



Ortho Regenerative Technologies Inc.

Financial Report

July 31, 2019

Management’s Discussion and Analysis for the three- and six-month periods ending July 31, 2019

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

Management’s Responsibility for Financial Reporting

This Management’s Discussion and Analysis (“MD&A”) for Ortho Regenerative Technologies Inc. (the “Corporation” or “Ortho RTI”) provides an overview of the Corporation’s operations, performance and financial results for the three and six-month periods ended on July 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 September 30, 2019 and approved by Ortho RTI’s Board of Directors on September 30, 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 additional capital and the continuous support of its creditors. The Corporation believes its efforts to raise sufficient funds to support its activities will be successful, however, there is no assurance that funds will continue to be raised on acceptable terms. This indicates the existence of a material uncertainty that may cast a significant doubt about the 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 initiatives. 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	Abbreviation	Corporate & Operations
FY-19	The Fiscal Year ended on January 31, 2019	cGMP	current Good Manufacturing Practice
FY-20	The current fiscal year ending on Jan 31, 2020	CMO	Contract Manufacturing Organization
G&A	General and Administrative	CSE	Canadian Securities Exchange
ITC	Investment tax credits	FDA	US Food and Drug Administration
Q2-20	Second quarter 2020	IND	Investigational New Drug application with the FDA
Q1-20	First quarter 2020	MRI	Magnetic Resonance Imaging
Q4-19	Fourth quarter 2019	Ortho RTI	Ortho Regenerative Technologies Inc.
Q3-19	Third quarter 2019	Ortho-C	Proprietary biopolymer for Articular Cartilage repair
Q2-19	Second quarter 2019	Ortho-M	Proprietary biopolymer for Proprietary Biopolymer for Meniscus repair
Q1-19	First quarter 2019	Ortho-R	Proprietary biopolymer for Rotator cuff repair
Q4-18	Fourth quarter 2018	Ortho-V	Proprietary biopolymer for Osteoarthritis healing
Q3-18	Third quarter 2018	Polytechnique	Ecole Polytechnique de Montreal
R&D	Research and Development	PRP	Platelet-rich plasma
YTD	Year to date		

Overview of the Business

Ortho RTI has been incorporated under the Canada Business Corporations Act. The Corporation’s head office, principal address and registered office is located at 16667 Hymus Blvd., Kirkland, Quebec, Canada. The Corporation’s shares are publicly traded on the CSE under the symbol “*ORTH*.” The Corporation has 24,752,424 common shares that are issued and fully paid as of July 31, 2019 of which 5,179,007 shares are held in escrow.

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

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Overview of the Business – cont'd

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-PRP bioactive implant for Rotator Cuff repair
- **Ortho-M** - Testing the efficacy of our biopolymer-PRP bioactive implant for meniscus repair
- **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
- **Ortho-V** - Feasibility research on a freeze-dried biopolymer formulation combined with autologous biologics, tailored for intra-articular injections to provide visco-supplementation of articular joints and potentially gain disease modification outcomes in applications such as Osteoarthritis.

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

Ortho-R for Rotator Cuff repair

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

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

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

Progress made of the recent quarters have set the stage for achievements of major corporate/regulatory/strategic milestones over the current and upcoming calendar years. The following tables presents a summary of the projected milestones:

Past and Projected Milestones Calendar Year 2019-2021		Quarters/Years								
		Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	2021
Corporate / Strategic										
MTA collaboration	Initiation			☑						
	Results				■					
Chemistry - Manufacturing & Controls										
	Method Development & scale up validation			☑						
	cGMP clinical lot manufacturing				■					
Pre-clinical pivotal study										
6-month pivotal animal trial	start	☑								
	in-life results				■					
Ortho-R Clinical Trial - Rotator Cuff repair										
Pre-IND Meeting - FDA		☑								
US IND	IND Preparation				■					
	Filing					■				
	approval						■			
Phase I/II clinical trial	CRO Selection			☑						
	Sites selection & qualification				■	■				
	trial START					■				
	enrolment initiated						■			
	enrolment completed								■	
	interim results									■
	Completion									■

☑ Completed
■ Target completion

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

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Q2-20 Highlights

During Q2-20, the Corporation’s main activities consisted in funding development activities in relation to its lead project Ortho-R. Such activities continued to progress following the significant steps made in the last fiscal year. The 2019 year 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 IND application to initiate a Phase I/II human clinical trial on Ortho-R.

Other notable development and corporate highlights during the current fiscal year included:

In June 2019, the Company nominated Mr. Claude LeDuc as its new President and CEO. Mr. LeDuc has accumulated 32 years of senior executive, CEO and COO experience with private and Fortune 500 medical device and bio-pharma companies. Also, the Company appointed Messrs. Pierre Laurin and Claude LeDuc to its Board of Directors effective as of June 19, 2019. Both are well-known and seasoned industry veterans with a long track record of developing strategic biotherapeutic partnerships and successfully raising the capital required to develop world leading technologies.

The Corporation initiated a of non-brokered placement of up to \$1.0 million of unsecured convertible debentures units (the “Units”) with each Unit consisting of one 10% unsecured convertible debenture in the principal amount of \$1,000 (each, a “Debenture”) and 2,000 Class “A” share purchase warrants (a “Warrant”), each with an exercise price of \$0.50, expiring 24 months after the date of issuance of such Warrants, representing a 70% warrant coverage. The Debentures will be convertible at \$0.35 per share (the “Conversion price”) and will automatically convert into Common Shares of the Corporation at the Conversion Price in the event that the volume weighted average price (VWAP) over any 20 consecutive trading days is greater or equal to \$1.00. The net proceeds from the Private Placement will be used to fund research and development costs and for general corporate purposes. The securities issued under the Private Placement will be subject to a four-month hold period in accordance with applicable securities legislation. The Corporation may pay a commission or finder's fee to eligible parties in connection with the Private Placement, in compliance with applicable securities laws.

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.

	Q2-20	Q2-19	Change	YTD-20	YTD-19	Change
	\$	\$	%	\$	\$	%
Expenses						
R&D	194	112	73%	502	260	93%
G&A	405	334	21%	620	593	5%
Financial	63	38	66%	130	82	59%
Total Operating Expenses	662	484	37%	1,252	935	34%
Net loss and comprehensive loss	662	484	37%	1,252	935	34%

Revenue

There was no revenue generated for Q2-2020.

