Ortho Regenerative Technologies Inc.

Annual Report

January 31, 2019

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 quarter and fiscal year ended on January 31, 2019 and compares those of the same periods in 2018 and 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 29, 2019 and approved by Ortho RTI's Board of Directors on May 29, 2019 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 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 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 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.

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

Abbreviation	Calendar & Financial
FY-19	The Fiscal Year ended on January 31, 2019
FY-18	The Fiscal Year ended on January 31, 2018
G&A	General and Administrative
ITC	Investment tax credits
Q1-19	First quarter 2019
Q2-19	Second quarter 2019
Q3-19	Third quarter 2019
Q4-19	Fourth quarter 2019
Q1-18	First quarter 2018
Q2-18	Second quarter 2018
Q3-18	Third quarter 2018
Q4-18	Fourth quarter 2018
R&D	Research and Development
YTD	Year to date

Abbreviation	Corporate & Operations
cGMP	current Good Manufacturing Practice
CMO	Contract Manufacturing Organization
FDA	US Food and Drug Administration
IND	Investigational New Drug application with the FDA
MRI	Magnetic Resonance Imaging
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

Overview of the Business

Ortho RTI has been incorporated under the Canada Business Corporations Act. The Company's head office and principal address and registered office is located at 16,667 Hymus Blvd., Kirkland, Quebec, Canada. The Corporation's shares are publicly traded on the Canadian Securities Exchange ("CSE") under the symbol "*ORTH*." The Corporation has 24,752,424 common shares that are issued and fully paid as of January 31, 2019 of which 6,905,329 shares are held in escrow.

Ortho RTI is an emerging Orthopaedic and Sports Medicine biologics company dedicated to the development of novel therapeutic soft tissue technologies to dramatically improve the success rate of sports medicine repair surgeries. Our proprietary biopolymer has been specifically designed to increase the healing rates of sports related injuries to tendons, meniscus, ligaments and cartilage. The polymer can be directly placed into the site of injury by a surgeon during a routine operative procedure without significantly extending the time of the surgery and without further intervention.

The Corporation's technology was developed at Ecole Polytechnique de Montreal, 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, composed of two active development-stage projects:

- **Ortho-R** - Assessing the clinical efficacy of our biopolymer for Rotator Cuff repair, and
- **Ortho-M** - Testing the efficacy of our biopolymer for bilateral meniscus repair,

as well as two research-stage projects

- **Ortho-C** - 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, and
- **Ortho-V** - Feasibility research on a freeze-dried biopolymer formulation tailored for intra-articular injections and visco-supplementation applications such as the reduction of Osteoarthritis pain.

Considering the significant bioactivity and residency of our proprietary biopolymer, Ortho RTI also continues to assess the potential for applying its proprietary biopolymer for uses outside of the soft tissue repair.

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 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 which have the 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 suturing techniques produced promising histological findings in small and large animal models, which is expected to translate into superior rotator cuff repair. No adverse events were found in any of the above-mentioned animal studies, which suggests a high level of safety.

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

2019 Highlights

The Corporation's main activities for FY-19 consisted in funding development activities in relation to its lead project Ortho-R. Significant progress has taken place in 2019 which culminated with the start of a 6-month pivotal animal study in January 2019 as well as a pre-IND meeting with the FDA (in February 2019) to formalize the requirements for the filing of our application to commence Phase I/II human clinical trials on Ortho-R.

Other notable development and corporate highlights during the year included:

In April 2018, the Corporation announced positive preliminary MRI outcomes data from a study examining its Ortho-R technology in the biologic repair of rotator cuff injuries. Conducted by Polytechnique, the pilot dose escalation study used MRI outcomes, to compare the results of Ortho-R versus standard of care in a non-clinical rotator cuff injury model in sheep. In this study, treatment with Ortho-R was shown to significantly improve healing, as measured by gap reduction between the tendon and bone, versus standard of care, with the highest Ortho-R dose having the greatest effect.

In June 2018, the Corporation announced positive outcomes data from a study examining its Ortho-R technology in the biologic repair of rotator cuff injuries. Conducted by researchers from Polytechnique, the dose ranging study used histopathology, the microscopic examination of biological tissues, to compare the results of Ortho-R versus standard of care in a non-clinical rotator

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

2019 Highlights – *cont'd*

cuff injury model in sheep. In this study, treatment with Ortho-R was shown to improve healing versus standard of care, with the highest Ortho-R dose having the greatest effect. Treatment with Ortho-R showed improvements in the structural organization of the tendon and the structural appearance of the tendon insertion site. In addition, clinical signs and histopathology showed no treatment-specific adverse effects, suggesting high safety of Ortho-R.

In August 2018, the Corporation signed a letter of agreement with Polytechnique for a three-year collaborative research and development contract for a total amount of $887 payable over 3 years commencing September 1, 2018.

In September 2018, Ortho RTI announced that it entered into an agreement with a leading CMO to commence work for providing the Corporation with cGMP grade material of Ortho-R required for clinical trials and strategic partnering initiatives.

On December 19, 2018 the Corporation signed a short-term loan agreement to finance its ITC's in an amount of $364. 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.

In January 2019, Ortho RTI initiated a 6-month pivotal animal study on Ortho-R for rotator cuff repair. The pivotal study is designed and powered to show statistically significant healing for rotator cuff repair by way of MRI and Histopathology. The study is also designed to assess whether the repair could be accelerated or further improved with a higher dose of Ortho-R. This study represents the last development step prior to being able to file an IND with the FDA in order to start human trials on Ortho-R.

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, 2019.

	2019 **$**	2018 $	*Change* *$*	*Change* *%*
Expenses				
R&D	**1,082**	652	*430*	*+66%*
G&A	**1,223**	1,136	*87*	*8%*
Financial	**94**	234	*(140)*	*-60%*
Total Operating Expenses	**2,399**	2,022	*377*	*19%*
Net loss and comprehensive loss	**2,399**	2,022	*377*	*19%*

Revenue

There was no revenue generated for FY-19, and FY-18.

Expenses

Operating expenses were $2,399 for the year as compared to $2,022 for the prior year representing a 19% increase. R&D expenses increased as Ortho RTI continued to progress towards the commencement of its first human clinical program planned for 2020. R&D activities in 2019 included the initiation of scale-up and manufacturing activities of cGMP grade Ortho-R material, as well as the start of a large animal study representing the final step prior to filing an IND in the US. G&A expenses remained stable with a nominal 8% increase. The nominal increase related to more active investor relations activities.

Research and development costs

For the respective periods, R&D costs consisted of:

	2019 **$**	2018 $	*Change* *$*	*Change* *%*
Research costs	**28**	461	*(433)*	*-94%*
Development costs	**1,036**	316	*720*	*+228%*
Patent costs	**189**	86	*103*	*+120%*
Amortization – intangible asset	**32**	24	*8*	*+33%*
Depreciation – equipment	**57**	-	*57*	*+100%*
Total	**1,342**	887	*455*	*+51%*
Investment tax credit	**(260)**	(235)	*(25)*	*+11%*
Total	**1,082**	652	*430*	*+66%*

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

Research and development costs – *cont'd*

Research costs included amounts paid under a contract with Polytechnique for work conducted on Ortho-C and Ortho-V. Research costs were $28 for the year as the Ortho-C contract was completed in May 2018, which represents four months in FY-19 compared to twelve months in FY-18.

Development costs included costs related to work performed under a Collaborative Research and Development contract with Polytechnique for Ortho R and Ortho M as well as expenses related to third party development, manufacturing, and regulatory work, which included the initiation of a large animal study before the end of the period.

Patent prosecution costs increased by $103 year over year as our patent portfolio continued to progress in the various jurisdictions included the commencement of national phases in Europe.

Depreciation costs were $57 for FY-19 as scientific equipment previously purchased by the Corporation is now in use.

The timing of R&D costs per project since inception is as follows:

	Ortho R	**Ortho M**	**Ortho C**	**Total**
	$	$	$	$
Expenditures incurred in prior years	**944**	800	496	2,240
Additional expenditures in FY-19	**998**	37	28	1,063
Total accumulated expenditures	**1,942**	**837**	**524**	**3,303**

The table above demonstrates that emphasis put by Ortho RTI's management on moving Ortho-R forward as the first indication for the Corporation's biopolymer platform.

