Ortho Regenerative Technologies Inc.
Financial Statements
For the years ended January 31, 2018, and 2017

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Management's Responsibility

To the Shareholders of Ortho Regenerative Technologies Inc.:

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

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

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

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

May 15, 2018

/s/ "Dr. Brent Norton "
Acting Chief Executive Officer

/s/ "Jo-Anne Mainguy-Piché "
Chief Financial Officer

Independent auditors' report

To the shareholders of
Ortho Regenerative Technologies Inc.

We have audited the accompanying financial statements of **Ortho Regenerative Technologies Inc.**, which comprise the statement of financial position as at January 31, 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Ortho Regenerative Technologies Inc.** as at January 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Restated comparative information

The financial statements of Ortho Regenerative Technologies Inc. for the year ended January 31, 2017 (prior to the restatement of the comparative information described in note 4 to the financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on May 16, 2017.

As part of our audit of the financial statements of Ortho Regenerative Technologies Inc. for the year ended January 31, 2018, we also audited the adjustments described in Note 4 that were applied to restate the financial statements for the year ended January 31, 2017. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of Ortho Regenerative Technologies Inc. for the year ended January 31, 2017 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended January 31, 2017 taken as a whole.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which indicates that the Company incurred a net loss of $2,021,659 during the year ended January 31, 2018. This condition, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Ernst & Young LLP [1]

Montreal, Canada
May 15, 2018

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

Ortho Regenerative Technologies Inc.
Statements of Financial Position
As at

	January 31, 2018 $	January 31, 2017 $ *(Restated, Note 4)*	February 1, 2016 $ *(Restated, Note 4)*
Assets *(Note 8)*			
Cash	**449,720**	7,366	646,246
Sales tax receivable	**6,048**	14,928	30,168
Prepaid expenses	**32,954**	11,222	4,875
Investment tax credits	**160,005**	345,005	225,915
Total current assets	**648,727**	378,521	907,204
Deferred share issue costs	**-**	**-**	153,874
Investment tax credits	**242,711**	**-**	-
Equipment *(Note 5)*	**159,707**	-	-
Intangible asset *(Note 6)*	**460,332**	368,150	333,150
Total non-current assets	**862,750**	368,150	487,024
Total assets	**1,511,477**	746,671	1,394,228
Liabilities			
Accounts payable and accrued liabilities	**245,942**	800,311	858,139
Operating loan *(Note 7)*	**-**	879,850	240,000
Short-term debt *(Note 8)*	**511,948**	-	-
Total current liabilities	**757,890**	1,680,161	1,098,139
Convertible loan *(Note 9)*	**607,239**	-	-
Class “A” shares liability *(Note 10)*	**-**	333,334	333,334
Total non-current liabilities	**607,239**	333,334	333,334
Total liabilities	**1,365,129**	2,013,495	1,431,473
Shareholders’ equity (deficiency)			
Common shares *(Note 11)*	**3,842,500**	1,200,031	1,006,617
Warrants *(Note 11)*	**758,380**	238,000	130,000
Contributed surplus *(Note 11)*	**548,097**	276,115	146,060
Deficit	**(5,002,629)**	(2,980,970)	(1,319,922)
Total shareholders’ equity (deficiency)	**146,348**	(1,266,824)	(37,245)
Total liabilities and shareholders’ equity	**1,511,477**	746,671	1,394,228

Going Concern Uncertainty (Note 1); Commitments *(Note 18); Subsequent events (Note 19)*

“ /s/ Brent Norton”, Director

“/s/ Sharon Ludlow ”, Director

	2018	2017
	$	$ *(Restated, Note 4)*
Expenses		
Research and development costs *(Note 12)*	**651,816**	698,882
General and administrative expenses		
Professional fees	**96,638**	113,014
Consulting fees *(Note 17)*	**371,159**	215,859
Office and administrative *(Notes 13 & 17))*	**289,205**	349,506
Travel and promotion	**29,350**	47,897
Investor relations, transfer agent and filing fees	**144,376**	40,435
Share-based compensation *(Notes 11, 13 & 17)*	**204,922**	130,055
	1,787,466	1,595,648
Financial expenses		
Interest on short-term debt and bank charges	**51,699**	65,400
Interest and accretion on convertible loan *(Note 9)*	**75,161**	-
Change in fair value of Class “A” shares *(Note 10)*	**107,333**	-
	234,193	65,400
Net loss and comprehensive loss	**2,021,659**	1,661,048
Loss per share		
Weighted average number of common shares outstanding	**17,330,526**	13,603,359
Basic and diluted loss per common share	**0.12**	0.12