Expenses

Operating expenses were \$1,252 for YTD-20 as compared to \$935 for YTD-19 representing a 34% increase. R&D expenses increased 93% in YTD-20 as compared to the previous year. R&D activities picked up during the year as the Corporation made progress towards the initiation of a rotator-cuff clinical trial using Ortho-R. The Corporation continued to focus on prioritizing R&D activities while making continued efforts in controlling G&A expenses. G&A expenses remained stable in Q2-20 as compared to Q2-19 with a nominal 5% increase despite the \$120 severance payable as a result of the change of CEO. Before taking into account the severance charge, G&A expenses were 16% lower for the YTD-20 period as compared to the previous year and 15% lower in Q2-20 as compared to Q2-19. Financial expenses increase by 59%.

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Research and development costs

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

	Q2-20	Q2-19	Change	YTD-20	YTD-19	Change
	\$	\$	%	\$	\$	%
Research costs	-	7	-100%	-	28	-100%
Development costs	222	72	208%	538	167	222%
Patent costs	34	25	36%	69	49	41%
Amortization – intangible asset	8	8	-	16	16	-
Depreciation – equipment	17	-	100%	33	-	100%
Total	281	112	151%	656	260	152%
Investment tax credit	(87)	-	100%	(154)	-	100%
Total	194	112	73%	502	260	93%

There were no Research costs in FY-20 as the Corporation focused on advancing its Ortho-R rotator cuff project. 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 YTD-19 as the Ortho-C contract was completed in May 2018.

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 internal and external expenses related to development of our product pipeline. This includes regulatory work, manufacturing activities, pre-clinical and clinical work. The main reason for the increase in R&D spending FY-20 is the start of the 6-month pivotal study on Ortho-R. The study is required for the filing of the IND to start the rotator-cuff clinical trial. Other specific R&D activities in YTD-20 included the initiation of scale-up and manufacturing activities of cGMP grade Ortho-R material.

Patent prosecution costs increased by \$20 in YTD-20 as compared to YTD-19 as our patent portfolio continued to progress in the various jurisdictions included the commencement of national phases in Europe. Depreciation costs were \$17 for Q2-20 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	1,942	837	524	3,303
Additional expenditures in 2019	490	-	-	490
Total accumulated expenditures	2,432	837	524	3,793

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:

	Q2-20	Q2-19	Change	YTD-20	YTD-19	Change
	\$	\$	%	\$	\$	%
Professional and consulting	200	215	-7%	365	387	-6%
Office and administrative	157	93	69%	194	158	23%
Depreciation – right of use asset	4	-	100%	8	-	100%
Share-based compensation	44	26	69%	53	48	10%
Total G&A expenses	405	334	21%	620	593	5%

Overall G&A expenses in Q2-20 increased by \$71 compared to Q2-19 but included a non-recurrent \$120 severance charge. Professional and consulting fees decreased by \$15 due to investor relations activities being performed internally as opposed to using outside firms. During the YTD-20, the Corporation continued to benefit from savings on staff costs following the change of CFO which took place in Q3-19 and the termination of a senior scientific staff during the quarter which was made possible following the hiring of Ortho RTI's new CEO who possesses the required skills to assume such duties. As mentioned above, these savings were offset by a non-recurrent \$120 severance granted to the previous CEO on his departure. The staff changes made as well as internalization of certain activities will provide material savings going forward without affecting the quality and level of activity. Corporation's Share-based compensation was higher in Q2-20 when comparing the year ago periods as new options were granted to the new CEO and board member.

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Financial charges

For the respective periods, financial charges consisted of:

	Q2-20	Q2-19	Change	YTD-20	YTD-19	Change
	\$	\$	%	\$	\$	%
Interest and bank charges	28	13	115%	62	34	82%
Interest on convertible loan	35	25	40%	68	48	42%
Total	63	38	66%	130	82	59%

Financial charges increased in Q2-20 as compared to the year ago period as a result of higher interest rates on the Corporations 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.

	Q2-20	FY-2019	Change	Change
	\$	\$	\$	%
Cash	42	524	(482)	-92%
Current assets	292	998	(706)	-71%
ITC (current & non-current)	347	378	(31)	-8%
Intangible Assets	412	428	(16)	-4%
Non-current assets	751	606	145	+24%
Total assets	1,043	1,604	(561)	-35%
Liabilities – current	2,022	1,338	684	+51%
Liabilities - non-current	812	854	(42)	-5%
Total liabilities	2,834	2,192	(642)	29%
Common shares	5,430	5,430	-	-
Warrants	607	665	-58	-9%
Contributed surplus	829	718	111	15%
Deficit	8,657	7,401	(1,256)	+17%

Cash

The cash situation at the end of the period decreased by 94% as compared to the previous year position, as a result of Ortho RTI's funding its R&D activities. See "Subsequent Events" note a, and e.

Investment Tax Credits

Total current and non-current ITC's have decreased by 8% as the Corporation collected \$186 for prior periods vs the addition of \$155 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 \$9 reduction represents amortization for Q1-20.

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Balance Sheet Highlights – cont'd

Liabilities

Total liabilities as at July 31, 2019 have increased by 29% as compared to July 31, 2018 representing a \$641 increase. Short-term liabilities have increased by \$683 mainly as a result of 1) new loans of \$328 to be converted into the Non-Brokered Private Placement (See Subsequent Event note e), an increase in trade payables of \$312 and the note payable which is now payable in less than twelve months. The increase was partly offset by a reduction in ITC loans. Trade payables are mainly composed of R&D suppliers involved in the Ortho-R project and are being settled without compromising the progress of the Corporation's R&D activities.

While short-term liabilities increased, long-term liabilities decreased slightly by 5%.

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.