General and administrative expenses

For the respective periods, G&A expenses consisted of:

	2019	2018	*Change*	*Change*
	$	$	*$*	*%*
Professional and consulting	**370**	286	*85*	*+29%*
Office and administrative	**719**	645	*74*	*+11%*
Share-based compensation	**134**	205	*(71)*	*-35%*
Total G&A expenses	**1,223**	1,136	*88*	*+8%*

Overall G&A expenses increased by $88 as compared to the year-ago period. Professional and consulting fees increased by $85 due to an increase in investor relations activities and fees paid to outside firms. The Corporation retained the services of these firms to seek guidance and assistance in developing market strategies to broaden its shareholder base.

Office and administrative expenses increased due partly to a severance paid to the former chief financial officer. Share-based compensation was lower when comparing the YTD periods. The decrease in the period was due to the fact that fewer options were granted in the current period.

Financial charges

For the respective periods, financial charges consisted of:

	2019	2018	*Change*	*Change*
	$	$	*$*	*%*
Interest and bank charges	**54**	52	*2*	*+4%*
Interest on convertible loan	**98**	75	*23*	*+31%*
Change in fair value of Class "A" shares	**-**	107	*107*	*-100%*
Gain on debt extinguishment	**(58)**	-	*(58)*	*+100%*
Total	**94**	234	*(140)*	*-60%*

Polyvalor had an agreement with the Corporation that would require it to redeem Polyvalors' shares of the Corporation at fair value, if those shares were not listed on a recognized stock exchange by June 19, 2022. On October 10, 2017, the Corporation listed its shares on the CSE and therefore, these shares met the criteria for classification to equity. On this date the Corporation determined that the fair value of the shares as $ 0.50, and a loss was recorded when these equity instruments were reclassified from a financial liability to equity in FY-18.

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

Financial charges – *cont'd*

In FY-19, a gain was recorded on debt extinguishment when the Corporation determined that the revised terms of the extension of the convertible debt were substantially different than the original terms of the loan. As a result, the Corporation accounted for the loan as an extinguishment of the original loan and the recognition of a new financial liability.

Excluding the aforementioned items, financial charges increased in FY-19 as compared to the year ago period as a result of an additional period of interest accretion on the convertible debt.

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-19.

	2019 $	2018 $	*Change* $	*Change* %
Cash	**524**	450	*74*	*+16%*
Current assets	**998**	649	*349*	*+54%*
Investment tax credits (ITC) (current & non-current)	**378**	403	*(25)*	*-6%*
Intangible Assets	**428**	460	*(32)*	*-7%*
Non-current assets	**606**	863	*(257)*	*-30%*
Total assets	**1,604**	1,512	*92*	*+6%*
Liabilities - current	**1,338**	758	*580*	*+77%*
Liabilities - non-current	**854**	607	*247*	*+41%*
Total liabilities	**2,192**	1,365	*827*	*+61%*
Common shares	**5,430**	3,843	*1,587*	*+41%*
Warrants	**665**	758	*(93)*	*-12%*
Contributed surplus	**718**	548	*170*	*+31%*
Deficit	**7,401**	5,003	*2,398*	*+48%*

Cash

The cash situation at the end of the period improved by 16% as compared to the previous year position, as a result of Ortho RTI securing ITC financing as well as the collection of part of the ITC filed for prior periods.

Investment Tax Credits

Total current and non-current ITC's have decreased by 6% as the Corporation collected $285 for prior periods vs the addition of $260 representing new claims made or to be made.

Intangible Asset

Ortho RTI is the owner of 4 patent applications filed since 2009. It also owns improvements to the technology discovered through work it funded at Polytechnique. The current patent portfolio includes the following:

(i) 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;

(ii) Patent Family No.2: Novel formulation of physiological biopolymer-inorganic salt solution/blood mixtures for tissue repair;

(iii) 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;

(iv) 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 deposition.

The $32 reduction represents amortization for FY-19, compared to $24 in FY-18.

Liabilities

Liabilities are comprised of accounts payable in the amount of $974 compared to $246 last year, ITC loans in the amount of $364 compared to $273 last year, a note payable of $139 compared to $239 last year, a convertible loan in the amount of $652 compared to $607 and a derivative liability of $63 compared to nil last year as at January 31, 2018.

The large increase in accounts payable between the two year-end periods is due to the start of a large animal study in the last month of the year 2019 which led to the Corporation being invoiced for amounts totaling $267 prior to year-end 2019.

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

Liabilities – *cont'd*

On December 19, 2018 the Corporation signed a short-term loan agreement to finance its ITC's in an amount of $364. 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 note payable is due to Manitex, the Corporation's largest shareholder, bears interest at 12% and matures on February 1, 2020. Also, notwithstanding the maturity date, the note shall be repayable upon closing of a private placement or other equity or loan financing with net proceeds of a minimum of $2.5 million.

On January 31, 2019, the maturity of the convertible loan was extended to February 1, 2020. The original loan amount plus accrued interest is now repayable on February 1, 2020. As a result of this extension, the interest rate was increased from 10% to 12 %. The agreement was also amended to include that any time until the maturity date, Manitex may notify in writing the Corporation 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) one (1) dollar per Class "A" share or (ii) the price per Class "A" share offered to investors in the course of an external round of financing 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 has closed within thirty (30) days prior to the date of the notice.

Summary of Quarterly Results

The following table sets out the Corporation's selected unaudited quarterly financial information for the eight quarters ended January 31, 2019. This information is derived from unaudited quarterly financial statements prepared by management and in accordance with IFRS and is expressed in Canadian dollars. 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.

	FY-19				FY-18			
	Q4 $	Q3 $	Q2 $	Q1 $	Q4 $	Q3 $	Q2 $	Q1 $
Net R&D costs	**743**	145	81	113	279	226	82	65
Share-based compensation	**36**	50	25	23	49	51	99	6
Other G&A expenses	**149**	330	339	271	248	323	263	97
Financial expenses (income)	**(19)**	29	39	45	65	163	(21)	27
Net loss for the quarter	**909**	554	484	452	641	763	423	195
Loss per share (Basic and diluted):	0.04	0.02	0.02	0.02	0.03	0.04	0.02	0.02

There are three main categories of expenses: R&D costs, G&A and financial expenses. R&D Costs represents all costs prior to taking into account the ITC's related to those costs. Net R&D costs represents the R&D costs less ITC provisions to be claimed after year-end. G&A expenses include 1) share-based compensation for the issuance of options to senior management, staff, board of directors, scientific advisory board and consultants working for the Corporation, as well as 2) salaries for non-scientific management and support staff, recurrent professional and consulting fees, expenses for audit and tax related matters, in-house counsel, fees paid to investor relations firms.

R&D costs have fluctuated from quarter to quarter depending on the timing of work performed by our partners and suppliers. The amount of R&D costs as well as ITC provisions have increased in the last quarter of FY-19 as the Corporation commenced its large pivotal animal study for testing Ortho-R for rotator cuff repair.

Share-based compensation decreased by $71 in FY-19 to $134 from $204 in FY-18. This was primarily due to the options granted to the new CEO in Q2-18 and to a new employee and members of the board and the advisory board, which form part of their compensation. In Q2-19, the Corporation granted options to two consultants for services to be rendered over the next 18 months and granted options to the new chief financial officer in September 2018.

Other G&A expenses have fluctuated from quarter to quarter. During Q2-19, the Corporation made changes to its senior management team, which resulted in the termination of the then acting CFO, and nomination of a new Senior Vice president and CFO. The net effects of this change included a severance payment paid in Q3-19 to the prior CFO, the net reduction of salaries/fees paid for the CFO role starting in Q3-19. Fees for maintenance and filing of patents have been consistent over the comparable periods. Other expenses, such as rent, insurance, and office expenses, have been relatively stable and had no significant impact on the overall amount.

Financial expenses decreased significantly in FY-19 as compared to FY-18, due to the repayment of the short-term loan agreement secured by investment tax credits and by the partial repayment of the unsecured note payable due to Manitex.

In addition, the non-cash item, that being a net change in the fair value of Class "A" shares in a net amount of $107, resulted from the shares being reclassified from a liability to equity. An equity instrument shall be measured at the carrying value of the financial liability at the date of reclassification. As of the Q3-18, the shares have been reclassified as equity at fair value.

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

Cash Flows, Liquidity and Capital Resources

Sources and Uses of Cash

	2019 $	2018 $
Provided by (used in):		
Operating activities	**(1,384)**	(1,920)
Investing activities	**(76)**	(196)
Financing activities	**1,534**	2,558
(Decrease) increase in cash	**74**	442
Cash, beginning of period	**450**	8
Cash, end of period	**524**	450

At the end of FY-19, the Corporation had cash resources of $524 compared to $450 at the end of FY-18. During FY-19, the Corporation closed a financing agreement in the amount of approximately $1,504, prior to deducting issue costs of $67, and used approximately $1,384 to fund operating activities and another $76 to purchase laboratory equipment required to complete the scale-up manufacturing of its proprietary biopolymer in anticipation of the initiation of human clinical trials for testing Ortho-R for rotator cuff repair. In addition, the Corporation repaid the short-term loan of $279 and secured a new ITC loan for $389.