	Number of shares	*Share capital*	*Warrants*	*Contributed surplus*	*Deficit*	*Total equity*
Balance, as at February 1, 2016 *(restated, Note 4)*	12,966,666	1,006,617	130,000	146,060	(1,319,922)	(37,245)
Issuance of units as equity *(Note 11)*	1,080,000	451,400	-	-	-	451,400
Share issue costs *(Note 11)*	46,500	(257,986)	-	-	-	(257,986)
Issuance of warrants *(Note 11)*	-	-	108,000	-	-	108,000
Share-based compensation *(Note 11)*	-	-	-	130,055	-	130,055
Net loss for the year *(restated, Note 4)*	-	-	-	-	(1,661,048)	(1,661,048)
Balance, as at January 31, 2017, *(restated, Note 4)*	**14,093,166**	**1,200,031**	**238,000**	**276,115**	**(2,980,970)**	**(1,266,824)**
Issuance of units as equity *(Note 11)*	**4,625,000**	**1,888,550**	**423,950**	**-**	**-**	**2,312,500**
Transfer of shares presented as a liability *(Note 11)*	**1,073,334**	**536,667**	**-**	**-**	**-**	**536,667**
Conversion of debt into units as equity *(Note 7)*	**800,000**	**320,000**	**80,000**	**-**	**-**	**400,000**
Share issue costs *(Note 11)*	**-**	**(95,875)**	**-**	**-**	**-**	**(95,875)**
Issuance of warrants as issue costs *(Note 11)*	**-**	**(19,105)**	**19,105**	**-**	**-**	**-**
Exercised warrants *(Note 11)*	**19,112**	**12,232**	**(2,675)**	**-**	**-**	**9,557**
Share-based compensation *(Note 11)*	**-**	**-**	**-**	**204,921**	**-**	**204,921**
Conversion feature on convertible loan *(Note 9)*	**-**	**-**	**--**	**67,061**	**-**	**67,061**
Net loss for the year	**-**	**-**	**-**	**-**	**(2,021,659)**	**(2,021,659)**
Balance, as at January 31, 2018	**20,610,612**	**3,842,500**	**758,380**	**548,097**	**(5,002,629)**	**146,348**

The number of shares held in escrow as at January 31, 2018, is 10,357,972 (11,508,858 – January 31, 2017)

Ortho Regenerative Technologies Inc.
Statements of Cash Flows
For years ended January 31, 2018 and 2017

	2018	2017
	$	$
		(Restated, Note 4)
Operating activities:		
Net loss from operations	**(2,021,659)**	(1,661,048)
Add items not affecting cash:		
Share-based compensation	**204,922**	130,055
Consulting fees paid by issuance of units *(Note 11)*	**15,000**	-
Amortization – intangible asset	**24,228**	-
Amortization – transaction costs *(Notes 8 & 9)*	**6,407**	-
Net change in fair value of Class "A" shares	**107,333**	-
Interest settled by issuance of shares	**16,000**	-
Financial charges on short-term debt	**34,797**	-
Interest and accretion on convertible loan	**75,161**	-
	483,848	130,055
Net change in non-cash operating working capital:		,
Sales tax receivable and prepaid expenses	**(12,852)**	8,893
Investment tax credits	**(57,711)**	(119,090)
Accounts payable and accrued liabilities	**(290,586)**	(57,828)
	(361,149)	(168,025)
Cash used in operating activities	**(1,898,960)**	**(1,699,018)**
Investing activities:		
Acquisitions of equipment	**(159,707)**	-
Acquisitions of intangible asset	**(36,410)**	(35,000)
Cash used in investing activities	**(196,117)**	(35,000)
Financing activities:		
Increase in operating loan	**81,100**	639,850
Proceeds from short-term debt	**278,700**	-
Payment of interest on short-term debt	**(20,903)**	-
Payment of debt issue costs	**(12,648)**	-
Issuance of units *(Note 11)*	**2,297,500**	540,000
Proceeds from exercised warrants *(Note 11)*	**9,557**	-
Payment of units' issue costs *(Note 11)*	**(95,875)**	(23,250)
Payment of deferred share issue costs	**-**	(61,462)
Cash provided by financing activities	**2,537,431**	1,095,138
Increase (decrease) in cash	**442,354**	(638,880)
Cash, beginning of year	**7,366**	646,246
Cash, end of year	**449,720**	7,366
Supplementary cash flow information		
Acquisition of intangible asset by issuance of shares *(Note 10)*	**80,000**	-
Settlement of accounts payable by issuance of a note payable *(Note 7)*	**224,737**	-
Settlement of accrued interest by issuance of convertible loan *(Note 7)*	**39,050**	-
Settlement of operating loan by issuance of convertible loan *(Note 9)*	**560,950**	-
Settlement of operating loan by issuance of shares *(Note 7)*	**400,000**	-
Reclassification of liability shares transferred to equity *(Note 11)*	**536,667**	-

1. Presentation of Financial Statements

Description of the Business and Going Concern Uncertainty

Ortho Regenerative Technologies Inc. ("the Corporation" or "Ortho") was incorporated under the *Canada Business Corporations Act* on February 5, 2015, and on September 17, 2015, articles of amendment were approved to change the authorized shares. On April 26, 2016, pursuant to a Certificate of Amendment, the Corporation: (i) removed the restrictions on the transfer of its common shares, (ii) added a legal French version of its name, being Technologies Ortho Régénératives inc., and (iii) added a provision to have the ability to appoint one or more additional directors between shareholders' meetings. The Corporation's head office, principal address and registered office is located at 16667 Hymus Blvd., Kirkland, Quebec, Canada. As of October 10, 2017, the Corporation's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol ORTH.

The Corporation specializes in research on innovative medical devices which stimulate the regeneration of joint tissues.

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

The Corporation has yet to generate revenue and has relied upon the issuance of debt and equity instruments to fund operations. As at January 31, 2018, the Corporation had a deficit of $5,002,629 and a negative working capital of $109,163. During the year ended January 31, 2018, the Corporation incurred a net loss of $2,021,659.

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

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

These financial statements were approved and authorized for issuance by the Board of Directors on May 15, 2018.