	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18
	\$	\$	\$	\$	\$	\$	\$	\$
Net R&D costs	194	308	743	145	112	148	279	226
Share-based compensation	44	10	36	50	26	23	49	51
Other G&A expenses	361	205	149	330	308	236	248	323
Financial expenses (income)	63	67	(19)	29	38	44	65	163
Net loss for the quarter	662	590	909	554	484	451	641	763
Loss per share (Basic and diluted):	0.02	0.02	0.04	0.02	0.02	0.02	0.03	0.04

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 increased by \$18 in Q2-20 to \$44 as compared to \$26 in the year ago period. This was primarily due to new options were granted in the quarter.

Other G&A expenses have fluctuated from quarter to quarter. During Q3-19, 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 to the prior CFO, resulting in the net reduction of salaries/fees paid for the CFO role starting in Q4-19. Fees for maintenance and filing of patents have been consistent over the comparable periods. It is expected that the recent changes to personal which took place in Q2-20 will have a material impact on G&A spending starting in Q3-20. 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 one of its shareholder Manitex.

In addition, Q3-19 was impacted by a non-cash item following a net change in the fair value of Class "A" shares in a net amount of \$107. This 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.

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Cash Flows, Liquidity and Capital Resources

Sources and Uses of Cash

	Q1-20 \$	Q1-19 \$
Provided by (used in):		
Operating activities	(656)	(835)
Investing activities	-	(1)
Financing activities	174	1,170
(Decrease) increase in cash	(482)	334
Cash, beginning of period	524	450
Cash, end of period	42	784

At the end of Q2-20, the Corporation had cash resources of \$42 compared to \$524 at the end of FY-19. During Q2-20, the Corporation and used approximately \$656 to fund operating activities and another \$139 on debt repayment and lease payment. Despite the limited liquidities, Ortho RTI continued to make significant progress towards the filing of its Ortho-R IND for rotator cuff repair. The Corporation is still on track to meet this important corporate milestone and has been able to secure arrangements with suppliers and/or the capital needed to meet its financial obligations.

See "Subsequent Events" note a, and e for information of financing activities which took place after Q2-20 and aimed at addressing the liquidity requirements of the Corporation.

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 July 31, 2019, Ortho RTI had 3,443,000 warrants outstanding exercisable at \$0.70. 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 \$2,410. Considering the terms of the warrants outstanding at the end of FY-19, the Corporation extended 905,000 warrants maturing on April 29, 2019 for an additional year.

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.

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Summary of Quarterly Results – cont'd

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 and will benefit from all cGMP activities performed on scaling-up Ortho-R. Consequently, management estimates that \$1.5 million will be required prior to submitting an IND application for testing Ortho-M in human for meniscus tear repair.

Ortho-C and Ortho-V are currently at an earlier stage of development and management does not intend to commit material sums to the advancement of these projects until it 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 a \$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.

Transactions with Related Parties

The following table details the related party transactions presented in the statements of loss for the periods ended on July 31. The following table presents the related party transactions presented in the statement of loss for the three months ended:

	Q2-20	Q2-19
	\$	\$
<i>Transactions with key management and members of the Board of Directors:</i>		
Salaries and employee benefits expense	-	83
Share-based compensation to employees and directors	46	35
Consulting fees charged by a director, CEO and CFO	60	150
<i>Transactions with Manitex, a shareholder of the Corporation:</i>		
Interest charged by Manitex	50	61
<i>Transaction with École Polytechnique, a partner of Polyvalor :</i>		
Research and development costs	147	72

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

	July 31, 19	July 31, 18
	\$	\$
Accounts payable and accrued liabilities due to a director, CEO and CFO (note 1)	163	-
Accounts payable due to École Polytechnique, a partner of Polyvalor	74	-
Transaction with Polyvalor, holder of 1,073,333 common shares:		
Amounts included in intangible asset	116	116

Note 1: this amount includes \$120 due to the prior acting CEO.

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

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.

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Use of Accounting Estimates and Judgements – cont’d

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.

IFRS 16, Leases

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

On initial adoption, the Corporation applied the following practical expedients permitted under the standard: (i) short-term leases and leases of low value assets (less than \$5,000) that have been identified at February 1, 2019 are not recognized on the condensed interim balance sheet; (ii) leases with terms ending within 12 months of February 1, 2019 are treated as short-term leases and have not been recognized on the condensed interim balance sheet; (iii) contracts that were not previously identified as containing a lease under the previous standard have not been reassessed under IFRS 16; (iv) initial direct costs were excluded from the measurement of right-of-use assets for the purpose of initial measurement on transition; (v) a single discount rate was used for remaining lease payments on leases with similar characteristics; (vi) the Corporation elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition; (vii) instead of performing an impairment review on the right-of-use assets at the date of initial application, the Corporation has relied on historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 20%.

Ortho Regenerative Technologies Inc.



Management's Discussion and Analysis for the three- and six-month periods ending July 31, 2019

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

IFRS 16, Leases – cont'd

The Corporation quantified the impact of IFRS 16 adoption on the 2020 opening consolidated balance sheet. On transition to IFRS 16, the Corporation recognized right-of-use assets and lease liabilities. This non-cash adjustment has been excluded from the Statement of Cash Flows. The impact on opening deficit was an increase of \$5.

The impact on transition is summarized below:

	February 1, 2019
Recognition of right of use assets	48
Recognition of lease liabilities	53

The following is a reconciliation of total operating lease commitments at January 31, 2019 to the lease liabilities recognized at February 1, 2019:

	February 1, 2019
Operating lease liabilities before discounting	96
Discounted using the incremental borrowing rate	(30)
Total lease liability recognized under IFRS 16 at February 1, 2019	66

The following is a reconciliation of lease liabilities to right of use asset at February 1, 2019:

	February 1, 2019
Operating lease liability at February 1, 2019	53
Lease payments prior to February 1, 2019	13
Depreciation prior to February 1, 2019	(18)
Right of use asset at February 1, 2019	48

Accounting policy applicable from February 1, 2019

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

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

The Corporation has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Management’s Discussion and Analysis for the three- and six-month periods ending July 31, 2019

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

Accounting policy applicable from February 1, 2019 – cont’d

As a lessor the Corporation classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not. Lease payments received under operating leases are recognized as income on a straight-line basis over the lease term.