At the end of the year, these cash resources may be insufficient to sustain operations through the end of the fiscal year in terms of funding operating activities and continuing the preclinical development plan with the CMO and CRO. Ortho RTI continues to seek financing from institutional life science investors based in Canada as well as the United States.

Future financing

As at January 31, 2019, Ortho RTI had 3,550,713 warrants outstanding exercisable at $0.70 and 19,000 warrants outstanding exercisable at $0.50. These warrants are currently in-the-money. All of the warrants contain a trigger provision that provides the Corporation with the discretionary ability to accelerate the expiry date to a period of 30 days: if the Corporation's weighted average share price for 30 consecutive trading days equals or exceeds $1.00 per share, the Corporation may give notice to the warrant holders that they must exercise their warrants within a period of 30 days from the date of receipt of such notice. Any warrants not exercised during this reduced exercise period will 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 $2,495. Considering the terms of the warrants outstanding at the end of FY-19, the Corporation proceeded with the extension of 905,000 warrants maturing on April 29, 2019 for an additional year. (See "Subsequent Event").

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 support operations going forward. The current focus in this regard is on securing private placements with accredited and institutional investors.

The Corporation's use of available funds over the coming year is of utmost concern to the Board. In order to secure the required capital necessary to fund its operations and development projects, the Corporation is actively attempting to raise funds through the issuance of equity or by securing strategic partners. Management continues to seek new investors from financial institutions and accredited investors.

Discussion of operating cash requirements

All four products in the Corporation's current portfolio will require a significant investment to increase their market value (through, for example, clinical trials) to attract a strategic partner. We currently estimate that an investment of at least $35 million will be required over time to complete the R&D process, including regulatory approvals and manufacturing validations for all four products. There are several areas where duplication between product lines can be avoided, for example in the manufacture of the chitosan material, which is common across our product platform. We therefore do not need to replicate manufacturing capability, or the associated costs, for each of the four products.

Ortho-R is in a pure development phase and represents our lead product for commercialization. We anticipate filing our IND application with the FDA in the later part of fiscal year 2020. Management estimates that funds required to complete pre-clinical and scale-up activities for Ortho-R, including G&A and other recurring costs total approximately $3 million.

Ortho-M 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

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

Discussion of operating cash requirements – *cont'd*

and will benefit from all cGMP activities performed on scaling-up Ortho-R. Consequently, management estimates that $1.5 million will required prior to submitting an IND 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 material 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 has entered on September 1, 2018 into $887 Collaborative R&D Agreement with Polytechnique to ensure access to Polytechnique's staff and expertise for the next three years.

Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements.

Fourth Quarter Analysis

Results of the Corporation for the three-month periods ending on January 31 were:

	Q4-19 $	Q4-18 $	*Change $*	*Change %*
Expenses				
R&D	**743**	279	*464*	*+166%*
G&A	**185**	297	*(112)*	*-38%*
Financial expenses	**(19)**	65	*(84)*	*-129%*
Total Operating Expenses	**909**	641	*268*	*+42%*
Net loss and comprehensive loss	**909**	641	*268*	*+42%*

Revenue

There was no revenue generated for Q4-19 and Q4-18.

Expenses

R&D expenses were $743 for Q4-19 as compared to $279 for Q4-18. The increase relates to the initiation of large animal studies prior to year-end 2019. G&A expenses decreased as a result of lower salaries paid to senior management.

Research and development costs

For the respective periods, research and development costs consisted of:

	Q4-19 $	Q4-18 $	*Change $*	*Change %*
Research costs	**-**	169	*(169)*	*-100%*
Development costs	**779**	49	*730*	*+1490%*
Patent costs	**105**	54	*51*	*+94%*
Amortization – intangible asset	**8**	7	*1*	*+14%*
Depreciation – equipment	**22**	-	*22*	*+100%*
Total	**914**	279	*635*	*+228%*
Investment tax credit	**(171)**	-	*(171)*	*+100%*
Total	**743**	279	*464*	*+166%*

Research costs relate to work on Ortho-C and Ortho-V. There were no activities for these two earlier stage projects during Q4-19 as the Corporation focused on advancing its lead projects Ortho-R and Ortho-M. Development costs represented the research contracts paid to Polytechnique for Ortho R and Ortho M and costs related to the ongoing pivotal studies. Patent prosecution costs increased by $51 on Q4-19 vs Q4-18 as two patent families advanced to national phases in Europe.

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

General and administrative expenses

For the respective periods, G&A expenses consisted of:

	Q4-19 $	Q4-18 $	*Change $*	*Change %*
Professional and consulting fees	**2**	72	*(70)*	*-97%*
Office and administrative	**147**	176	*(29)*	*-16%*
Share-based compensation	**36**	49	*(13)*	*-27%*
Total	**185**	297	*(112)*	*-38%*

Overall G&A expenses decreased by $112 in Q4-19 as compared to Q4-18. Professional and consulting decreased due to the reversal of $59 in previously accrued investor relations fees. Office and administration costs were also lower in Q4-19 compared to Q4-18 following a reduction of salary expenses paid to the CFO. Share-based compensation decreased between the two periods as fewer options were granted during the year resulting in a lower expense during the period.

Financial charges

For the respective periods, financial charges consisted of:

	Q4-19 $	Q4-18 $	*Change $*	*Change %*
Interest and bank charges	**14**	16	*(2)*	*-13%*
Interest on convertible loan	**25**	25	*-*	*0%*
Change in fair value of Class "A" shares	**-**	24	*(24)*	*-100%*
Gain on settlement of debt	**(58)**	-	*(58)*	*+100%*
Total	**(19)**	65	*(85)*	*-129%*

Excluding the gain recorded last year relating to the derecognition of a liability on the Corporations class A shares and the gain recorded on the debt extinguishment, financial charges have remained stable between Q4-18 and Q4-19.

Transactions with Related Parties

The following table details the related party transactions presented in the statements of loss for the periods ended:

	2019 $	2018 $
Transactions with key management members and members of the Board of Directors:		
Salaries and employee benefits expense	**148**	174
Share-based compensation to employees and directors	**84**	169
Consulting fees charged by a director, CEO and CFO	**293**	271
Consulting fees accrued for a director and acting CEO	**-**	10
Transactions with a family member of a director and acting CEO		
Consulting fees charged by the family member	**-**	15
Transactions with Manitex, a shareholder of the Corporation:		
Interest charged by Manitex	**119**	77
Consulting fees charged by Manitex	**-**	8
Transaction with École Polytechnique, a partner of Polyvalor:		
(Reversal of) accrued interest	**-**	(6)
Research and development costs	**318**	489

Compensation of key management includes directors, the President and CEO, and the Vice-President Finance and CFO.

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

Transactions with Related Parties – *cont'd*

The following table presents the related party transactions, other than the loan payable and convertible loan, presented in the statement of financial position as at:

	2019 **$**	2018 $
Accounts payable and accrued liabilities due to a director and acting CEO	**-**	10
Accounts payable due to Manitex, a shareholder of the Corporation	**150**	-
Transaction with Polyvalor, holder of 1,073,333 common shares:		
Amounts included in intangible asset	**116**	116

Use of Accounting Estimates and Judgements

The application of the Corporation's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, 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.

Please refer to Note 3 of the annual audited financial statements 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.

Recently adopted accounting policies

IFRS 9, Financial Instruments

The Corporation has adopted IFRS 9, Financial Instruments ("IFRS 9") effective February 1, 2018 on a modified retrospective basis, in accordance with the transitional provisions of IFRS 9. As such, comparative figures have not been restated. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments and includes a new model for hedge accounting aligning the accounting treatment with risk management activities. As detailed below, the Corporation has changed its accounting policy for financial instruments retrospectively, except where described below.

IFRS 9 includes a revised model for classifying financial assets, which results in classification according to a financial instrument's contractual cash flow characteristics and the business models under which they are held. At initial recognition, financial assets are measured at fair value. The following table presents the classification impacts on the financial assets and liabilities upon the adoption of IFRS 9. There was no significant impact with regards to the measurement of the financial assets and liabilities.