2. Summary of Significant Accounting Policies

a) Basis of measurement

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

b) Functional and presentation currency

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

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

	January 31, 2018	January 31, 2017
End of period exchange rate	1.2293	1.3012
Period average exchange rate	1.2910	1.3170

2. Summary of Significant Accounting Policies *(Continued from previous page)*

c) Statement of compliance

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

The preparation of the Corporation's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, 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

IAS 7, Statement of Cash Flows

In January 2016, amendments to IAS 7, "Statement of Cash Flows" were issued to improve information provided to users of financial statements about an entity's changes in liabilities arising from financing activities, including both changes in cash flows and non-cash changes. These amendments are effective for annual periods beginning on or after January 1, 2017. The adoption of the amendment did not have a material impact to these financial statements.

IAS 12, Income Taxes

IAS 12, "Income Taxes" was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude the tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2017. The adoption of the amendment did not have a material impact on these financial statements.

e) Financial instruments

All financial instruments are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument and are initially measured at fair value for instruments not at fair value through profit or loss, plus any directly attributable transaction costs. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial instruments are classified into the following categories upon initial recognition:

- loans and receivables ("L&R")
- financial assets at fair value through profit or loss ("FVTPL")
- held to maturity investments
- financial liabilities at FVTPL
- other financial liabilities

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

All financial assets, except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

2. Summary of Significant Accounting Policies *(Continued from previous page)*

e) Financial instruments *(Continued from previous page)*

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains and losses recognized in profit or loss. Management evaluates the information about financial assets on a total return basis that includes evaluating the financial assets on a fair value basis. These assets include the investment in an exchange-traded equity security which is primarily held for investment income, cash flow and capital appreciation. These assets also include the investment in the equity of private companies. In the absence of significant over-the-counter market activity or significant share issuance near a reporting period, the Corporation establishes a fair value for these types of investments using valuation techniques that make maximum use of market inputs and rely as little as possible on entity-specific inputs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less a provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is recognized in profit or loss within general administrative expenses. If in a subsequent period the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss or a portion of such is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Corporation has the intention and ability to hold them until maturity. Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Financial liabilities that contain one or more embedded derivatives may be designated as other financial liabilities at FVTPL and accounted for as one hybrid instrument rather than separating the embedded derivatives from the host contract.

Other financial liabilities include liabilities that have not been classified as fair value through profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 - Assets or liabilities whose values are based on quoted market prices in active markets, including active exchange-traded equity investments.

Level 2 - Assets or liabilities that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs.

Level 3 - Inputs for the asset or liability that are not based on observable market data. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input for fair value measurement purposes requires judgment in considering the relevant factors specific to the asset or liability. The determination of what constitutes ‘observable’ requires significant judgment by the Corporation. The Corporation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

See Note 15 - Financial Instruments – for the details of their classification.

2. Summary of Significant Accounting Policies *(Continued from previous page)*

f) 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.

g) Intangible asset

The intangible asset of the Corporation includes intellectual property 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. Once available for use, the intangible asset will be amortized on a straight-line basis over the remaining life of the intellectual property, which has been determined to be 15 years. The Corporation reviews the estimated useful lives and carrying values of its technology rights as part of its periodic assessment for impairment of non-financial assets.

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.

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) Income taxes

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

Current tax

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

Deferred tax

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

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred tax asset and liability differences are recognized directly in income, other comprehensive income ("OCI") or equity based on the classification of the item to which they relate.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its tax assets and liabilities on a net basis.

2. Summary of Significant Accounting Policies *(Continued from previous page)*

k) Sales tax

Revenues, 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.

l) 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.

m) 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.

n) 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.

o) Segment reporting

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

p) 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. Related costs are expenses as incurred.

q) 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.

2. Summary of Significant Accounting Policies *(Continued from previous page)*

q) Future accounting pronouncements

IFRS 9, Financial Instruments

The final version of IFRS 9, "Financial Instruments," was issued by the IASB in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, and is available for early adoption. The Corporation is currently assessing the impact, if any, of adopting IFRS 9.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers." The objective of this new standard is to provide a single, comprehensive revenue recognition framework for all contracts with customers to improve comparability of the financial statements of companies globally. This new standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This new standard is effective for annual periods beginning on or after January 1, 2018. The Corporation has determined that adopting IFRS 15 will have no impact on these financial statements.

IFRS 16, Leases

In January 2016, IFRS 16, "Leases" was issued, which replaces IAS 17, Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. For lessees, IFRS 16 removes the classification of leases as either operating or financing and requires that all leases be recognized on the statement of financial position, with certain exemptions that include leases of 12 months or less. The accounting for lessors is substantially unchanged. The standard is effective for annual periods beginning on or after January 1, 2019, to be applied retrospectively, or on a modified retrospective basis. The Corporation is currently assessing the impact of adopting this standard.

3. Use of Estimates and Judgments

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

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

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:

Class A share

The Class A shares liability requires management to make estimates and assumptions that affect the reported amount of the liability and the corresponding gain or loss on changes in fair value. Estimates and assumptions used in determining the fair value of this liability include the trade price and or expected life of the instrument and the volatility of the underlying share price. Details of the assumptions used are included in Note 10.

3. Use of Estimates and Judgments *(Continued from previous page)*

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 11.

