MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JANUARY 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following Management's Discussion and Analysis (MD&A) for Ortho Regenerative Technologies Inc. (the "Corporation" or "Ortho RTI") 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 entirely of independent and financially literate directors.

This report was reviewed by the Corporation's Audit Committee on May 11, 2018 and approved by Ortho RTI's Board of Directors on May 15, 2018 and should be read in conjunction with the audited financial statements for the year ended January 31, 2018. Unless otherwise noted, all amounts are presented in Canadian dollars.

Additional information relating to Ortho Regenerative Technologies Inc. can be found on SEDAR at www.sedar.com. The Corporation's shares are publicly traded on the Canadian Securities Exchange ("CSE") under the symbol "ORTH." The Corporation has 20,652,424 common shares issued and fully paid as of May 18, 2018, of which 8,631,644 shares are held in escrow.

The information contained in this Management's Discussion and Analysis may contain some forward-looking statements. Forward-looking information may include, but is not limited to information with respect to the Corporation's future financial and operating performance, future development activities and the adequacy of its financial resources. Forward-looking information is based on reasonable assumptions, estimates, analysis and opinions of management made in light of its experience. The Corporation's forward-looking statements are based on reasonable beliefs, expectations and opinions of management on the date of this MD&A. Although management has 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.

Ortho Regenerative Technologies Inc. is incorporated under the *Canada Business Corporations Act*. The Corporation's head office and principal address and registered office is located at 16667 Hymus Blvd., Kirkland, Quebec, Canada.

This MD&A provides an overview of the Corporation's operations, performance and financial condition for the year ended January 31, 2018, and compares the fiscal 2018 results to those of fiscal 2017, referred to as "the same period in 2017."

OVERVIEW OF THE BUSINESS

The Corporation is a research and development biotechnology company, specialized in regenerative medical products that are designed to repair and regenerate damaged joint tissues, thereby helping restore function and prevent or delay the onset of osteoarthritis. The attached financial statements reflect operating costs which are mainly based on the funding of three research agreements under which the regenerative medicine products continue to be developed. Development of regenerative medicine products is inherently expensive, and raising sufficient capital to continue research and development is a major focus of the management team.

The Corporation's activities consist of research and development in the area of tissue repair and regeneration for damaged joint tissues. The Corporation does not have any products approved for sale and consequently has no revenue, nor does it foresee generating any revenue in the near term. All amounts paid to acquire technologies or know-how have been presented as intangible assets in the statement of financial position, and all costs related to ongoing research and development activities have been presented as research and development costs in the statement of loss and comprehensive loss.

Product	Indication	Stage
Ortho-R	**Rotator cuff tears**	**Large animal studies (development)**
Ortho-M	**Meniscus tears**	**Large animal studies (development)**
Ortho-V	**Osteoarthritis pain**	**Feasibility (research)**
Ortho-C	**Articular cartilage**	**Discovery (research)**

Ortho-R and Ortho-M are freeze-dried formulations that contain a biopolymer, a lyoprotectant and a clot activator. These freeze-dried formulations can be solubilized in platelet-rich plasma ("PRP") to form injectable implants that coagulate after implantation. Extensive in vitro testing has allowed us to identify specific formulations that meet the following criteria: 1) rapid and complete solubilization in PRP, 2) biopolymer-PRP mixtures which have the paste-like handling properties upon solubilization desired by surgeons, 3) biopolymer-PRP mixtures that coagulate rapidly to form solid biopolymer-PRP hybrid implants, 4) biopolymer-PRP implants that are mechanically stable and resist platelet-mediated clot retraction, and 5) dispersion of the biopolymer in the implants that is homogenous for optimal biodegradability. Biopolymer-PRP implants have been tested in vivo using a subcutaneous injection model in rabbits. Biopolymer-PRP implants were resident for several weeks, while PRP-only controls degraded in one day. Biopolymer-PRP implants induced cell recruitment and angiogenesis, both of which were not seen with PRP-only controls. The biopolymer-PRP implants were biodegradable, as the biopolymer was internalized and degraded by host cells. The biopolymer-PRP implants were also biocompatible, as they did not induce any deleterious effects in this model.