Asset / Liabilities	Classification under IAS 39	Classification under IFRS 9
Cash	Fair value through profit or loss	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Short-term debt	Other liabilities	Amortized cost
Loan	Other liabilities	Amortized cost
Note payable	Other liabilities	Amortized cost
Convertible loan	Other liabilities	Amortized cost
Derivative liability	Other liabilities	FVTPL

Financial instruments are recognized initially at fair value, and in the case of financial liabilities, not subsequently measured at fair value, net of directly attributable transaction costs. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled, or expired. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. Accounts payable and accrued liabilities, short-term debt, loans, note payable and convertible loans are classified as financial liabilities to be subsequently measured at amortized cost. The adoption of IFRS 9 did not result in a change in the carrying values of any of the Corporations financial liabilities on the transition date.

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

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

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.

Currency risk

The Corporation has cash and accounts payable and accrued liabilities denominated 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:

	USD $	CDN equivalent $
Cash	0.9	1.2
Accounts payable and accrued liabilities	(0.8)	(1.0)

For the comparative period the amount is not material.

If the foreign exchange rate had been 1% 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, including interest payments, as at year end 2019, and 2018:

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	974	974	603	371	-
ITC Loan	364	433	-	261	172
Note payable	139	155	-	-	155
Convertible loan	652	795	-	-	795
	2,130	2,358	603	632	1,122

As at January 31, 2018	*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	246	246	246	-	-
ITC Loan	273	279	-	279	
Note payable	239	277	124	154	-
Convertible loan	559	706	-	-	706
	1,317	1,508	370	432	706

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

(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.

Commitments

a) On June 19, 2015, the Corporation entered into three 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.

b) Effective January 1, 2018, the Corporation signed a sublease agreement for the period 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 two-month notice after the initial term of 6 months.

c) In August 2018, the Corporation signed a letter of agreement with Polytechnique for a three-year collaborative research and development contract for a total amount of $887 payable over 3 years commencing September 1, 2018.

The following table presents the minimum obligation over the next five years:

Year ending January 31,	Occupancy costs	R&D contract	**Total**
2020	24	444	468
2021	24	294	318
2022	22	74	96
	70	812	882

Subsequent events

a) On February 27, 2019 the Corporation announced the results of a Pre-IND meeting with the FDA. Ortho RTI confirmed that its development program was on track to initiate its first human clinical trial on Ortho-R for Rotator Cuff repair before year-end 2020. The Corporation also confirmed that its product characterization, safety and toxicology were found to be in order, thus requiring no further developments.

b) On April 29, 2019, a total of 905,000 warrants were extended from their original expiry date of April 29, 2019 to April 29, 2020. These warrants were issued in 2016 and 2017 and were originally issued as part of private placements.

Ortho Regenerative Technologies Inc.
Financial Statements
For the years ended January 31, 2019, and 2018

Ortho Regenerative Technologies Inc.
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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 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 have full and free access to, and meet periodically and separately with the Board, the Audit Committee and management to discuss their audit findings.

May 29, 2019

/s/ “Steven Saviuk ”	/s/ “Luc Mainville”
Chief Executive Officer	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, 2019 and 2018, and the statements of loss and comprehensive loss, statements of changes in shareholders' (deficiency) equity 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, 2019 and 2018, 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 of the financial statements, which indicates that the Company incurred a net loss of $2.4 million and used $1.4 million in cash for its operating activities. These conditions together with others indicated 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 29, 2019

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

Ortho Regenerative Technologies Inc.
Statements of Financial Position
For the years ended January 31, 2019 and 2018

	Note	2019 $	2018 $
Assets	(7)		
Cash		**523,538**	449,720
Sales tax receivable		**55,273**	6,048
Investment tax credits receivable		**377,790**	160,005
Prepaid expenses		**40,829**	32,954
Total current assets		**997,430**	648,727
Investment tax credits receivable		**-**	242,711
Equipment	(4)	**178,295**	159,707
Intangible asset	(5)	**428,028**	460,332
Total non-current assets		**606,323**	862,750
Total assets		**1,603,753**	1,511,477
Liabilities			
Accounts payable and accrued liabilities		**974,143**	245,942
Note payable	(8)	**-**	238,628
Investment tax credit loan	(7)	**363,900**	273,320
Total current liabilities		**1,338,043**	757,890
Note payable	(8)	**139,377**	-
Convertible loan	(9)	**652,280**	607,239
Derivative liability	(9)	**63,121**	-
Total non-current liabilities		**854,778**	607,239
Total liabilities		**2,192,821**	1,365,129
Shareholders' (deficiency) equity			
Common shares	(11)	**5,429,588**	3,842,500
Warrants	(11)	**664,754**	758,380
Contributed surplus	(11)	**717,846**	548,097
Deficit		**(7,401,256)**	(5,002,629)
Total shareholders' (deficiency) equity		**(589,068)**	146,348
Total liabilities and shareholders' (deficiency) equity		**1,603,753**	1,511,477

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

/s/ "Tom Wright", Director

/s/ "Brent Norton", Director

Ortho Regenerative Technologies Inc.
Statements of Loss and Comprehensive Loss
For the years ended January 31, 2019 and 2018

	Note	2019 $	2018 $
Expenses			
Research and development	*(14)*	**1,081,542**	651,816
General and administrative	*(15)*	**1,223,506**	1,135,650
Financial	*(16)*	**93,579**	234,193
		2,398,627	2,021,659
Net loss and comprehensive loss		**2,398,627**	2,021,659
Loss per share	*(12)*		
Weighted average number of common shares outstanding		**24,752,424**	17,330,526
Basic and diluted loss per common share		**0.10**	0.12

The number of shares held in escrow as at January 31, 2019, is 6,905,329 (10,357,972 – January 31, 2018)

Ortho Regenerative Technologies Inc.
Statements of Changes in Shareholders' (Deficiency) Equity
For years ended January 31, 2019 and 2018

	Note	Number of shares #	Share capital $	Warrants $	Contributed surplus $	Deficit $	Total shareholders' (deficiency) equity $
Balance, as at January 31, 2017		**14,093,166**	**1,200,031**	**238,000**	**276,115**	**(2,980,970)**	**(1,266,824)**
Issuance of units as equity	*(11)*	4,625,000	1,888,550	423,950	-	-	2,312,500
Transfer of shares presented as a liability	*(11)*	1,073,334	536,667	-	-	-	536,667
Conversion of debt into units as equity	*(11)*	800,000	320,000	80,000	-	-	400,000
Share issue costs	*(11)*	-	(95,875)	-	-	-	(95,875)
Issuance of warrants as issue costs	*(11)*	-	(19,105)	19,105	-	-	-
Exercised warrants	*(11)*	19,112	12,232	(2,675)	-	-	9,557
Share-based compensation	*(11)*	-	-	-	204,921	-	204,921
Conversion feature on convertible loan	*(9)*	-	-	-	67,061	-	67,061
Net loss for the year		-	-	-	-	(2,021,659)	(2,021,659)
Balance, as at January 31, 2018		**20,610,612**	**3,842,500**	**758,380**	**548,097**	**(5,002,629)**	**146,348**
Issuance of shares	*(11)(a)*	**3,760,000**	**1,504,000**	**-**	**-**	**-**	**1,504,000**
Exercised options	*(11)(a)*	**65,000**	**40,080**	**-**	**(33,578)**	**-**	**6,502**
Exercised warrants	*(11)(c)*	**16,812**	**11,924**	**(2,062)**	**-**	**-**	**9,862**
Expired warrants	*(11)(c)*	**-**	**-**	**(136,246)**	**136,246**	**-**	**-**
Settlement of note payable by issuance of shares	*(11)(a)*	**300,000**	**120,000**	**-**	**-**	**-**	**120,000**
Issuance of warrants	*(11)(c)*	**-**	**(21,716)**	**21,716**	**-**	**-**	**-**
Issuance of warrants pursuant to professional fees	*(11)(c)*	**-**	**-**	**22,966**	**-**	**-**	**22,966**
Share issue costs	*(11)(a)*	**-**	**(67,200)**	**-**	**-**	**-**	**(67,200)**
Share-based compensation	*(11)(b)*	**-**	**-**	**-**	**134,142**	**-**	**134,142**
Reversal of conversion feature on extinguishment	*(9)*	**-**	**-**	**-**	**(67,061)**	**-**	**(67,061)**
Net loss for the period		**-**	**-**	**-**	**-**	**(2,398,627)**	**(2,398,627)**
Balance, as at January 31, 2019		**24,752,424**	**5,429,588**	**664,754**	**717,846**	**(7,401,256)**	**(589,068)**

Ortho Regenerative Technologies Inc.
Statements of Cash Flows
For the years ended January 31, 2019 and 2018