Convertible loan

The calculation of the fair value of the debt component of the convertible loan requires using an interest rate that the Corporation would have had to pay had the loan been obtained without a conversion feature. Such interest rate requires management's estimates by reference to loan interest paid by comparable companies in the similar sector. The Corporation estimates 18% being the reasonable interest rate a comparable company in the biotech sector would likely pay in obtaining loans. Changes to these estimates may affect the carrying value of the convertible loan and the equity portion of convertible debentures.

Depreciation and amortization

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

The following areas require management's judgments:

Investment tax credits

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

4. Change in Accounting Policy

During the second quarter of 2018, the Corporation changed its accounting policy with respect to its intangible assets, specifically with respect to its developments costs and patent prosecution costs. Previously the Corporation capitalized these costs, when the Corporation could demonstrate that all the specific criteria related to technical, market and financial feasibility were met.

Under the new policy, these research and development expenditures are charged to operations as incurred. Management believes that this new accounting policy provides more reliable and relevant information to investors and financial organizations for assessing the financial position of the Corporation and comparing its performance to other biotech companies.

As required by IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," the Corporation has restated the comparative periods presented in these financial statements. Consequently, development costs and patent prosecution costs in the amount of $534,597 and $392,042 were charged to operations for the years ended January 31, 2017, and 2016, respectively.

4. Change in Accounting Policy *(Continued from previous page)*

The restated line items on the statement of financial position as at January 31, 2017, have been reconciled to the previously reported amounts as follows:

	Previously reported $	Adjustments $	Restated $
Assets			
Intangible asset	1,294,789	(926,639)	368,150
Total assets	1,673,310	(926,639)	746,671
Shareholders' deficiency			
Deficit	2,054,331	926,639	2,980,970
Total shareholders' deficiency	340,185	926,639	1,266,824
Total liabilities and shareholders' deficiency	1,673,310	(926,639)	746,671

The restated line items on the statement of loss and comprehensive loss for the year ended January 31, 2017, have been reconciled to the previously reported amounts as follows:

	Previously reported $	Adjustments $	Restated $
Research and development costs	164,285	534,597	698,882
Net loss and comprehensive loss for the period	1,126,451	534,597	1,661,048
Basic and diluted loss per common share	0.08	0.04	0.12

Following the accounting change, the line item "Research costs" was changed to "Research and development costs."

The restated line items on the statement of cash flows for the year ended January 31, 2017, have been reconciled to the previously reported amounts as follows:

	Previously reported $	Adjustments $	Restated $
Operating activities			
Net loss from operations	1,126,451	534,597	1,661,048
Cash used in operating activities	1,164,421	534,597	1,699,018
Investing activities			
Acquisition of intangible asset	569,597	(534,597)	35,000
Cash used in investing activities	569,597	(534,597)	35,000

The restated line items on the statement of financial position as at February 1, 2016 have been reconciled to the previously reported amounts as follows:

February 1, 2016	Previously reported $	Adjustments $	Restated $
Assets			
Intangible asset	725,192	(392,042)	333,150
Total assets	1,786,270	(392,042)	1,394,228
Shareholders' equity (deficiency)			
Deficit	(927,880)	(392,042)	(1,319,922)
Total shareholders' equity (deficiency)	354,797	(392,042)	(37,245)
Total liabilities and shareholders' deficiency	1,786,270	(392,042)	1,394,228

5. Equipment

Equipment is recorded at cost less accumulated amortization. The equipment will be amortized over the estimated useful life on a straight-line basis over ten years.

Equipment	Cost $	Accumulated amortization $	Carrying Value $
Balance as at January 31, 2017 and 2016	-	-	-
Additions	159,707	-	159,707
Balance as at January 31, 2018	159,707	-	159,707

The equipment was not fully installed and not ready for use as at January 31, 2018, therefore no amortization was recorded in the year.

6. Intangible Asset

On June 19, 2015, the Corporation entered into an intellectual property assignment and technology transfer agreement with Polyvalor Limited Partnership. During the second quarter, the intangible asset was available for use, therefore the Corporation commenced amortization of the intellectual property (“IP”) on a straight-line basis over the estimated remaining life of the intellectual property of approximately 15 years.

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	Cost $	Accumulated amortization $	Carrying Value $
Balance as at February 1, 2016, *(Restated Note 4)*	333,150	-	333,150
Additions	35,000	-	35,000
Balance as at January 31, 2017, *(Restated Note 4)*	368,150	-	368,150
Additions	116,410	(24,228)	92,182
Balance as at January 31, 2018	484,560	(24,228)	460,332

7. Operating Loan

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

	2018 **$**	2017 $
Opening balance	**879,850**	240,000
Additions	**81,100**	639,850
Settlement	**(960,950)**	-
Closing balance	**-**	879,850

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

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

8. Short-term Debt

a) On July 28, 2017, the Corporation and Manitex signed an unsecured note payable in the amount of $224,737, which included the amount of $18,361 described in Note 7. The note payable bears interest at 12% per annum and matures on October 31, 2018.

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

	2018 $	2017 $
Principal	**224,737**	-
Interest accrued	**13,891**	
Total note payable	**238,628**	-

b) On September 12, 2017, The Corporation signed a short-term loan agreement to finance its investment tax credits. The loan is secured by a first-rank moveable hypothec on its assets and bears interest at a fixed rate of 1.5% per month. The amounts are due upon receiving the refunds from the respective governments.

	2018 $	2017 $
Principal	**278,700**	-
Transaction costs	**(5,380)**	-
Total short-term loan	**273,320**	-

Transaction costs of $11,148 were incurred on issuance of the short-term loan and were netted against the liability. The transaction costs will be amortized over the term of the loan and will be presented as a financial expense.