Accounting policy applicable before February 1, 2019

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

Financial Risk Factors

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

(a) Credit risk

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

(b) Market risk

(i) Cash flow and fair value interest rate risk

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

(ii) Currency risk

The Corporation has cash and accounts payable and accrued liabilities denominated in U.S. dollars. 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:

	Foreign Currency \$	CDN equivalent \$
Cash – USD	1	1
Accounts payable and accrued liabilities – USD	(10)	(14)
Accounts payable and accrued liabilities – EUR	(1)	(1)
Accounts payable and accrued liabilities – GBP	(16)	(25)
Accounts payable and accrued liabilities – JPY	(435)	(5)

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.

Management’s Discussion and Analysis for the three- and six-month periods ending July 31, 2019

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

Financial Risk Factors – cont’d

(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 July 31, 2019	Carrying value	Contractual cash flows	Less than 60 days	60 days to 12 months	More than 12 months
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,287	1,287	470	817	-
Investment tax credit loan*	244	433	-	433	-
Loans* (See “Subsequent Event”)	328	344	-	344	-
Note payable * (See “Subsequent Event”)	147	155	-	155	-
Convertible loan * (See “Subsequent Event”)	720	795	-	795	-
	2,726	3,014	470	2,544	-

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

As at January 31, 2019	Carrying value	Contractual cash flows	Less than 60 days	60 days to 12 months	More than 12 months
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	975	975	602	371	-
Loan*	364	433	-	261	172
Note payable *	139	155	-	-	155
Convertible loan *	652	795	-	-	795
	2,130	2,358	602	632	1,122

*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.

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.

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

Year ending January 31,	Occupancy costs
2020	12
2021	24
2022	22
2023	-
2024	-
	58

Management's Discussion and Analysis for the three- and six-month periods ending July 31, 2019

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

Subsequent events

- a) In August 2019, the Corporation signed a new short-term loan agreement to finance its 2020 fiscal year ITC's in an amount of \$342. The loan is secured by a first-rank moveable hypothec on all assets, and bears interest at a fixed rate of 1.5% per month.
- b) In August 2019, the Company completed the in-life portion of the 6-month preclinical study required to start its rotator cuff Phase I/II clinical trial. The IND filing is anticipated by fiscal year-end. Ortho RTI started a 6-month pivotal preclinical study in January 2019 to provide the required data and address remaining FDA requirements in order to finalize the Phase I/II protocol. The in-life portion as well as data collection have been successfully completed. Final reporting is expected in the fall of 2019, along with other final IND requirements regarding manufacturing and stability.
- c) In August 2019, Ortho RTI announced the signing of a collaborative Material Transfer Agreement ("MTA") with a leading global Orthopaedic Company (the "Partner"). Under the terms of the MTA, a formulation of the Partner's commercial product will be evaluated for its properties when used in conjunction with Ortho's Ortho-R product. The work to be performed under the MTA is scheduled to be completed before 2019 year-end. Ortho RTI's proprietary biopolymer matrix acts as a biodegradable scaffold with great residency properties that can be used to retain any type of bioactive material, prolong their therapeutic effect and ultimately significantly improve benefits to patients. The agreement fits the Corporation's strategy of working with other companies to assess whether Ortho RTI's proprietary biopolymer platform could be used in conjunction with other companies' products for uses outside of our core focus. It also serves as a third-party validation of the Corporation's platform and dramatically increases commercial market opportunities.
- d) In September 2019 – Ortho RTI announced the selection of MCRA, LLC as its US based orthopedic specialty CRO, to conduct its upcoming Phase I/II rotator cuff Ortho-R human trial. The Ortho-R Phase I/II clinical trial plans to enroll 75 patients, randomized across 3 arms of 25 patients across multiple sites in the US. MCRA is a leading advisory firm and CRO focused on the neuro-musculoskeletal industry. MCRA has key relationships with hundreds of US surgical sites and has provided assistance to more than 600 companies including the top 10 largest US Orthopaedic companies. MCRA will be integrating regulatory and reimbursement expertise in conjunction with its CRO services for the Ortho-R Phase I/II clinical program.
- e) On September 30, 2019, the Corporation confirmed having received subscriptions totaling \$750 under its previously announced Non-Brokered Private Placement of unsecured convertible debenture units (the "Units"). Final terms of the Units are as follows: Each Unit consists of one unsecured convertible debenture in the principal amount of \$1,000 (each, a "Debenture") and 2,000 Class "A" share purchase warrants (each, a "Warrant"), with an exercise price of \$0.50, expiring 24 months after the date of issuance of such Warrants, representing a 60% warrant coverage. Debentures will be convertible at \$0.30 per share (the "Conversion price"). The Debentures will bear interest at a rate of 10% per annum from the date of issue, payable in cash, annually in arrears. In the event that the average VWAP over any twenty (20) consecutive trading days is greater or equal to \$1.00, the Corporation may give notice to the Warrant holder that it must exercise its remaining Warrants within a period of 30-days from the date of receipt of the notice, failing which the Warrants will automatically expire. The securities issued under the Private Placement will be subject to a four-month hold period in accordance with applicable securities legislation.
- f) Concurrent to the Convertible Debt Financing, the Corporation amended the terms of the Note payable of \$147, and the Convertible Loan of \$720, to allow both the Note and Convertible Loan to be converted in any kind of securities. Following such amendment, both the Note Payable and the Convertible loan plus accrued interest totalling \$894 were converted into the Non-Brokered Private Placement.
- g) On August 2, 2019 the Corporation extended 460,000 warrants maturing as at August 2, 2019, for an additional year. The exercise price of the warrant remained at \$0.70.
- h) On September 17, 2019 the Corporation extended 480,000 warrants maturing as at October 1, 2019, for an additional year. The exercise price of the warrant remained at \$0.70.

**Interim Condensed Financial Statements
(Unaudited)**

Ortho Regenerative Technologies Inc.

July 31, 2019

Ortho Regenerative Technologies Inc.