	Note	2019 $	2018 $
Operating activities:			
Net loss from operations		**(2,398,627)**	(2,021,659)
Add items not affecting cash:			
Share-based compensation	*(11)*	**134,142**	204,922
Consulting fees paid by issuance of warrants and units		**22,966**	15,000
Depreciation and amortization		**89,315**	24,228
Amortization of finance charges		**10,506**	6,407
Gain on debt extinguishment	*(9)*	**(57,522)**	-
Net change in fair value of Class “A” shares	*(10)*	**-**	107,333
Interest settled by issuance of shares		**-**	16,000
Financial charges		**118,514**	109,958
Payment of interest on short-term debt		**(44,420)**	(20,903)
Net change in non-cash working capital items	*(13)*	**740,444**	(361,149)
Cash used in operating activities		**(1,384,682)**	(1,919,863)
Investing activities:			
Acquisitions of equipment		**(75,599)**	(159,707)
Acquisitions of intangible asset		**-**	(36,410)
Cash used in investing activities		**(75,599)**	(196,117)
Financing activities:			
Increase in operating loan		**-**	81,100
Proceeds from short-term debt	*(7)*	**388,600**	278,700
Repayment of short- term debt	*(7)*	**(278,700)**	-
Payment of debt issue costs		**(28,965)**	(12,648)
Issuance of shares or units	*(11)*	**1,504,000**	2,297,500
Proceeds from exercised warrants	*(11)*	**9,862**	9,557
Proceeds from exercised options	*(11)*	**6,502**	-
Payment of share or units issue costs	*(11)*	**(67,200)**	(95,875)
Cash provided by financing activities		**1,534,099**	2,558,234
Increase in cash		**73,818**	442,254
Cash, beginning of year		**449,720**	7,366
Cash, end of year		**523,538**	449,720

See note 13 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 were 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 sports medicine surgeries. The Corporation's proprietary biopolymer has been specifically designed to increase the healing rates of sports related injuries to tendons, meniscus, ligaments and cartilage. The polymer can be directly placed into the site of injury by a surgeon during a routine operative procedure without significantly extending the time of the surgery and without further intervention. Considering the significant bioactivity and residency of its proprietary biopolymer, Ortho RTi continues to assess its potential for other therapeutic uses outside of the soft tissue repair.

The accompanying 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 operations. As at January 31, 2019, the Corporation had a deficit of $7,401,256 and a negative working capital of $340,613. During the year ended January 31, 2019, the Corporation incurred a net loss of $2,398,627.

The ability of the Corporation to fulfill its obligations and finance its future activities depends on its ability to raise 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 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 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 29, 2018.

2. Summary of Significant Accounting Policies

a) *Basis of measurement*

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

b) *Functional and presentation currency*

These 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. Revenues and 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, 2019	January 31, 2018
End of period exchange rate	**1.3144**	1.2293
Period average exchange rate	**1.3034**	1.2910

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

c) *Statement of Compliance*

These 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 financial statements. The policies set out below have been consistently applied to all the periods presented.

The preparation of the Corporation's 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.

d) *Recently adopted accounting policies*

IFRS 9, Financial Instruments

The Corporation has adopted IFRS 9, Financial Instruments ("IFRS 9") effective February 1, 2018 on a modified retrospective basis, in accordance with the transitional provisions of IFRS 9. As such, comparative figures have not been restated. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments and includes a new model for hedge accounting aligning the accounting treatment with risk management activities. As detailed below, the Corporation has changed its accounting policy for financial instruments retrospectively, except where described below.

IFRS 9 includes a revised model for classifying financial assets, which results in classification according to a financial instrument's contractual cash flow characteristics and the business models under which they are held. At initial recognition, financial assets are measured at fair value.

The following table presents the classification impacts on the financial assets and liabilities upon the adoption of IFRS 9. There was no significant impact with regards to the measurement of the financial assets and liabilities.

Asset / Liabilities	Classification under IAS 39	Classification under IFRS 9
Cash	Fair value through profit or loss	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Short-term debt	Other liabilities	Amortized cost
Loan	Other liabilities	Amortized cost
Note payable	Other liabilities	Amortized cost
Convertible loan	Other liabilities	Amortized cost

Financial instruments are recognized initially at fair value, and in the case of financial liabilities, not subsequently measured at fair value, net of directly attributable transaction costs. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled, or expired. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The adoption of IFRS 9 did not result in a change in the carrying values of any of the Corporations financial liabilities on the transition date.

e) *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.

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

f) *Intangible asset*

The intangible asset of the Corporation includes intellectual property and technology acquired from a third party and is 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 will be 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 intangible asset as part of its periodic assessment for impairment of non-financial assets.

g) *Equipment*

Equipment is recorded at cost less accumulated amortization and accumulated impairment loss, if any. The equipment will be amortized over the estimated useful life on a declining balance basis over the next three years for computer equipment and five years for scientific equipment.

h) *Research and development*

Research costs, 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.

i) *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 asset 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.

j) Financial assets and liabilities

Financial assets and liabilities are initially recognized at fair value. Subsequent measurement and recognition of the changes in fair value of financial instruments depends upon their initial classifications. Any subsequent measurements of financial assets are recognized at amortized cost unless contractual terms require these measurements to be recognized at fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Fair value through profit or loss ("FVTPL") assets and other financial liabilities are subsequently measured at fair value with changes recognized in current period net income.

The following summarizes the Company's classification and measurement of financial assets and liabilities as at January 31, 2019:

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

j) Financial assets and liabilities – *cont'd*

	Measurement
Financial asset:	
Cash	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Short-term debt	Amortized cost
Loan	Amortized cost
Note payable	Amortized cost
Convertible loan	Amortized cost
Derivative liability	FVTPL

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.

k) 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.

l) *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 sales tax receivable or accounts payable and accrued liabilities in the statement of financial position.

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

m) ***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 units 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 earnings as accrued.

n) ***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 market 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.

o) ***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 period presented, the potentially dilutive effect of options, full warrants and convertible instruments have proved to be anti-dilutive.

p) ***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 Company views its operations and manages its business as one operating segment.

q) ***Leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of loss on a straight-line basis over the period of the lease.

r) ***Future accounting pronouncements***

The Corporation has not yet applied the following new standards, interpretations or amendments to standards that have been issued but are not yet effective. Unless otherwise stated, the Corporation does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 16, Leases

In January 2016, IFRS 16, Leases ("IFRS 16") was issued, which replaces IAS 17, Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. For lessees, IFRS 16 removes the classification of leases as either operating or financing and requires that all leases be recognized on the statement of financial position, with certain exemptions that include

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

r) *Future accounting pronouncements –* *cont'd*

IFRS 16, Leases *-cont'd*

leases of 12 months or less. The accounting for lessors is substantially unchanged. The standard is effective for annual periods beginning on or after January 1, 2019, to be applied retrospectively, or on a modified retrospective basis. The Corporation is currently assessing the impact of adopting this standard.

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 revenues, 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.

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 the Black-Scholes option pricing model. Several assumptions are used in the underlying calculation of fair values of the Corporation's stock options and warrants granted using the Black-Scholes option pricing model, including the expected life of the option or warrant, stock price volatility and forfeiture rates. Details of the assumptions used are included in Note 11.

Convertible loan

The calculation of the fair value of the debt component of the convertible loan 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 20% being the reasonable interest rate a comparable company in the biotech sector would likely pay in obtaining loans. Changes to these estimates may affect the carrying value of the convertible loan and the equity portion of convertible debentures.

Depreciation and amortization

Equipment is depreciated based on the estimated useful life less its residual value. The intangible asset is amortized based on the estimated life less its residual value. 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 a number of 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.