9. Convertible Loan

Convertible loan consists of the following:

	2018 $	2017 $
Face value of the convertible loan upon conversion *(Note 7)*	**600,000**	-
Less: equity component	**(67,061)**	-
Book value of convertible loan on initial recognition	**532,939**	-
Accretion expense	**75,161**	-
Transaction costs	**(861)**	
Total Convertible loan	**607,239**	-

On April 27, 2017, the Corporation converted $600,000 into a first ranking, long-term convertible loan, bearing interest at an annual rate of 10%, to be repaid in full, principal and interest on February 1, 2019. Prior to maturity Manitex, at any time, has the option to convert all or any part of the convertible loan amount into shares of the Corporation at a deemed price of $1.00 per share. If, prior to maturity, the Corporation's 20-day volume-weighted average share price equals or exceeds $1.50, the Corporation shall have the right, at any time, to require Manitex to convert all, or any part of the balance of the convertible loan at a deemed price of $1.00 per share of the Corporation.

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

Transaction costs of $1,500 were incurred on the issuance of the convertible loan and were netted against the liability. The transaction costs allocated to the liability component will be amortized at the effective interest rate over the term of the convertible loan and will be presented as a financial expense.

10. Class “A” Shares Liability

As per the shareholders’ agreement, all shares held by Polyvalor have a put right associated with them allowing Polyvalor to require that the Corporation redeem the shares at fair value, if these are not listed on a recognized stock exchange by June 19, 2022. As these shares include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset, they did not meet the criteria for classification as equity and therefore were classified as a liability. The liability was remeasured at fair value at each reporting date, with changes recorded in the statement of loss and comprehensive loss.

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

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

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

11. Share Capital

(a) Authorized

Unlimited number of Class “A” common shares, no par value

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

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

The following table presents the units issued in the respective reporting periods:

Number of Units	Issue Date	Gross Proceeds $	Fair value shares $	Fair value of full warrants $	Total issue costs $
320,000 (a&d)	**December 11, 2017**	**160,000**	**128,045**	**31,955**	**12,810**
1,810,000 (a&d)	**October 31, 2017**	**905,000**	**782,755**	**122,245**	**40,000**
780,000 (a&d)	**July 28, 2017**	**390,000**	**304,200**	**85,800**	**16,350**
385,000 (a&d)	**June 28, 2017**	**192,500**	**142,450**	**50,050**	**7,120**
30,000 (a&b)	**June 28, 2017**	**-**	**11,100**	**3,900**	**-**
340,000 (a&d)	**April 27, 2017**	**170,000**	**136,000**	**34,000**	**16,200**
800,000 (a&c)	**April 27, 2017**	**-**	**320,000**	**80,000**	**-**
960,000 (a&d)	**March 31, 2017**	**480,000**	**384,000**	**96,000**	**22,500**
5,425,000		**2,297,500**	**2,208,550**	**503,950**	**114,980**

The following table presents the units issued during the year ended January 31, 2017:

Number of Units	Issue Date	Gross Proceeds $	Fair value shares $	Fair value of full warrants $	Total issue costs $
920,000 (f&g)	**August 2, 2016**	**460,000**	**368,000**	**92,000**	**19,250**
38,500 (g)	**August 2, 2016**	**-**	**15,400**	**-**	**15,400**
160,000 (f&g)	**February 28, 2016**	**80,000**	**64,000**	**16,000**	**-**
8,000 (g)	**February 28, 2016**	**-**	**3,200**	**-**	**8,000**
1,126,500		**540,000**	**450,600**	**108,000**	**42,650**

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

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

(c) The Corporation entered into a debt conversion and convertible loan agreement with Manitex. $400,000 was converted into 800,000 units at a deemed price of $0.50 per unit. Using a stochastic model, the same values were allocated between the common shares and the half-warrant as to the placement concluded on April 28, 2017 (see Note 7).

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

(e) On December 11, 2017, the Corporation issued a total of 19,112 common shares for the exercise of 19,112 broker’s warrants, of which $9,557 was credited to share capital and debited to warrants.

11. Share Capital *(Continued from previous page)*

(a) Authorized *(Continued from previous page)*

(f) Subscription price of $0.50 per unit, with each unit consisting of one Class "A" common share and one-half common share purchase warrant. A full warrant will entitle the holder to acquire one common share at an exercise price of $0.70 per share at any time on or before the close of business on a date that is twenty-four months from the subscription date. If, during the twenty-four months after that date, the Corporation's weighted average share price for 30 consecutive trading days equals or exceeds $1.00, the Corporation may give notice to warrant holders that they must exercise their full warrants within a period of 30 days from the date of receipt of the notice. Using the Black-Scholes option valuation model, the proceeds were allocated between the common shares and the half-warrant.

(g) In connection with these private placements described in (f), the Corporation issued a total of 46,500 shares to brokers, of which $18,600 was credited to share capital and debited as issue costs based on the Black-Scholes option valuation model.

