,000	$0.36	4.39 years
2,125,000		**1,327,000**		

(i) As per the escrow agreement, 90,000 of these options are held in escrow and are subject to the same release conditions as described in Note 14a).

(c) Warrants

The following schedules present the common shares issuable on exercise of the full warrant transactions granted during the current fiscal year:

	2020		2019	
	Number of Shares	**Weighted Average Exercise Price**	Number of Shares	Weighted Average Exercise Price
Balance beginning of the year	**3,569,713**	**$0.70**	4,030,138	$0.70
Warrants granted	**4,293,600**	**$0.50**	245,500	$0.70
Warrants expired	**(557,213)**	**$0.69**	(689,113)	$0.62
Warrants exercised	**-**	**-**	(16,812)	$0.63
Balance end of the year	**7,306,100**	**$0.58**	3,569,713	$0.70

As at January 31, 2020, the Corporation had outstanding warrants as follows:

Number of warrants	**Issue date**	**Expiry date**		**Exercise price**	**Fair value of warrants**	**Remaining contractual life in years**
460,000	August 2, 2016	August 2, 2020	(i)	$0.70	$0.21	0.50
480,000	March 31, 2017	October 1, 2020	(i)	$0.70	$0.22	0.67
570,000	April 27, 2017	October 29, 2020	(i)	$0.70	$0.21	0.75
207,500	June 28, 2017	December 28, 2020	(i)	$0.70	$0.27	0.91
905,000	October 31, 2017	April 29, 2021	(i)	$0.70	$0.11	0.24
390,000	July 28, 2018	January 28, 2021	(i)	$0.70	$0.23	0.99
3,288,000	October 8, 2019	October 8, 2021		$0.50	$0.03	1.69
5,600	October 8, 2019	March 8, 2021		$0.50	$0.05	1.10
1,000,000	December 30, 2019	December 30, 2021		$0.50	$0.03	1.92
7,306,100						**1.27**

(i) These warrants were extended for one year after their expiry date. The total number of extended warrants is 3,012,500. Following the extension of the warrants, a fair value adjustment of $29 was made to the warrants with a corresponding credit to contributed surplus.

15. Supplemental Cash Flow Information

	2020	2019
	$	$
Net change in non-cash operating working capital items		
Sales tax receivable and prepaid expenses	**18**	(13)
Investment tax credits receivable	**17**	25
Accounts payable and accrued liabilities	**46**	728
Total	**81**	740
Non-cash transactions		
Settlement of note payable by issuance of shares	**-**	120
Settlement of note payable by issuance of convertible debenture units	**150**	-
Settlement of convertible loan by issuance of convertible debenture units	**764**	-

16. Research and Development Expenses

	2020	2019
	$	$
Research expenses	**-**	28
Development costs	**1,086**	1035
Patent costs	**78**	190
Amortization – intangible assets	**33**	32
Depreciation – equipment	**66**	57
	1,263	1,342
Investment tax credit	**(200)**	(260)
Total	**1,063**	1,082

17. General and Administrative Expenses

	2020	2019
	$	$
Professional and consulting fees	**665**	371
Office and administrative	**270**	718
Depreciation – right of use asset	**20**	-
Total	**955**	1,089

18. Financing Expense, Net

	2020	2019
	$	$
Interest expense	**26**	20
Interest on short-term loans	**116**	34
Interest on debentures	**107**	-
Interest on convertible loan	**96**	98
Interest on leases	**7**	-
Loss (gain) on debt settlement	**8**	(58)
Gain on revaluation of derivative liability	**(55)**	-
Total	**305**	94

19. Income Taxes

a. Details of the components of income taxes are as follows:

	2020 **$**	2019 $
Loss before income taxes	**(2,488)**	(2,399)
Basic income tax rate	**26.59%**	26.69%
Computed income tax recovery	**661**	(640)
Permanent differences	**43**	32
True-up and other items	**32**	162
Change in deferred tax assets not recognized	**586**	446
	661	640
Provision for income taxes	**-**	-

b. Details of the components of income taxes are as follows:

	2020 **$**	2019 $
Non-capital losses carried forward	**1,404**	922
R&D pool	**920**	679
Equipment, right-of-use asset and intangible assets	**2**	-
Financing and equity issues costs	**36**	53
Convertible loan	**-**	30
	2,362	1,684
Equipment and intangible assets	**-**	(52)
Convertible loan	**(144)**	-
	(144)	(52)
Deferred tax assets not recognized	**2,218**	1,632

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all the deferred tax assets and liabilities will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and tax planning strategies.

c. As at January 31, 2020, the Corporation had accumulated non-capital losses for income tax purposes, which are available to be applied against future taxable income

	Federal **$**	**Provincial** **$**
2036	663	657
2037	1,242	1,261
2038	865	607
2039	1,273	1,312
2040	1,311	1,391
	5,354	5,228

As at January 31, 2019, the Corporation had investment tax credits totalling $308 (2019 – $144), which are available to reduce income taxes for future years. The Corporation has not recognized the above tax benefits and will recognize them when future profits are probable in the respective jurisdictions.