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

The following areas require management's judgments:

Investment tax credits

The amounts and the moment of the recognition of the investment tax credits receivable involve a certain degree of estimation and 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 amortization $	Carrying Value $
Balance as at January 31, 2017	-	-	-
Additions	159,707	-	159,707
Balance as at January 31, 2018	159,707	-	159,707
Additions	**75,599**	**(57,011)**	**18,588**
Balance as at January 31, 2019	**235,306**	**(57,011)**	**178,295**

5. Intangible Asset

	Cost $	Accumulated amortization $	Carrying Value $
Balance as at January 31, 2017	368,150	-	368,150
Additions	116,410	(24,228)	92,182
Balance as at January 31, 2018	484,560	(24,228)	460,332
Additions	**-**	**(32,304)**	**(32,304)**
Balance as at January 31, 2019	**484,560**	**(56,532)**	**428,028**

6. Operating Loan

The following table presents the changes in the operating loan during year:

	2019 **$**	2018 $
Opening balance	**-**	879,850
Additions	**-**	81,100
Settlement	**-**	(960,950)
Closing balance	**-**	-

The Corporation had a loan agreement with Manitex Capital Inc. ("Manitex"), a shareholder of the Corporation. This unsecured loan agreement bore interest at 8% per annum and amounts borrowed were due on demand. On April 27, 2017, the Corporation entered into a debt conversion and convertible loan agreement with Manitex, which settled the amount due on the operating loan and a portion of the interest accrued. The operating loan was settled as follow:

6. Operating Loan – *cont'd*

	Note	$
Operating loan		960,950
Accrued interest recorded in accounts payable		57,411
Total indebtedness		1,018,361
Settlement by issuance of a convertible loan	*(9)*	(600,000)
Settlement by issuance of 800,000 units	*(11)*	(400,000)
Amount that remained in accounts payable		18,361

7. Investment Tax Credit Loan

The following table presents the changes in the loan during year:

	2019 **$**	2018 $
Opening balance	**273,320**	278,700
Additions	**388,600**	-
Repayment	**(273,320)**	-
Transaction costs	**(34,345)**	(11,148)
Amortization of transaction costs	**9,645**	5,768
Total Loan	**363,900**	273,320

On September 12, 2017, the Corporation signed a short-term loan agreement to finance its 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 $11,148 were incurred on issuance of the loan and were netted against the proceeds of the loan. The transaction costs are amortized over the term of the loan and presented as a financial expense.

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 $28,965 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 financial expense.

8. Note Payable

On July 28, 2017, the Corporation and Manitex signed an unsecured note payable in the amount of $224,737, which included the amount of $18,361 described in *Note 6*. 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 initially due and payable in full, was extended to February 1, 2020. The note will continue to bear interest at 12% and will mature on February 1, 2020. Notwithstanding the extended maturity date, the note shall be payable upon the closing of a private placement or other equity or loan financing totalling aggregate net proceeds to the Corporation of a minimum of $2.5 million.

The note payable consists of the following as at January 31:

	Note	**2019** **$**	2018 $
Principal		**224,737**	224,737
Partial settlement by issuance of shares	*(11)*	**(120,000)**	-
Interest accrued		**34,640**	13,891
Total note payable		**139,377**	238,628

9. Convertible Loan

The following table presents the changes in the convertible loan during year end January 31:

	2019 $	2018 $
Opening balance	**607,239**	-
Additions	**-**	600,000
Accretion expense	**97,761**	75,162
Equity component, residual value	**67,061**	(67,061)
Fair value of the conversion feature allocated to a derivative liability	**(63,121)**	-
Gain on debt extinguishment	**(57,522)**	-
Transaction costs	**-**	(1,876)
Amortization of transaction costs	**862**	1,014
Total	**652,280**	607,239

The book value of the convertible loan on initial recognition consisted of the following as at January 31:

	2019 $	2018 $
Face value of the convertible loan upon conversion	**652,280**	600,000
Derivative liability component	**63,121**	-
Equity component	**-**	(67,061)
Total Convertible loan	**715,401**	532,939

On April 27, 2017, the Corporation converted a $600,000 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. Prior to maturity Manitex, at any time, 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, at any time, 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 financial expense. Transaction costs of $1,876 were incurred on the issuance of the convertible loan and were netted against the liability. The transaction costs allocated to the liability component will be amortized at the effective interest rate over the term of the convertible loan and will be presented as a financial expense.

On January 31, 2019, the maturity of the convertible loan was extended to February 1, 2020. The original loan plus accrued interest amounting to $705,000 at January 31, 2019 is now repayable on 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 in writing the Corporation 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 Borrower 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 has closed within thirty (30) days prior to the date of the notice.

9. Convertible Loan – *cont'd*

At the time of the extension, the convertible loan was separated into a debt host and derivative liability components. The Corporation determined that the revised terms of the extension were substantially different than the original terms of the loan and as a result, accounted for the loan as an extinguishment of the original loan and the recognition of a new financial liability at a fair value of $652,280 as at January 31, 2019. As a result, a gain on extinguishment of debt of $57,522 has been recorded in the statements of loss and comprehensive loss. The fair value of the debt host component was calculated using discounted cash flows for the convertible loan assuming an effective interest rate of 20%. 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 derivative liability component was determined at the time of the issue using a Black Scholes model to determine the fair value of the option based on the weighted average probabilities of occurrence. The option was calculated using a weighted average share price of $0.20, volatility of 133%, risk-free rate of 1.81%, expected life of 1 year which resulted in a fair value of $0.03. The debt host component will subsequently be measured at amortized cost using the effective interest rate method and is accreted up to the principal balance at maturity. The accretion will be presented as a financial expense.

10. Class "A" shares liability

As per the shareholders' agreement, in effect prior to the Corporation listing it's shares on the Canadian Securities Exchange ("CSE"), all shares previously held by *Polyvalor* had a put right associated with them allowing Polyvalor to require that the Corporation redeem the shares at fair value, if those shares were not listed on a recognized stock exchange by June 19, 2022. As those shares included a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset, they did not meet the criteria for classification as equity and therefore were classified as a liability. The liability was remeasured at fair value at each reporting date, with changes recorded in the statement of loss and comprehensive loss.

On October 10, 2017, the Corporation listed its shares on the CSE and satisfied its obligation as describe above. Therefore, starting October 10, 2017, those shares met the criteria for classification to equity. The Corporation determined the fair value of the Class A shares liability based on the opening quoted price of the day which was at $0.50. As per IAS 32, the equity instruments were reclassified from a financial liability to equity from the date when the instrument had all the features and meet the conditions of an equity instruments. An equity instrument shall be measured at the carrying value of the financial liability at the date of reclassification. As at October 10, 2017, the fair value of the liability was increased to $536,667 based on a value of $0.50 per share. Class "A" shares liability consists of the following:

		2019 **$**	2018 $
833,334 shares issued on June 19, 2015, held in escrow		-	**333,334**
240,000 shares issued on March 31, 2017	*(i)*	-	**96,000**
		-	**429,334**
Change in fair value of the shares		-	**107,333**
Fair value of 1,073,334 Class "A" common shares		-	**536,667**
Transfer of 1,073,334 Class "A" common shares to equity		-	**(536,667)**
		-	-

i. On March 31, 2017, the Corporation entered into a share for debt agreement, with École Polytechnique and Polyvalor, whereby the Corporation issued 240,000 of its common shares to Polyvalor at a deemed price of $0.50 per common share to satisfy $120,000 of the outstanding amounts owing to them. The amount represented the commitment of a non-refundable fee of $100,000 as per the Assignment and Transfer Agreement, an interest of $10,000 (notwithstanding any provision of the Assignment and Transfer Agreement), plus a premium of $10,000 to the principal amount, such that the total amount owed by the Corporation to École Polytechnique totaled $120,000. The shares were issued on March 31, 2017, had an aggregate fair value on that date of $96,000, based on the private placement closed on the same day. Accordingly, an amount of $80,000 was allocated to the intangible asset and a charge of $16,000 was recorded on the statement of loss and comprehensive loss as a financial expense.

11. Share Capital and other Equity Instruments

(a) Share capital

Authorized

Unlimited number of Class "A" common shares, no par value

Unlimited number of Class "AA" preferred shares, non-voting, non-cumulative dividends at the discretion of the directors, no par value

Unlimited number of Class "B" preferred shares, redeemable, non-voting, non-cumulative dividends of 1%, no par value

		Class "A"	
		#	$
Balance as at January 31, 2017		14,093,166	1,200,031
Issuance of shares	*(i)&(iv)*	4,595,000	1,773,570
Issuance of shares	*(i) &(ii)*	30,000	-
Issuance of shares	*(i)&(iii)*	800,000	320,000
Transfer of shares presented as a liability	*Note 10*	1,073,334	536,667
Exercised warrants	*(v)*	19,112	12,232
Balance as at January 31, 2018		**20,610,612**	**3,842,500**
Issuance of shares	*(vi) &(vii)*	**3,760,000**	**1,415,084**
Partial settlement of note payable by issuance of shares	*(viii)*	**300,000**	**120,000**
Exercise of options	*(ix)*	**40,000**	**18,829**
Exercise of options	*(x)*	**25,000**	**21,251**
Exercise of warrants	*(xi)*	**16,812**	**11,924**
Balance as at January 31, 2019		**24,752,424**	**5,429,588**

(i) Subscription price of $0.50 per unit, with each unit consisting of one Class "A" common share and one-half common share purchase warrant. A full warrant entitles the holder to acquire one common share at an exercise price of $0.70 per share at any time on or before the close of business on a date that is eighteen months from the subscription date. If, during the eighteen months after that date, the Corporation's weighted average share price for 30 consecutive trading days equals or exceeds $1.00 per share, the Corporation may give notice to warrant holders that they must exercise their warrants within a period of 30 days from the date of receipt of such notice. Using a stochastic model, the proceeds were allocated using the relative fair value method between the common shares and the half-warrant. The Corporation incurred $95,875 of share issue costs.