Based on the escrow agreement filed with the Autorité des Marchés Financiers, 10,357,972 shares are held in escrow and will be released from the Escrowed Securities as follows:

Release Date	Portion of Escrowed Securities Released
On April 10th, 2018	1/6 of the Escrowed Securities
On October 10th, 2018	1/5 of the Escrowed Securities
On April 10th, 2019	1/4 of the Escrowed Securities
On October 10th, 2019	1/3 of the Escrowed Securities
On April 10th, 2020	1/2 of the Escrowed Securities
On October 10th, 2020	The remaining Escrowed Securities

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

	Shares issuable on exercise of			
	Full warrants		*Share options*	
	Number of shares #	*Weighted exercise price* $	*Number* #	*Weighted exercise price* $
Balance, January 31, 2016	**650,000**	**0.70**	**1,025,000**	**0.16**
Granted during the period	**540,000**	**0.70**	**400,000**	**0.50**
Expired during the period	**-**	**-**	**-**	**-**
Cancelled during the period	**-**	**-**	**(625,000)**	**0.20**
Exercised during the period	**-**	**-**	**-**	**-**
Balance, January 31, 2017	**1,190,000**	**0.70**	**800,000**	**0.25**
Granted during the period	**2,859,250**	**0.69**	**1,000,000**	**0.50**
Expired during the period	**-**	**-**	**-**	**-**
Cancelled during the period	**-**	**-**	**(50,000)**	**0.50**
Forfeited during the period	**-**	**-**	**(50,000)**	**0.50**
Exercised during the period	**(19,112)**	**0.50**	**-**	**-**
Balance, January 31, 2018	**4,030,138**	**0.70**	**1,700,000**	**0.39**

11. Share Capital *(Continued from previous page)*

(b) Share option and compensation expense

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 options were granted in the respective reporting periods:

Number of options	Issue date	Expiry date	Exercise price $	Fair value of options $
For the year ended January 31, 2018				
100,000 (a)	**January 8, 2018**	**January 8, 2023**	**0.55**	**0.44**
100,000 (d)	**December 15, 2017**	**December 15, 2022**	**0.50**	**0.36**
100,000 (a)	**September 26, 2017**	**September 26, 2022**	**0.50**	**0.20**
100,000 (a)	**July 17, 2017**	**July 17, 2022**	**0.50**	**0.20**
600,000 (b)	**May 17, 2017**	**May 17, 2022**	**0.50**	**0.20**
1,000,000				
For the year ended January 31, 2017				
28,200 (c)	August 2, 2016	August 2, 2021	0.50	0.23
371,800 (c)	June 23, 2016	June 23, 2021	0.50	0.23
400,000				

(a) The options vest 25% every 6 months following the grant date

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

(c) The options vest 25% every 6 months commencing at the grant date

(d) The options vest 25% every year commencing at the grant date

The total compensation cost will be recognized over the vesting period of the stock options.

On April 27, 2017, 50,000 options were cancelled, and the recognized compensation related to these options amounted to $5,442. On July 27, 2017, 50,000 options were forfeited by one consultant.

In total, $204,922 ($130,055 – 2017) of employees, consultants and directors' compensation expense has been included in the statement of loss and credited to contributed surplus.

11. Share Capital *(Continued from previous page)*

(b) Share option and compensation expense *(Continued from previous page)*

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, 2018:

Number of options outstanding	Number of options exercisable	Exercise price $	Remaining contractual life
400,000 [1]	**300,000**	**0.10**	**2.48 years**
1,200,000	**586,800**	**0.50**	**3.54 years**
100,000	**-**	**0.55**	**4.94 years**
1,700,000	**886,800**		

[1] As per the escrow agreement, 360,000 of these options are held in escrow and are subject to the same release conditions as described in 11a).

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

	2018	2017
Share price [1]	**$0.44 - $0.55**	n/a
Weighted average risk-free interest rate	**0.62% - 1.98%**	0.62%
Weighted average volatility factor	**78% - 118%**	78%
Weighted average expected life (in years)	**5**	5
Weighted fair value of options	**$0.23– $0.43**	$0.23

[1] The trading share price is only applicable for the options that were granted on December 15, 2017, and January 8, 2018.

At the time that the options were granted, the stock was not listed on any exchange. Volatility is determined based on the historical share price of comparable companies.

(c) Warrants

As at January 31, 2018, 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
650,000	**January 29, 2016**	**January 29, 2019**	**0.70**	**0.20**	**1.25**
80,000	**February 28, 2016**	**March 9, 2019**	**0.70**	**0.20**	**1.35**
460,000	**August 2, 2016**	**August 2, 2018**	**0.70**	**0.20**	**0.75**
480,000	**March 31, 2017**	**October 1, 2018**	**0.70**	**0.20**	**0.92**
43,000	**March 31, 2017**	**October 1, 2018**	**0.50**	**0.14**	**0.92**
570,000	**April 27, 2017**	**October 29, 2018**	**0.70**	**0.20**	**0.99**
12,000	**April 27, 2017**	**October 29, 2018**	**0.50**	**0.14**	**0.99**
207,500	**June 28, 2017**	**December 28, 2018**	**0.70**	**0.26**	**1.16**
1,750	**June 28, 2017**	**December 28, 2018**	**0.50**	**0.14**	**1.16**
390,000	**July 28, 2017**	**January 29, 2019**	**0.70**	**0.22**	**1.25**
19,000	**July 28, 2017**	**January 29, 2019**	**0.50**	**0.15**	**1.25**
965,000	**October 31, 2017**	**April 29, 2019**	**0.70**	**0.14**	**1.49**
171,000	**December 11, 2017**	**May 11, 2019**	**0.70**	**0.21**	**1.50**
4,049,250					**1.12**

11. Share Capital *(Continued from previous page)*

(c) Warrants *(Continued from previous page)*

On September 12, 2017, the Board agreed to extend the expiry date of the warrants issued in January and February 2016 to January 29, and March 9, 2019, respectively. All the other terms and conditions remain the same.