Interim Condensed Statements of Financial Position (Unaudited)

In thousands of Canadian dollars

As at	Notes	July 31, 2019	January 31, 2019
AS			
Current			
Cash		42	524
Sales tax receivable		22	55
Investment tax credits receivable		193	378
Prepaid expenses		35	41
Total current assets		292	998
Investment tax credits receivable		154	-
Equipment	(4)	145	178
Right of use asset	(5)	40	-
Intangible assets	(6)	412	429
Total assets		1,043	1,605
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current			
Accounts payable and accrued liabilities		1,287	975
Note payable	(9)	147	-
Lease liability	(7)	16	-
Investment tax credit loan	(8)	244	364
Loans	(10)	328	-
Total current liabilities		2,022	1,339
Lease liability	(7)	29	-
Note payable	(9)	-	139
Convertible loan	(11)	720	652
Derivative liability	(11)	63	63
Total liabilities		2,834	2,193
Shareholders' deficiency			
Common shares	(12)	5,430	5,430
Warrants		607	665
Contributed surplus		829	717
Deficit		(8,657)	(7,400)
Total shareholders' deficiency		(1,791)	(588)
Total liabilities and shareholders' deficiency		1,043	1,605

Going Concern Uncertainty (Note 1); Commitments (Note 21); Subsequent events (Note 22)

These unaudited condensed interim financial statements were approved and authorized for issuance by the Board of Directors on September 30, 2019.

"/s/ "Claude LeDuc" , Director

"/s/ "Steve Saviuk" , Director

The notes are an integral part of these unaudited interim condensed financial statements.

Ortho Regenerative Technologies Inc.

Interim Condensed Statements of Loss and Comprehensive Loss (Unaudited)

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

For the three- and six-months period ended July 31

	Notes	Three months ended		Six months ended	
		July 31 2019	July 31 2018	July 31 2019	July 31 2018
Expenses					
Research and development costs	(14)	194	112	502	260
General and administrative		405	334	620	593
Financial		63	38	130	82
Net loss and comprehensive loss					
		662	484	1,252	935
Loss per share					
Weighted average number of common shares outstanding		24,752,424	24,752,424	24,752,424	24,752,424
Basic and diluted loss per common share		0.03	0.02	0.05	0.04

The number of shares held in escrow as at July 31, 2019, is 5,179,007 (6,905,329 – January 31, 2019)

Ortho Regenerative Technologies Inc.

Statement of Changes in Shareholders' Equity (Deficiency)

(Unaudited)

In thousands of Canadian dollars

For the six-months period ended

	<i>Notes</i>	Number of shares	Share capital	Warrants	Contributed surplus	Deficit	Total Equity (Deficit)
Balance, as at January 31, 2018		20,610,612	3,843	758	548	(5,003)	146
Issuance of shares		3,760,000	1,504	-	-	-	1,504
Exercised options		25,000	21	-	(19)	-	2
Exercised warrants		16,812	12	(2)	-	-	10
Settlement of note		300,000	120	-	-	-	120
Issuance of warrants		-	(22)	45	-	-	23
Share issue costs		-	(67)	-	-	-	(67)
Share based compensation	(12)	-	-	-	48	-	48
Net loss for the period		-	-	-	-	(935)	(935)
Balance, as at July 31, 2018		24,712,424	5,411	801	577	(5,938)	851
Balance, as at January 31, 2019		24,752,424	5,430	665	717	(7,400)	(588)
Expired warrants	(12)	-	-	(58)	58	-	-
Share based compensation	(12)	-	-	-	54	-	54
Adjustment for adoption of IFRS 16	(2)	-	-	-	-	(5)	(5)
Net loss for the period		-	-	-	-	(1,252)	(1,252)
Balance, as at July 31, 2019		24,752,424	5,430	607	829	(8,657)	(1,791)

Ortho Regenerative Technologies Inc.

Interim Condensed Statement of Cash Flow (Unaudited)

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

For the six-months period ended July 31,

	Notes	2019	2018
Operating activities:			
Net loss from operations		(1,252)	(935)
Add items not affecting cash:			
Share-based compensation	(12)	54	48
Consulting fees paid by issuance of units		-	23
Depreciation and amortization		58	16
Amortization of finance charges		19	6
Payment of interest		(9)	(19)
Financial charges		84	79
Net change in non-cash working capital items	(13)	390	(53)
Cash used in operating activities		(656)	(835)
Investing activities:			
Acquisitions of equipment		-	(1)
Cash used in investing activities		-	(1)
Financing activities:			
Proceeds from short term debt		325	-
Repayment of short- term debt	(8)	(139)	(279)
Issuance of shares		-	1,504
Proceeds from exercised warrants		-	10
Proceeds from exercised options		-	2
Payment of share issue costs		-	(67)
Payment of lease obligation	(7)	(12)	-
Cash provided by financing activities		174	1,170
(Decrease) increase in cash		(482)	334
Cash, beginning of year		524	450
Cash, end of year		42	784

See note 13 for supplemental cash flow information

Ortho Regenerative Technologies Inc.

Notes to the Interim Condensed Financial Statements (Unaudited)

For the three and six-month periods ending July 31, 2019

In thousands of Canadian dollars

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. On October 10, 2017, the Corporation's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol ORTH.

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

The accompanying unaudited condensed interim 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 July 31, 2019, the Corporation had a deficit of \$8,657 and a negative working capital of \$1,730. During the three-month period ended July 31, 2019, the Corporation incurred a net loss of \$662.

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

Failure to obtain such additional financing could result in delay or indefinite postponement of the Corporation's strategic goals. These unaudited condensed interim 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 condensed interim financial statements were approved and authorized for issuance by the Board of Directors on September 30, 2019.

2. Summary of Significant Accounting Policies

a) Basis of measurement

These unaudited condensed interim 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 unaudited condensed interim financial statements are presented in Canadian dollars, which is also the functional currency of the Corporation.

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

	July 31, 2019	January 31, 2019
End of period exchange rate	1.3148	1.3144
Period average exchange rate	1.3283	1.3035

Ortho Regenerative Technologies Inc.