(ii) The Corporation settled a liability of $15,000 by the issuance of 30,000 units.

(iii) The Corporation entered into a debt conversion and convertible loan agreement with Manitex. $400,000 was converted into 800,000 units at a deemed price of $0.50 per unit. Using a stochastic model, the same values were allocated between the common shares and the half-warrant as to the placement concluded on April 28, 2017.

(iv) In connection with the private placements described in (i), the Corporation issued a total of 135,750 brokers' warrants, of which $19,105 was credited to warrants and debited as issue costs based on a stochastic model.

(v) A total number of warrants of 19,112 with an exercise price of $0.50 and a fair value of $0.14 were exercised resulting in total proceeds to the Corporation of $12,232.

(vi) Subscription price of $0.40 per share. The Corporation incurred $67,200 of share issue costs.

(vii) In connection with the private placements described in (vi), the Corporation issued a total of 145,500 brokers' warrants, of which $21,716 was credited to warrants and debited as issue costs based on a stochastic model.

(viii) The Corporation settled a partial amount of its note payable by the issuance of 300,000 shares to Manitex Capital for a fair value of $120,000 (*Note 8*).

11. Share Capital and other Equity Instruments – *cont'd*

(a) Share capital – *cont'd*

(ix) The Corporation issued a total of 40,000 common shares for the exercise of 40,000 options, for a cash consideration of $4,001 which was credited to share capital and $14,828, was debited from contributed surplus.

(x) The Corporation issued a total of 25,000 common shares for the exercise of 25,000 options, for a cash consideration of $2,501 which was credited to share capital and $18,750, was debited from contributed surplus.

(xi) The Corporation issued a total of 16,812 common shares for the exercise of 16,812 brokers' warrants, for a cash consideration of $9,862, which $11,924 was credited to share capital and $2,062 was debited from warrants.

Based on the escrow agreement filed with the *Autorité des Marchés Financiers*, 6,905,329 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, 2019	1,726,322
On October 10, 2019	1,726,322
On April 10, 2020	1,726,322
On October 10, 2020	1,726,363

(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. Options may be granted under the stock option plan to such directors, officers, employees or consultants of the Corporation and its affiliates, if any, as the Board of Directors may from time to time designate.

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.

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 a director, officer, employee, consultant or individual conducting investor relations activities ceases to hold office, 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.

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.

11. Share Capital and other Equity Instruments – *cont'd*

(b) Share based compensation – *cont'd*

The following table presents the common shares issuable on exercise of the share-based payment transaction granted during the current fiscal year.

	Number of Shares \#	Weighted Average Exercise Price $
Balance as at January 31, 2017	800,000	0.25
Granted during 2018	1,000,000	0.50
Forfeited during 2018	(100,000)	0.50
Balance as at January 31, 2018	**1,700,000**	**0.39**
Granted during 2019	**565,000**	**0.50**
Forfeited during 2019	**(75,000)**	**0.10**
Exercised during 2019	**(65,000)**	**0.10**
Balance as at January 31, 2019	**2,125,000**	**0.44**

The following options were granted in the respective reporting periods:

For the year ended January 31, 2019:

Number of options		Issue date	Expiry date	Exercise price $	Fair value of options $
300,000	*(i)*	September 18, 2018	September 18, 2023	0.50	0.16
165,000	*(ii)*	September 18, 2018	December 31, 2020	0.50	0.17
100,000	*(iii)*	June 19, 2018	December 19, 2019	0.50	0.14
565,000					

(i) The options vest 25% on date of the grant and then 25% at next three anniversaries of the grant.

(ii) The options vest based on performance criteria related to funds raised by the Corporation.

(iii) The options vest 25% on date of the grant and then every 6 months thereafter.

For the year ended January 31, 2018:

Number of options		Issue date	Expiry date	Exercise price $	Fair value of options $
100,000	(iv)	January 8, 2018	January 8, 2023	0.55	0.44
100,000	(v)	December 15, 2017	December 15, 2022	0.50	0.36
100,000	(iv)	September 26, 2017	September 26, 2022	0.50	0.20
100,000	(iv)	July 17, 2017	July 17, 2022	0.50	0.20
600,000	(vi)	May 17, 2017	May 17, 2022	0.50	0.20
1,000,000					

(iv) The options vest 25% every 6 months following the date of the grant.

(v) The options vest 25% every year commencing at the date of the grant.

11. Share Capital and other Equity Instruments – *cont'd*

(b) Share based compensation *– cont'd*

(vi) The options vest 40% at the grant date and 20% every 6 months following the grant date.

In total, $134,142 ($204,922 – 2018) of employees, consultants and directors' compensation expense has been included in the statement of loss and credited to contributed surplus.

The following options to purchase common shares were outstanding as at January 31, 2019:

Number of options outstanding		Number of options exercisable	Exercise price $	Remaining contractual life
260,000	(a)	185,000	0.10	1.50 years
1,300,000		636,800	0.50	2.33 years
100,000		50,000	0.55	3.94 years
465,000		75,000	0.50	4.63 years
2,125,000		**896,800**		

(i) As per the escrow agreement, 180,000 of these options are held in escrow and are subject to the same release conditions as described in *Note 11(a)*.

Under the Black-Scholes option-pricing model, the following assumptions were used when the options were granted:

	2019	2018
Weighted average share price	**$0.38**	$0.44
Weighted average risk-free interest rate	**2.22%**	1.43%
Weighted average volatility factor	**74.4%**	87.6%
Weighted average expected life (in years)	**4.0**	4.3
Weighted fair value of options	**$0.16**	$0.31

Volatility is determined based on the historical share price of comparable companies.

(c) Warrants

The following schedules present the common shares issuable on exercise of the full warrants and share-based payment transactions granted during the current fiscal year:

	Number of Shares #	Weighted Average Exercise Price $
Balance as at January 31, 2017	1,190,000	0.70
Granted during 2018	2,859,250	0.69
Exercised during 2018	(19,112)	0.50
Balance as at January 31, 2018	4,030,138	0.70
Granted during 2019	245,500	0.70
Expired during 2019	(689,113)	0.62
Exercised during 2019	(16,812)	0.63
Balance as at January 31, 2019	**3,569,713**	**0.70**

11. Share Capital and other Equity Instruments – *cont'd*

(c) Warrants *– cont'd*

As at January 31, 2019, the Corporation had outstanding warrants as follows:

Number of full warrants	Issue date	Expiry date	Exercise price $	Fair value of warrants $	Remaining contractual life in years
80,000	February 28, 2016	March 9, 2019	0.70	0.20	0.10
460,000	August 2, 2016*	August 2, 2019	0.70	0.20	0.50
480,000	March 31, 2017*	October 1, 2019	0.70	0.20	0.67
570,000	April 27, 2017*	October 29, 2019	0.70	0.20	0.74
207,500	June 28, 2017*	December 28, 2019	0.70	0.26	0.91
390,000	July 28, 2017*	January 29, 2020	0.70	0.22	0.99
19,000	July 28, 2017	April 29, 2019	0.50	0.15	0.24
932,713	October 31, 2017	April 29, 2019	0.70	0.10	0.24
25,000	October 27, 2017	June 11, 2019	0.70	0.10	0.36
160,000	December 6, 2017	June 6, 2019	0.70	0.21	0.35
100,000	February 13, 2018	August 13, 2019	0.70	0.23	0.53
143,000	May 30, 2018	November 1, 2019	0.70	0.15	0.56
2,500	July 19, 2018	January 28, 2020	0.70	0.11	0.66
3,569,713					**0.53**

*These warrants were extended for one year after their original expiry date. The total number of extended warrants is 2,107,500.

The following assumptions were used when the warrants were granted:

	2019	2018
Weighted average share price	**$0.61**	$0.48
Weighted average risk-free interest rate	**1.83%**	1.29%
Weighted average volatility factor	**74.9%**	88.9%
Weighted average expected life (in years)	**0.7**	1.5
Weighted fair value of warrants	**$0.18**	$0.17

Volatility is determined based on the historical share price of comparable companies.

12. Loss per share

Basic

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period January 31.