For the current year grant, a stochastic model was used and for the comparative period, the Black-Scholes option-pricing models was used. The following assumptions were used when the half-warrants were granted:

	2018	2017
Share price[1]	**$0.47 - $0.48**	n/a
Weighted average risk-free interest rate	**0.72% - 1.50%**	0.49% - 0.56%
Weighted average volatility factor	**66% - 119%**	125%
Weighted average expected life (in years)	**1.5**	2
Weighted fair value of half-warrants	**$0.10 - $0.13**	$0.10
Weighted fair value of brokers' warrants	**$0.14 - $0.20**	-

[1] The trading share price is only applicable for the warrants that were issued on October 31, and December 11, 2017.

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

12. Research and Development Costs

Research and development costs consist of:

	2018 **$**	2017 $ Restated (Note 4)
Research expenses	**120,144**	236,496
Development costs	**656,696**	606,737
Patent prosecution costs	**85,826**	100,773
Amortization – intangible asset	**24,228**	-
	886,894	944,006
Investment tax credit	**(235,078)**	(245,124)
	651,816	698,882

13. Personnel Costs

General and administrative expenses include personnel costs, which consist of:

	2018 **$**	2017 $
Salaries and employee benefits expense	**256,284**	321,529
Share-based compensation for employees and directors	**187,195**	57,167
	443,479	378,696

14. Income Taxes

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

	2018	2017
	$	$ (Restated Note 4)
Loss before income taxes	**(2,021,659)**	(1,661,048)
Basic income tax rate	**26.79%**	26.9%
Computed income tax recovery	**(541,602)**	(446,822)
Permanent differences	**55,891**	36,332
Other items	**97,928**	(21,513)
Change in enacted tax rates	**4,357**	4,977
Change in deferred tax assets not recognized	**383,426**	427,026
	541,602	446,822
Provision for income taxes	**-**	**-**

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

	2018	2017
	$	$ (Restated Note 4)
Non-capital losses carried forward	**756,087**	438,850
R&D pool	**378,071**	259,100
Class "A" shares liability	**-**	**68,258**
Financial and equity issues costs	**62,075**	**46,741**
	1,196,233	812,959
R&D federal investment credit	**-**	(22,525)
Intangible asset	**(1,594)**	(3,766)
Convertible loan	**(8,152)**	-
	(9,746)	**(26,281)**
Deferred tax assets not recognized	**(1,186,487)**	(786,678)
	-	-

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

(c) As at January 31, 2018, the Corporation had accumulated non-capital losses for income tax purposes, which are available to be applied against future taxable income.

	Federal	Provincial
	$	$
2036	662,684	656,872
2037	1,677,405	1,670,238
2038	519,336	517,882
	2,859,425	2,844,992

(d) As at January 31, 2018, the Corporation had an investment tax credit totalling $44,612 (2017 – nil), which are available to reduce income taxes for future years.

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

15. Financial Instruments

The classification of financial instruments at their carrying and fair values is as follows:

	2018		2017	
	Carrying Value at FVTPL $	Fair Value $	Carrying Value at FVTPL $	Fair Value $
Financial assets				
Cash	**449,720**	**449,720**	7,366	7,366

	2018			2017		
	Carrying Value at FVTPL $	Carrying Value Other financial liabilities $	Fair Value $	Carrying Value at FVTPL $	Carrying Value Other financial liabilities $	Fair Value $
Financial liabilities						
Accounts payable and accrued liabilities	**-**	**245,942**	**245,942**	-	800,311	800,311
Operating loan	**-**	**-**	**-**	-	879,850	879,850
Short-term debt	**-**	**511,948**	**511,948**	-	-	-
Convertible loan	**-**	**607,239**	**607,239**	-	-	-
Class “A” shares liability	**-**	**-**	**-**	333,334	-	333,334
	-	**1,365,129**	**1,365,129**	333,334	1,680,161	2,013,495

The Corporation has determined the estimated fair values of its financial instruments based on the appropriate valuation methodologies. The carrying values of current monetary assets and liabilities . of these financial instruments approximated their fair values due to their relatively short periods to maturity. The fair value of the convertible loan is estimated to approximate its carrying value based on the terms of the convertible loan.

IFRS 13, “Fair Value Measurement,” establishes a fair value hierarchy that reflects the significance of the inputs used in measuring fair value. The fair value hierarchy of financial instruments measured at fair value on the statement of financial position as at January 31, 2018 is as follows:

	Level 1 $	Level 2 $	Level 3 $
Financial assets			
Cash	**449,720**	**-**	-

The fair value hierarchy of financial instruments measured at fair value on the statements of financial position as at January 31, 2017, is as follows:

	Level 1 $	Level 2 $	Level 3 $
Financial assets			
Cash	**7,366**	**-**	-
Financial liabilities			
Class “A” shares liability	**-**	**-**	**333,334**

The fair value of financial assets and liabilities not traded in active markets that are based on unobservable inputs are classified as Level 3. A fair value measurement developed using a present value technique might be categorized within Level 3, depending on the inputs that are significant to the entire measurement and the level of the fair value hierarchy within which those inputs are categorized. If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy. The Corporation's Level 3 investments consist of Class “A” shares

15. Financial Instruments *(Continued from previous page)*

presented as a liability, as described in Note 10. As at January 31, 2017, the fair value of this liability was determined to remain at $333,334 based on a value of $0.40 per common share, such value having been estimated by using a relative fair value method calculation based on the common share pricing of the private placements concluded in March 2017.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Corporation determines whether transfers have occurred between levels in the hierarchy by assessing their categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of reporting period. During the years ended January 31, 2018, and 2017, there was no transfer between Levels 1, 2 and 3 of the fair value hierarchy.