20. Financial Instruments

The table below indicate the carrying values of financial assets and liabilities for each of the following categories:

As at January 31, 2020:	FVTPL	FVTOCI	Amortized cost
Financial asset:			
Cash	-	-	**302**
Financial liabilities:			
Accounts payable and accrued liabilities	-	-	**1,021**
Investment tax credit loan	-	-	**596**
Lease liability	-	-	**41**
Long-term loans	-	-	**302**
Convertible debenture unit	-	-	**1,726**

As at January 31, 2019:	FVTPL	FVTOCI	Amortized cost
Financial asset:			
Cash	-	-	524
Financial liabilities:			
Accounts payable and accrued liabilities	-	-	975
Investment tax credit loan	-	-	364
Note payable	-	-	139
Convertible loan	-	-	652
Derivative liability	63	-	-

The Corporation categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observation of the inputs used in the measurement. At January 31, 2020, the Corporation's financial instruments measured at fair value are derivative liabilities, which are considered a Level 3 instrument. There were no transfers between levels during the year. The three levels are defined as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2: Fair value is based on inputs other than quoted prices included within Level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs.

The following table provides the fair value measurement hierarchy of the Corporation's assets and liabilities.

Date of Fair Value Measurement		(Level 1) $	(Level 2) $	(Level 3) $
January 31, 2020				
Liabilities	**Derivative liability**	**-**	**-**	**-**
January 31, 2019				
Liabilities	Derivative liability	-	63	-

The fair value of a financial instrument is approximated by the consideration that would be agreed to in an arm's length transaction between willing parties and through appropriate valuation methods, but considerable judgement is required for the Corporation to determine the value. The actual amount that could be realized in a current market exchange could be different than the estimated value. The fair values of financial instruments included in current assets and current liabilities approximate their carrying values due to their short-term nature.

21. Financial Risk Factors

The Corporation's activities expose it to financial risks: market risk, more specifically cash flow and fair value interest rate risk, and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation does not use derivative financial instruments to hedge these risks.

(a) Credit risk

Credit risk arises from cash deposited with a financial institution. The Corporation reduces this risk by dealing with creditworthy financial institutions.

21. Financial Risk Factors – *cont'd*

(b) Market risk

(i) Cash flow and fair value interest rate risk

The Corporation is exposed to fair value interest rate risk due to its short-term debt and convertible debenture negotiated at a fixed rate.

(ii) Currency risk

The Corporation has cash, accounts payable and accrued liabilities denominated mainly in U.S. dollars. The Corporation does not hold financial derivatives to manage fluctuation in these risks.

The following presents the accounts that are exposed to foreign exchange volatility as at January 31:

	2020		2019	
	Foreign Currency $	**CDN equivalent $**	**Foreign Currency $**	**CDN equivalent $**
Cash – USD	**0.4**	**0.6**	0.9	1.2
Accounts payable and accrued liabilities – USD	**56.0**	**74.1**	(0.8)	(1.1)
Accounts payable and accrued liabilities – EUR	**6.4**	**9.4**	-	-
Accounts payable and accrued liabilities – JPY	**161.1**	**2.0**	-	-

A 5% increase/decrease in the exchange rate of these currencies against the Canadian dollar would not be material.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities:

As at January 31, 2020		***Carrying value* $**	***Contractual cash flows* $**	***Less than 60 days* $**	***60 days to 12 months* $**	***More than 12 months* $**
Financial liabilities						
Accounts payable and accrued liabilities		**1,021**	1,021	210	811	-
Investment tax credit loan	(i)	**596**	723	-	723	-
Long-term loans	(i)	**302**	302	-	-	302
Convertible debenture	(i)	**1,726**	2,573	-	-	2,573
		3,645	4,619	210	1,534	2,875

(i) Includes interest payments to be made at the contractual rate.

As at January 31, 2019:		***Carrying value* $**	***Contractual cash flows* $**	***Less than 60 days* $**	***60 days to 12 months* $**	***More than 12 months* $**
Financial liabilities						
Accounts payable and accrued liabilities		**975**	975	604	371	-
Investment tax credit loan	(i)	**364**	433	-	261	172
Note payable	(i)	**139**	155	-	-	155
Convertible loan	(i)	**652**	795	-	-	795
		2,130	2,358	604	632	1,122

(i) Includes interest payments to be made at the contractual rate.