Ortho-M was tested in a bilateral meniscus repair model in sheep. Longitudinal tears of the medial meniscus were treated with suturing as per clinical practice, and Ortho-M implants were injected into the tears via induced channels. Ortho-M was found to be partly resident in the tears and in the channels at 1 day, where they induced cell recruitment from the outer vascular portion of the meniscus. At 3 weeks and at 3 months, a highly cellular and integrated repair tissue was observed in some Ortho-M treated tears, while there was no evidence of tissue repair in any of the PRP-only controls. This bilateral model was challenging, since it did not permit the animals to protect their knees from bearing weight post-operatively, and could contain only a limited amount of Ortho-M. Even with these limitations, Ortho-M showed significant biological activity and potential to improve meniscus repair, while PRP-only controls did not.

In 2016, the performance of Ortho-M was then assessed in combination with a meniscus wrapping technique in a unilateral complex tear model in sheep. Ortho-M implants showed superior regenerative effects over wrapping the meniscus with a collagen membrane at 6 weeks. Using the wrap in conjunction with Ortho-M did not further improve repair, and the additional sutures needed to secure the wrap created significant damage to the meniscus. This suggests that Ortho-M implants by themselves could be effective in overcoming the current limitations of meniscus repair.

Ortho-R for rotator cuff repair is also solubilized in PRP prior to injection. It will be tested in a small rabbit model first, and then in a larger sheep model. The surgical approach that will be used for the first study has been identified using rabbit shoulder joints ex vivo. The supraspinatus tendon will be sectioned close to its insertion site and then sutured to the greater tuberosity through a bony trough. Ortho-R will be injected into the bony trough and into the tendon proper. Ortho-R is expected to improve repair of the tendon and also its integration into the greater tuberosity.

In 2016, Ortho-R for rotator cuff repair was tested in a small animal rabbit model (a pilot study is complete and a pivotal study is ongoing) and then in a larger animal sheep model (a pilot study is complete and a pivotal study is in the planning stage). In the rabbit model, bilateral full-thickness tears were created in the supraspinatus (SSP) tendons of the rotator cuff and the tears were immediately repaired with a transosseous suturing technique. On the treated side, Ortho-R was additionally injected at the repair site, into the bone tunnels and into the SSP tendon. In the pilot study at 2 months, the Ortho-R treatment had partly restored the structural organization of a normal SSP enthesis, with a calcified interface between the tendon and the bone. In contrast, the SSP tendon insertion site in the sutured-only shoulder showed abnormal integration, with significant bone overgrowth into the tendon itself. In the pivotal rabbit study, gaps were present between the stump of the tendon and the humeral head surface in the suturing-only group at 2 months. In contrast, there were no gaps in the Ortho-R treated shoulders. In the sheep model, unilateral full-thickness tears were created in the infraspinatus (ISP) tendons of the rotator cuff, and the tears were immediately repaired with suture anchors in a suture bridge configuration. In the treated shoulders, Ortho-R was additionally injected at the bone-ISP tendon interface and on top of the repaired site. Ortho-R improved ISP tendon structural organization and induced remodeling at the bone-ISP tendon interface at 3 months when compared to suture anchors.

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

Ortho-C is a freeze-dried matrix with ultra-high porosity designed to augment bone marrow stimulation procedures for articular cartilage repair, including microfracture and drilling. At the point-of-care surgical intervention, the surgeon currently has control over the pattern of bone plate channels created, but methods need to be found to control the activity of the blood clot that forms in the subchondral bone. Ortho-C is specifically designed for delivery to bleeding subchondral blood channels, where it interfaces with blood to create bioactive particles that actively promote a more rapid hemostasis and subsequently guide revascularization of the bone marrow channel, subchondral bone plate remodeling, and articular cartilage regeneration. The scaffold contains a biodegradable naturally-derived polymer, a biopolymer, with a high safety profile. After packaging, sterility testing and quality assurance, the surgeon will have the option of shaping the scaffold and inserting it into the bone marrow channels by open arthrotomy for maximum control, or of using a specific delivery device to insert the scaffold under a drained arthroscopy field. Compared to other augmentation devices, Ortho-C treatment has the advantage of adding only minutes to the marrow stimulation procedure.

Ortho-V is a freeze-dried biopolymer formulation tailored for intra-articular injections and viscosupplementation applications. Most viscosupplementation products use hyaluronic acid, but orthopaedic surgeons are also injecting PRP intra-articularly. Ortho-V consists of a freeze-dried biopolymer that will be solubilized in PRP for intra-articular injections. The biopolymer is expected to cross-link endogenous hyaluronic acid present in the joint and provide viscosupplementation, while PRP will provide platelet-derived growth factors and biological activity. A rabbit model of chemically-induced joint degeneration will be used to test intra-articular injections of Ortho-V.