16. 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:

	US$	***Total CDN $ equivalent***
Cash	**89,914**	**110,531**
Accounts payable and accrued liabilities	**(81,427)**	**(100,098)**

For the comparative period the amount is not material.

If the foreign exchange rate had been 1% higher or lower, all other variables held constant, the impact of the foreign exchange gain or loss would not have been material.

(c) Liquidity risk

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

16. Financial Risk Factors *(Continued from previous page)*

(c) Liquidity risk *(Continued from previous page)*

January 31, 2018	***Carrying value $***	***Contractual cash flows***	***Less than 60 days $***	***60 days to 12 months $***	***More than 12 months $***
Financial liabilities					
Accounts payable and accrued liabilities	245,942	245,942	245,942	-	-
Short-term debt *	511,948	556,132	123,806	432,326	-
Convertible loan *	558,825	705,863	-	-	705,863
	1,316,715	1,507,937	369,748	432,326	705,863

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

January 31, 2017	***Carrying value $***	***Contractual cash flows $***	***Less than 60 days $***	***60 days to 12 months $***	***More than 12 months $***
Financial liabilities					
Accounts payable and accrued liabilities	800,311	800,311	18,992	109,460	671,859
Operating loan	879,850	879,850	-	879,850	-
Class “A” shares liability	333,334	333,334	-	-	333,334
	2,013,495	2,013,495	18,992	989,310	1,005,193

(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.

17. Related Party transactions

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

	2018 $	***2017 $***
Transactions with key management members and members of the Board of Directors:		
Salaries and employee benefits expense	**174,170**	321,529
Share-based compensation to employees and directors	**168,745**	130,055
Consulting fees charged by a director and acting CEO	**271,250**	92,625
Consulting fees accrued for a director and acting CEO	**10,000**	-
Transactions with a family member of a director and acting CEO		
Consulting fees charged by the family member	**15,000**	-
Transactions with Manitex, a shareholder of the Corporation:		
Interest charged by Manitex	**77,344**	38,157
Consulting fees charged by Manitex	**8,100**	24,300
Transaction with École Polytechnique, a partner of Polyvalor :		
(Reversal of) accrued interest	**(6,215)**	26,215
Research and development costs	**488,800**	700,000

Compensation of key management includes directors, the President and CEO up to October 15, 2016, and the Vice-President Finance and Chief Financial Officer.

17. Related Party Transactions *(Continued from previous page)*

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

	2018 $	2017 $
Accounts payable and accrued liabilities due to a director and acting CEO	**10,000**	10,000
Accounts payable and accrued liabilities due to Manitex, a shareholder of the Corporation	**-**	191,371
Accounts payable and accrued liabilities due to École Polytechnique, a partner of Polyvalor	**-**	385,882
Transaction with Polyvalor, holder of 1,073,333 common shares:		
Amounts included in intangible asset	**116,410**	35,000

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

18. Commitments

a) On June 19, 2015, the Corporation entered into three long-term research service agreements with École Polytechnique, requiring total disbursements for $2,100,000. On October 10, 2017, both parties revised the monthly payments of the three research service agreements with an effective date of August 1, 2017 and for a revised remaining amount due to $161,931. The revised monthly amounts are as follow:

i) Agreement 1: $6,940 per month for the remaining 4 months

ii) Agreement 2: $9,253 per month for the remaining 4 months

iii) Agreement 3: $6,940 per month for the remaining 4 months

In the event that the Corporation fails to perform any of the payments provided in these Agreements, compound interest at an annual rate of 12% will be applied on any unpaid balance at the end of each month.

In the event that the Corporation is in breach of any of the agreements, these agreements can be unilaterally terminated by Polyvalor. Any and all amounts owed will become payable immediately and the assigned intellectual property will immediately and automatically revert back to Polyvalor for a nominal amount of one dollar.

b) In addition, when the product is commercialized, the Corporation must make non-refundable payments to Polyvalor equal to 1.5% of net sales.

c) 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.

d) The Corporation engaged a CRO to perform a pivotal study for which an amount of $ 38,147 is due upon submission of the draft report by the CRO. An amount of $21,600 has been accrued and presented in accounts payable and accrued liabilities, representing animal necropsy costs.

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

Year ending January 31,	Research agreement	Occupancy costs	Other commitments	Total
2019	92,532	24,000	38,147	154,679
2020	-	24,000	-	24,000
2021	-	24,000	-	24,000
2022	-	22,000	-	22,000
	92,532	94,000	38,147	224,679

19. Subsequent Events

On February 12, 2018, management signed a consulting agreement with a third party for a total amount of $30,000 for a period of six months. In addition to the fees, the Board issued 100,000 non-transferable, share purchase warrants to this consultant. Each warrant will entitle the consultant to purchase one Class "A" common share of the Corporation at an exercise price of $0.70 per share at any time on or before the close of business on August 12, 2019, which will be charged to comprehensive loss for a fair value of $29,848.