Notes to the Interim Condensed Financial Statements (Unaudited)

For the three and six-month periods ending July 31, 2019

In thousands of Canadian dollars

2. Summary of Significant Accounting Policies – cont'd

c) Statement of Compliance

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

The preparation of the Corporation’s unaudited condensed interim 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 16, Leases

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

On initial adoption, the Corporation applied the following practical expedients permitted under the standard: (i) short-term leases and leases of low value assets (less than \$5,000) that have been identified at February 1, 2019 are not recognized on the condensed interim balance sheet; (ii) leases with terms ending within 12 months of February 1, 2019 are treated as short-term leases and have not been recognized on the condensed interim balance sheet; (iii) contracts that were not previously identified as containing a lease under the previous standard have not been reassessed under IFRS 16; (iv) initial direct costs were excluded from the measurement of right-of-use assets for the purpose of initial measurement on transition; (v) a single discount rate was used for remaining lease payments on leases with similar characteristics; (vi) the Corporation elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition; (vii) instead of performing an impairment review on the right-of-use assets at the date of initial application, the Corporation has relied on historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 20%.

The Corporation quantified the impact of IFRS 16 adoption on the 2020 opening balance sheet. On transition to IFRS 16, the Corporation recognized right-of-use assets and lease liabilities. This non-cash adjustment has been excluded from the Statement of Cash Flows. The impact on opening deficit was an increase of \$5.

The impact on transition is summarized below:

	February 1, 2019
Recognition of right of use assets	48
Recognition of lease liabilities	53

The following is a reconciliation of total operating lease commitments at January 31, 2019 to the lease liabilities recognized at February 1, 2019:

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Operating lease liabilities before discounting	96
Discounted using the incremental borrowing rate	(30)
Total lease liability recognized under IFRS 16 at February 1, 2019	66

Ortho Regenerative Technologies Inc.

Notes to the Interim Condensed Financial Statements (Unaudited)

For the three and six-month periods ending July 31, 2019

In thousands of Canadian dollars

2. Summary of Significant Accounting Policies – cont'd

The following is a reconciliation of lease liabilities to right of use asset as at February 1, 2019:

	February 1, 2019
Operating lease liability at February 1, 2019	53
Lease payments prior to February 1, 2019	13
Depreciation prior to February 1, 2019	(18)
Right of use asset at February 1, 2019	48

Accounting policy applicable from February 1, 2019

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

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

The Corporation has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

As a lessor the Corporation classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not. Lease payments received under operating leases are recognized as income on a straight-line basis over the lease term.

Accounting policy applicable before February 1, 2019

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

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2. Summary of Significant Accounting Policies – cont'd

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 Corporation's 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.

f) Intangible assets

The intangible assets of the Corporation include intellectual properties and technologies 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. The intangible assets are amortized on a straight-line fifteen (15) years. The Corporation reviews the estimated useful lives and carrying value of its technology rights as part of its periodic assessment for impairment of non-financial assets.

g) Equipment

Equipment are recorded at cost less accumulated amortization. The equipment will be amortized over their 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 costs

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

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.

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2. Summary of Significant Accounting Policies – cont'd

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

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

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

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

	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.

Ortho Regenerative Technologies Inc.

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2. Summary of Significant Accounting Policies – cont'd

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 other receivables or accounts payable and accrued liabilities in the statement of financial position.

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 Corporation views its operations and manages its business in one operating segment.

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2. Summary of Significant Accounting Policies – cont'd

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.

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.

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.

The following areas require management's critical estimates:

Share-based payments and warrants

The Corporation measures the cost of share-based payments, either equity or cash-settled, 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 10*.

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 several factors including internal technical valuation, physical condition of the asset and experience with similar assets. Changes to these estimates may affect the carrying value of long-lived assets, net loss and comprehensive loss in future periods.

The following 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.

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4. Equipment

The following table presents the changes in equipment during the period:

	Cost	Accumulated amortization	Carrying Value
	\$	\$	\$
Balance as at January 31, 2019	235	(57)	178
Additions	(1)	(32)	(33)
Balance as at July 31, 2019	234	(89)	145

5. Right of use asset

The following table presents the changes in Right of use asset during the period:

	Cost	Accumulated amortization	Carrying Value
	\$	\$	\$
Balance as at February 1, 2019, on adoption of IFRS 16	66	(18)	48
Additions	-	(8)	(8)
Balance as at July 31, 2019	66	(26)	40

6. Intangible Asset

The following table presents the changes in intangible assets during the period:

	Cost	Accumulated amortization	Carrying Value
	\$	\$	\$
Balance as at January 31, 2019	485	(56)	429
Additions	-	(17)	(17)
Balance as at July 31, 2019	485	(73)	412

7. Lease liability

The following table presents the changes in the lease liability during the period:

	Six months ended July 31, 2019	Year ended January 31, 2019
	\$	\$
Balance at February 1 on adoption of IFRS 16	53	-
Interest expense	4	-
Lease payments	(12)	-
Balance as at July 31, 2019	45	-
Which consists of		
Current lease liability	16	-
Non-current lease liability	29	-

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.

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

Year ending January 31,	Occupancy costs
2020	12
2021	24
2022	22
	58

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8. Investment tax credit loan

The following table presents the changes in the Investment tax credit loan during the period:

	Six months ended July 31, 2019	Year ended January 31, 2019
	\$	\$
Opening balance	364	272
Additions	-	389
Repayment	(139)	(273)
Transaction costs	-	(34)
Amortization of transaction costs	19	10
Total Loan	244	364

9. Note Payable

The following table presents the changes in the note payable during the period:

	Six months ended July 31, 2019	Year ended January 31, 2019
	\$ (current)	\$ (non-current)
Principal	139	225
Partial settlement by issuance of shares	-	(120)
Interest accrued	8	34
Total note payable	147	139

10. Loans

The following table presents the changes in the loans during the period:

	Six months ended July 31, 2019	Year ended January 31, 2019
	\$	\$
Principal	325	-
Interest accrued	3	-
Total loans	328	-

11. Convertible Loan

The following table presents the changes in the convertible loan during the period:

	Six months ended July 31, 2019	Year ended January 31, 2019
	\$	\$
Opening balance	652	607
Fair value of option allocated to liability	-	(63)
Equity component residual value	-	67
Gain on debt extinguishment	-	(58)
Accretion expense	68	98
Amortization of transaction costs	-	1
Total Convertible loan	720	652

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12. Share Capital and other equity instruments

(a) Share capital

The Authorized Share Capital is composed of

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

Class "A" common shares	#	\$
Balance as at January 31, 2019	24,752,424	5,430
Balance as at July 31, 2019	24,752,424	5,430

Based on the escrow agreement filed with the *Autorité des Marchés Financiers*, 5,179,007 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 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, however, subject to earlier termination in the event of dismissal for cause, termination other than for cause or in the event of death, the term of any options granted under the stock option plan may not exceed 5 years.