21. Financial Risk Factors – *cont'd*

(d) Capital risk management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation's definition of capital includes equity, comprised of issued common shares, warrants and contributed surplus. The Corporation's primary objective with respect to its capital management is to ensure that it has enough financial resources to meet its financial obligations. To secure the additional capital necessary to carry out these plans, the Corporation will attempt to raise additional funds through the issuance of equity or by securing strategic partners. The Corporation is not subject to any externally imposed capital requirements.

22. Related Party Transactions

The following table presents the related party transactions presented in the statement of loss for the year ended:

	2020 **$**	2019 $
Transactions with key management and members of the Board of Directors:		
Salaries and employee benefits expense	-	148
Share-based compensation to employees and directors	**137**	84
Termination benefits paid to a former CEO	**120**	-
Consulting fees charged by a director, CEO and CFO	**270**	293
Interest charged by Manitex, a shareholder of the Corporation:	**161**	119
Research and development expenses paid to École Polytechnique, a partner of Polyvalor	**294**	318

The following table presents the related party transactions presented in the statement of financial position as at:

	2020 **$**	2019 $
Accounts payable and accrued liabilities due to a director, CEO and CFO	**100**	-
Accounts payable due to École Polytechnique, a partner of Polyvalor	**74**	150
Convertible debenture due to a director, CEO and CFO	**516**	-
Convertible debenture due to Manitex, a shareholder of the Corporation	**783**	-

All other related parties' transactions are disclosed in the respective notes in these financial statements.

23. Commitments

On June 19, 2015, the Corporation entered into three long-term research service agreements with École Polytechnique which states that when the Corporation's product is commercialized, it must make non-refundable payments to Polyvalor, a shareholder of the Corporation, equal to 1.5% of net sales.

24. Subsequent Events

a) On April 22, 2020, the Corporation completed a non-brokered private placement for $1,060 worth of unsecured convertible debentures at a price of $1 (one thousand) per debenture, of which $328 was in exchange of employee remuneration which represented the totality of the staff and management remuneration for the first quarter of 2021. The debentures bear interest at a rate of 10% per annum with a maturity date of April 21, 2022. The debentures are convertible at a price per Class A common shares of $0.30, in whole or in part, at the option of the holder at any time prior to the close of business on the last business day immediately preceding the maturity date. Each debenture unit consisted of one $1 ($ one thousand) principal amount unsecured convertible debenture and 2,000 share purchase warrants, each exercisable into one common share of the Company at $0.50 per share two years from issuance. In the event that the average VWAP over any twenty (20) consecutive trading days is greater or equal to $1.00, the Corporation may give notice to the warrant holder that it must exercise its remaining warrants within a period of 30 days from the date of receipt of the notice, failing which the warrants will automatically expire . The "average VWAP" is the average of the volume weighted average market prices of the Corporation's Class "A" Shares on a single day. Long term loans of $302 as at year-end 2020 (see Note 12) represented subscriptions and accrued interest to be converted on the closing of April 22, 2020.

24. Subsequent Events – *cont'd*

b) The recent outbreak of a novel and highly contagious form of coronavirus ["COVID-19"], which the World Health Organization has declared to constitute a pandemic, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries, including Canada, have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. The impact of COVID-19 has led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Management determined that such financial and economic market uncertainty is indicative of conditions that arose subsequent to the financial statements date and therefore, the assets and liabilities of the Corporation as at January 31, 2020 were not adjusted to reflect the impact of COVID-19. However, management considered the impact of COVID-19 in its assessment of the Corporation's ability to continue as a going concern. Nevertheless, any public health emergency, including any outbreak of COVID-19 or other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on the future operations of the Corporation, and cause significant adverse changes to assets or liabilities of the Corporation, including the recoverability of financial instruments measured at cost, amortized cost, and fair value and potential impairment charges on equipment and intangible assets. Given the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect at this time.

c) On May 20, 2020, the Corporation announced that it has entered into a strategic and licensing agreement (the "Agreement") with Ingenew Pharmaceuticals Inc. ("Ingenew"). The Agreement will explore the expansion of the scope of Ortho's proprietary technological platform applications to include the delivery of therapeutics. Under the Agreement, Ingenew will fund the research and development activities looking to specifically further advance Ortho RTI's proprietary technology platform as a delivery system for its proprietary therapeutics. Ingenew plans to integrate Ortho RTI's platform in its ongoing various oncology, urology and periodontal diseases programs, which are the main therapeutic areas that are exclusive to Ingenew under the Agreement. Ortho RTI is entitled to royalties on sales of products and on licensing revenues integrating Ingenew therapeutics agents and Ortho RTI's proprietary delivery platform. Ortho RTI will also benefit from a fully paid up grant back license from Ingenew to access all improvements to its proprietary technology platform for orthopedic applications. Other therapeutic fields can be targeted leveraging the further advanced Ortho RTI platform developed by either party or in collaboration.