	2019	2018
Net loss for the year	**2,398,627**	2,021,659
Weighted average number of common shares outstanding	**24,752,424**	17,330,526
Basic loss per share	**0.10**	0.12

12. Loss per share – *cont'd*

The effect of dilution from 2,125,000 stock options and 3,569,713 warrants were excluded from the calculation of weighted average number of shares outstanding for diluted loss per share for the year ended January 31, 2019 as they are anti-dilutive. Effect of dilution from 1,700,000 stock options and 4,030,138 warrants were excluded from the calculation of weighted average number of shares outstanding for diluted loss per share for the year ended January 31, 2018 as they are anti-dilutive.

13. Supplemental Cash Flow Information

For the years end January 31, supplemental cash flow information consisted of:

	2019 **$**	2018 $
Net change in non-cash operating working capital items		
Sales tax receivable and prepaid expenses	**(12,683)**	(12,852)
Investment tax credits receivable	**24,926**	(57,711)
Accounts payable and accrued liabilities	**728,201**	(290,586)
Total	**740,444**	(361,149)

Non-cash transactions:	*Note*	**2019** **$**	2018 $
Acquisition of intangible asset by issuance of shares	*(11)*	**-**	80,000
Settlement of accounts payable by issuance of a note payable	*(11)*	**-**	224,737
Settlement of note payable by issuance of shares	*(11)*	**120,000**	-
Settlement of accrued interest by issuance of convertible loan	*(11)*	**-**	39,050
Settlement of operating loan by issuance of convertible loan	*(11)*	**-**	560,950
Settlement of operating loan by issuance of shares	*(11)*	**-**	400,000
Reclassification of liability shares transferred to equity	*(11)*	**-**	536,667

14. Research and Development Costs

For the years ended January 31, research and development costs consist of:

	2019 **$**	2018 $
Research expenses	**27,760**	120,144
Development costs	**1,035,378**	656,696
Patent costs	**189,451**	85,826
Amortization – intangible asset	**32,304**	24,228
Depreciation – equipment	**57,011**	-
	1,341,904	886,894
Investment tax credit	**(260,362)**	(235,078)
Total	**1,081,542**	651,816

15. General and Administrative costs

For the years ended January 31, general and administrative costs consist of:

	2019 $	2018 $
Office and administration	**718,510**	645,181
Professional and consulting	**370,854**	285,547
Share based compensation	**134,142**	204,922
Total	**1,223,506**	1,135,650

16. Financial Expenses

For the years ended January 31, financial expenses consist of:

	2019 $	2018 $
Accretion on convertible loan (note 9)	**97,761**	75,161
Interest on short-term debt and bank charges	**53,340**	51,699
Gain on debt extinguishment (note 9)	**(57,522)**	-
Change in fair value of Class “A” shares	**-**	107,333
Total	**93,579**	234,193

17. Personnel Costs

For the years ended January 31, personnel costs consist of:

	2019 $	2018 $
Salaries and employee benefits expense	**290,253**	256,284
Consulting fees paid in lieu of salaries	**292,580**	263,523
Share-based compensation for directors, officers and employees	**134,142**	187,195
Total	**716,975**	707,002

18. Income Taxes

(a) Details of the components of income taxes are as follows:

	2019 $	2018 $
Loss before income taxes	**(2,398,627)**	(2,021,659)
Basic income tax rate	**26.69%**	26.79%
Computed income tax recovery	**(640,234)**	(541,602)
Permanent differences	**31,945**	55,891
True-up and Other items	**162,488**	97,928
Change in enacted tax rates	**-**	4,357
Change in deferred tax assets not recognized	**445,801**	383,426
	640,234	541,602
Provision for income taxes	**-**	-

(b) The tax effects of significant items comprising the Corporation's net deferred tax assets and liabilities are as follows:

	2019 $	2018 $
Non-capital losses carried forward	**922,062**	756,087
R&D pool	**678,762**	378,071
Intangible & tangible assets	**-**	-
Financial and equity issues costs	**53,032**	62,075
Convertible loan	**30,581**	-
	1,684,437	1,196,233
R&D Federal investment credit		
Intangible & tangible assets	**(52,150)**	(1,594)
Convertible loan	**-**	(8,152)
	(52,150)	(9,746)
Deferred tax assets not recognized	**(1,632,287)**	(1,186,487)

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, 2019, the Corporation had accumulated non-capital losses for income tax purposes, which are available to be applied against future taxable income.

	Federal $	Provincial $
2036	568,512	422,700
2037	1,332,421	1,351,750
2038	441,807	440,353
2039	1,192,258	1,192,258
	3,534,998	3,407,061

(d) As at January 31, 2019, the Corporation had investment tax credits totalling $201,553 (2018 – $53,490), which are available to reduce income taxes for future years until 2039.

The Corporation has not recognized the above tax benefits and will recognize them when future profits are probable in the respective jurisdictions.

19. Financial Instruments

The Corporation categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observation of the inputs used in the measurement. For the year ended January 31, 2018, the Corporation has carried at fair value cash in Level 1. At January 31, 2019, the Company's only financial instrument measured at fair value is derivative liability, which is considered a Level 2 instrument. There were no transfers between levels during the year.

The three levels are defined as follows:

a) Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets.

b) 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

c) 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 Company's assets and liabilities.

	Date of Valuations	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Liabilities measured at fair value				
Derivative liability*	**January 31, 2019**	-	63,121	-

	Date of Valuations	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value				
Cash*	January 31, 2018	449,720	-	-

**The carrying value of these financial assets is equal to their fair value.*

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 Company 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.

20. 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.

20. 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 note payable, investment tax credit loan 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. 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:

	USD **$**	**CDN equivalent** **$**
Cash	918	1,207
Accounts payable and accrued liabilities	(800)	(1,052)

For the comparative period the amount is not material.

If the foreign exchange rate had been 1% 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, 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	**974,143**	974,143	603,377	370,766	-
Loan*	**363,900**	433,025	-	261,335	171,690
Note payable *	**139,377**	155,139	-	-	155,139
Convertible loan *	**652,280**	795,384	-	-	795,384
	2,129,700	2,357,691	603,377	632,101	1,122,213

*Includes interest payments to be made at the contractual rate.

20. Financial Risk Factors – *cont'd*

(c) Liquidity risk – *cont'd*

January 31, 2018

	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	245,942	245,942	245,942	-	-
Loan *	273,320	278,700	-	278,700	-
Note payable *	238,628	277,432	123,806	153,626	-
Convertible loan *	558,825	705,862	-	-	705,862
	1,316,715	1,507,936	369,748	432,326	705,863

*Includes interest payments to be made at the contractual rate.

(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 sufficient 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.

21. Related party transactions

The following table presents the related party transactions presented in the statement of loss for the years ended January 31:

	2019 **$**	2018 $
Transactions with key management and members of the Board of Directors:		
Salaries and employee benefits expense	**148,013**	174,170
Share-based compensation to employees and directors	**83,682**	168,745
Consulting fees charged by a director, CEO and CFO	**292,580**	271,250
Consulting fees accrued for a director and acting CEO	**-**	10,000
Transactions with a family member of a director and acting CEO		
Consulting fees charged by the family member	**-**	15,000
Transactions with Manitex, a shareholder of the Corporation:		
Interest charged by Manitex	**118,514**	77,344
Consulting fees charged by Manitex	**-**	8,100
Transaction with École Polytechnique, a partner of Polyvalor:		
(Reversal of) accrued interest	**-**	(6,215)
Research and development costs	**317,534**	488,800

21. Related party transactions – *cont'd*

The following table presents the related party transactions, other than the loan payable and the convertible loan, presented in the statement of financial position as at:

	2019 **$**	2018 $
Accounts payable and accrued liabilities due to a director and acting CEO	**-**	10,000
Accounts payable due to École Polytechnique, a partner of Polyvalor	**150,000**	-
Transaction with Polyvalor, holder of 1,073,333 common shares:		
Amounts included in intangible asset	**116,410**	116,410

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

22. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current fiscal year.

23. Commitments

a) On June 19, 2015, the Corporation entered into three 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.

b) Effective January 1, 2018, the Corporation signed a sublease agreement for the period 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 two-month notice after the initial term of 6 months.

c) In August 2018, the Corporation signed a letter of agreement with Polytechnique for a three-year collaborative research and development contract for a total amount of $886,650 payable over 3 years commencing September 1, 2018.

The following table presents the minimum obligation over the next five years:

Year ending January 31,	Occupancy costs	R&D Contract	**Total**
2020	24,000	444,068	**468,068**
2021	24,000	294,068	**318,068**
2022	22,000	73,514	**95,514**
	70,000	811,650	**881,650**

24. Subsequent events

a) On April 29, 2019, a total of 905,000 warrants were extended from their original expiry date of April 29, 2019 to April 29, 2020. These warrants were issued in 2016 and 2017 and were originally issued as part of private placements.