Options granted under the stock option plan are not to be transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession to a qualified successor. In the event of death of an option holder, options granted under the stock option plan expire upon the earlier of the normal expiry date of the options or one year from the date of death of the option holder.

Subject to certain exceptions, in the event that an employee, director, officer, consultant 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.

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

	Number of Shares	Weighted Average Exercise Price
	#	\$
Balance as at January 31, 2019	2,225,000	0.44
Granted during the period	750,000	0.36
Cancelled during the period	(525,000)	0.50
Balance as at July 31, 2019	2,450,000	0.40

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12. Share Capital and other Equity Instruments – cont'd

During the period, 525,000 options were cancelled, and the recognized compensation related to these options amounted to \$8.

In total, \$54 (\$48 – 2018) of consultants and directors' compensation expense has been included in the statement of loss and credited to contributed surplus.

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.

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

Options outstanding	Options exercisable	Exercise price \$	Remaining contractual life
260,000 (a)	185,000	0.10	0.98 years
1,390,000	775,000	0.50	2.33 years
50,000	25,000	0.55	3.44 years
750,000	145,500	0.50	4.89 years
2,450,000	1,130,500		

(a) As per the escrow agreement, 180,000 of these options are held in escrow.

(c) Warrants

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

	Number of Shares #	Weighted Average Exercise Price \$
Balance as at January 31, 2019	3,569,713	0.70
Expired during the period	(126,713)	0.67
Balance as at July 31, 2019	3,443,000	0.70

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

Number of full warrants	Issue date	Expiry date	Exercise price \$	Fair value of full warrants \$	Remaining contractual life in years
460,000	August 2, 2016	August 2, 2019	0.70	0.20	0.26
480,000	March 31, 2017	October 1, 2019	0.70	0.20	0.42
570,000	April 27, 2017	October 29, 2019	0.70	0.20	0.50
207,500	June 28, 2017	December 28, 2019	0.70	0.26	0.66
390,000	July 28, 2017	January 29, 2020	0.70	0.22	0.75
905,000	October 31, 2017	April 29, 2020	0.70	0.10	1.00
100,000	February 13, 2018	August 13, 2019	0.70	0.23	0.29
143,000	May 30, 2018	November 1, 2019	0.70	0.15	0.51
2,500	May 30, 2018	November 1, 2019	0.70	0.11	0.51
3,258,000					0.49

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.

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13. Supplemental Cash Flow Information

For the six months ended July 31, supplemental cash flow information consisted of:

		2019	2018
		\$	\$
Net change in non-cash operating working capital items			
Sales tax receivable and prepaid expenses		48	(41)
Investment tax credits receivable		30	160
Accounts payable and accrued liabilities		312	(172)
Total		390	(53)
Non-cash transactions	Note	2019	2018
		\$	\$
Settlement of note payable by issuance of shares		-	120
Right of use asset	2	48	-

14. Research and Development Costs

For the three and six months ending July 31, research and development costs consist of:

	Three months ended		Six months ended	
	July 31,		July 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Research expenses	-	7	-	28
Development costs	222	72	538	167
Patent costs	34	25	69	49
Amortization – intangible asset	8	8	16	16
Depreciation – equipment	17	-	33	-
	281	112	656	260
Investment tax credit	(87)	-	(154)	-
Total	194	112	502	260

15. Personnel Costs

For the three and six months ending July 31, personnel costs consist of:

	Three months ended		Six months ended	
	July 31,		July 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Salaries and employee benefits expense	9	73	47	149
Share-based compensation for employees and directors and consulting fees paid in lieu of salaries	104	126	188	208
Total	113	199	235	357

16. Income Taxes

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	567	423
2037	1,332	1,352
2038	460	458
2039	1,192	1,192
	3,551	3,425

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16. Income Taxes – cont'd

As at January 31, 2019, the Corporation had investment tax credits totalling \$202 (2018 – \$53), which are available to reduce income taxes for future years.

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

17. Financial Instruments

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

as at July 31, 2019:	FVTPL	FVTOCI	Amortized cost
Financial asset:			
Cash	-	-	42
Financial liabilities:			
Accounts payable and accrued liabilities	-	-	(1,287)
Investment tax credit loan	-	-	(244)
Note payable	-	-	(147)
Loans	-	-	(328)
Convertible loan	-	-	(720)
Derivative liability	(63)	-	-
	(63)	-	(2,684)

As at January 31, 2019:	FVTPL	FVTOCI	Amortized cost
Financial asset:			
Cash	-	-	524
Financial liabilities:			
Accounts payable and accrued liabilities	-	-	(975)
Loan	-	-	(364)
Note payable	-	-	(139)
Convertible loan	-	-	(652)
Derivative liability	(63)	-	-
	(63)	-	(1,606)

The Corporation categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observation of the inputs used in the measurement. For the six months ended July 31, 2019 and twelve months ended January 31, 2019, the Corporation has carried at fair value financial instruments in Level 1. At July 31, 2019, the Corporation's only financial instrument measured at fair value is cash, which is considered a Level 1 instrument. There were no transfers between levels during the year. The three levels are defined as follows:

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

Level 2: Fair value is based on inputs other than quoted prices included within Level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs.

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

Date of Fair Value Measurement		(Level 1) \$	(Level 2) \$	(Level 3) \$
<u>July 31 2019</u>				
Assets	None	-	-	-
Liabilities	Derivative liability	-	63	-
<u>January 31 2019</u>				
Assets	None	-	-	-
Liabilities	Derivative liability	-	63	-

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17. Financial Instruments – cont'd

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

18. Financial Risk Factors

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

(a) Credit risk

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

(b) Market risk

(i) Cash flow and fair value interest rate risk

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

(ii) Currency risk

The Corporation has cash and accounts payable and accrued liabilities denominated in U.S. dollars. 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:

	Foreign Currency \$	CDN equivalent \$
Cash – USD	1	1
Accounts payable and accrued liabilities – USD	(10)	(14)
Accounts payable and accrued liabilities – EUR	(1)	(1)
Accounts payable and accrued liabilities – GBP	(16)	(25)
Accounts payable and accrued liabilities – JPY	(435)	(5)

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

	<i>Carrying value</i>	<i>Contractual cash flows</i>	<i>Less than 60 days</i>	<i>60 days to 12 months</i>	<i>More than 12 months</i>
as at July 31, 2019	\$	\$	\$	\$	\$
Financial liabilities					
Accounts payable and accrued liabilities	1,287	1,287	470	817	-
Investment tax credit loan*	244	433	-	433	-
Loans*	328	344	-	344	-
Note payable *	147	155	-	155	-
Convertible loan *	720	795	-	795	-
	2,726	3,014	470	2,544	-

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

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18. Financial Risk Factors – cont'd

	Carrying value	Contractual cash flows	Less than 60 days	60 days to 12 months	More than 12 months
As at January 31, 2019:	\$	\$	\$	\$	\$
Financial liabilities					
Accounts payable and accrued liabilities	975	975	603	372	-
Loan*	364	433	-	261	172
Note payable *	139	155	-	-	155
Convertible loan *	652	795	-	-	795
	2,130	2,358	603	633	1,122

*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 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.

19. Related party transactions

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

	July 31, 2019	July 31, 2018
	\$	\$
<i>Transactions with key management and members of the Board of Directors:</i>		
Salaries and employee benefits expense	-	83
Share-based compensation to employees and directors	46	35
Consulting fees charged by a director, CEO and CFO	60	150
<i>Transactions with Manitex Capital Inc., a shareholder of the Corporation:</i>		
Interest charged by Manitex Capital Inc.	50	61
<i>Transaction with École Polytechnique, a partner of Polyvalor</i>		
Research and development costs	147	72

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

	July 31, 2019	July 31, 2018
	\$	\$
Accounts payable and accrued liabilities due to a director, CEO and CFO	163	-
Accounts payable due to École Polytechnique, a partner of Polyvalor	74	-
Transaction with Polyvalor, holder of 1,073,333 common shares:		
Amounts included in intangible asset	116	116

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

20. Comparative figures

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

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21. Commitments

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.

22. Subsequent events

- a) In August 2019, the Corporation signed a new short-term loan agreement to finance its 2020 fiscal year ITC's in an amount of \$342. The loan is secured by a first-rank moveable hypothec on all assets, and bears interest at a fixed rate of 1.5% per month.
- b) In August 2019, the Company completed the in-life portion of the 6-month preclinical study required to start its rotator cuff Phase I/II clinical trial. The IND filing is anticipated by fiscal year-end. Ortho RTi started a 6-month pivotal preclinical study in January 2019 to provide the required data and address remaining FDA requirements in order to finalize the Phase I/II protocol. The in-life portion as well as data collection have been successfully completed. Final reporting is expected in the fall of 2019, along with other final IND requirements regarding manufacturing and stability.
- c) In August 2019, Ortho RTi announced the signing of a collaborative Material Transfer Agreement ("MTA") with a leading global Orthopaedic Company (the "Partner"). Under the terms of the MTA, a formulation of the Partner's commercial product will be evaluated for its properties when used in conjunction with Ortho's Ortho-R product. The work to be performed under the MTA is scheduled to be completed before 2019 year-end. Ortho RTi's proprietary biopolymer matrix acts as a biodegradable scaffold with great residency properties that can be used to retain any type of bioactive material, prolong their therapeutic effect and ultimately significantly improve benefits to patients. The agreement fits the Corporation's strategy of working with other companies to assess whether Ortho RTi's proprietary biopolymer platform could be used in conjunction with other companies' products for uses outside of our core focus. It also serves as a third-party validation of the Corporation's platform and dramatically increases commercial market opportunities.
- d) In September 2019, Ortho RTi announced the selection of MCRA, LLC as its US based orthopedic specialty CRO, to conduct its upcoming Phase I/II rotator cuff Ortho-R human trial. The Ortho-R Phase I/II clinical trial plans to enroll 75 patients, randomized across 3 arms of 25 patients across multiple sites in the US. MCRA is a leading advisory firm and CRO focused on the neuro-musculoskeletal industry. MCRA has key relationships with hundreds of US surgical sites and has provided assistance to more than 600 companies including the top 10 largest US Orthopaedic companies. MCRA will be integrating regulatory and reimbursement expertise in conjunction with its CRO services for the Ortho-R Phase I/II clinical program.
- e) On September 30, 2019, the Corporation confirmed having received subscriptions totaling \$750 under its previously announced Non-Brokered Private Placement of unsecured convertible debenture units (the "Units"). Final terms of the Units are as follows: Each Unit consists of one unsecured convertible debenture in the principal amount of \$1,000 (each, a "Debenture") and 2,000 Class "A" share purchase warrants (each, a "Warrant"), with an exercise price of \$0.50, expiring 24 months after the date of issuance of such Warrants, representing a 60% warrant coverage. Debentures will be convertible at \$0.30 per share (the "Conversion price"). The Debentures will bear interest at a rate of 10% per annum from the date of issue, payable in cash, annually in arrears. In the event that the average VWAP over any twenty (20) consecutive trading days is greater or equal to \$1.00, the Corporation may give notice to the Warrant holder that it must exercise its remaining Warrants within a period of 30-days from the date of receipt of the notice, failing which the Warrants will automatically expire. The securities issued under the Private Placement will be subject to a four-month hold period in accordance with applicable securities legislation.
- f) Concurrent to the Convertible Debt Financing, the Corporation amended the terms of the Note payable of \$147, and the Convertible Loan of \$720, to allow both the Note and Convertible Loan to be converted in any kind of securities. Following such amendment, both the Note Payable and the Convertible loan plus accrued interest totalling \$894 were converted into the Non-Brokered Private Placement.
- g) On August 2, 2019 the Corporation extended 460,000 warrants maturing as at August 2, 2019, for an additional year. The exercise price of the warrant remained at \$0.70.
- h) On September 17, 2019 the Corporation extended 480,000 warrants maturing as at October 1, 2019, for an additional year. The exercise price of the warrant remained at \$0.70.