For the first option, a variety of approaches are possible owing to the potential separation of various indications and geographies, ranging from single indications in a single geography to a full acquisition. The Corporation has no specific preference at this point in time. The Corporation is therefore focused on building value for each of its product lines and those potential products that have not yet entered the pipeline. As with any product in the development phase, value will be created by proving: a) the functional efficacy of the product principally through clinical development, and; b) the commercial viability of such a product in specific marketplaces by obtaining regulatory approvals, generating health economic data and developing a manufacturing capability that can ensure appropriate gross and net margins.

The Corporation currently has sufficient expertise to manage the research and development process for each of the products. The value ascribed to each product is expected to increase significantly as it moves

through the development phase and will reach the maximum pre-revenue value at the point where it has proven clinical efficacy and has obtained the required regulatory approvals.

In August 2016, the Corporation received its first U.S. patent, for "SOLUBLE PHYSIOLOGICAL BIOPOLYMER FORMULATIONS COMBINED WITH PLATELET-RICH PLASMA (PRP) FOR TISSUE REPAIR." The patent covers the use of the Corporation's biopolymer technology with PRP for tissue repair broadly, and is not limited to any of our specific indications such as the rotator cuff or meniscus. The patent will remain in force until November 2030.

In March 2018, the Corporation received a Notice of Allowance from the European Patent Office for European Patent Application Number 10831000.4 entitled, "Novel Formulation of Physiological Chitosan-Inorganic Salt Solution/Blood Mixtures for Tissue Repair." The patent will remain in force until November 2030.

The Corporation continues to extend and defend its intellectual property. Two other patent families covering specific freeze-dried formulations have now entered the national phase in several jurisdictions. In order to use the Corporation's resources most efficiently, management has limited the jurisdictions in which it will seek protection to the following: the EU (via a European patent), Canada, USA, Japan and Australia.

The Corporation's current focus remains on Ortho-R for the surgical treatment of rotator cuff injuries in the shoulder. Additionally, the principal geographic focus remains the U.S., and therefore the U.S. FDA remains the principal regulatory body for our initial indication(s).

In June 2016, a teleconference was held between the Center for Biologics Evaluation and Research ("CBER") and the Corporation (represented by the Corporation's regulatory consultants, the CEO and Dr. Buschmann). Discussions with the FDA ensued, and it has been determined that Ortho-R will be regulated as a single-entity biologic through CBER. The specific implications of this determination remain to be quantified, but it is possible that an increased investment in chemistry, manufacturing and controls ("CMC") may be required. This being said, it has been clarified with CBER that the earlier anticipated ISO10993 package of biocompatibility studies will not be required for continued development. In addition, CBER broadly suggested that the proposed preclinical package should be sufficient to begin human clinical trials, and that the draft clinical development plan appears appropriate at this stage.

There are now two major work components that must be completed before any clinical evaluation can take place:

The manufacture of Ortho-R must satisfy Current Good Manufacturing Practice ("CGMP") regulations so that proper clinical trial supplies can be manufactured for regulated clinical studies. It has always been the Corporation's intention to undertake an agreement with a suitable contract manufacturing organization ("CMO"), but not to invest in the development of its own facilities. Therefore, a master service agreement has been signed with KABS Laboratories Inc. ("KABS"). KABS has all the necessary facilities for processing our raw material into a final product and providing the required quality control and stability studies. In addition, KABS appears to have all the necessary quality systems required for our purposes. The Corporation has received samples of several batches of the raw material from our preferred supplier. This material will be sufficient to manufacture the final product for early clinical trials.

Second, all preclinical studies must be completed, involving evaluations of both the safety and the efficacy of Ortho-R in a large animal efficacy model. In the fall, we completed the pilot study which we believe has demonstrated the suitability of the preclinical model. A local contract research organization ("CRO ") has been selected to undertake the pivotal preclinical study, and contract negotiations are ongoing, along with the necessary quality audit.

All the activities described above have been planned and are being executed as sufficient financial resources have been secured.

Owing to the limited resources available to the Corporation in the short term, a number of decisions have recently been made by management to ensure that value continues to be created: The rotator cuff indication will continue as before, but development work on the meniscus indication (and others) will be limited until Ortho-R is has been further developed and more financing has been obtained. It should be noted that this does not affect the ongoing research programs at École Polytechnique. The continued focus on the rotator cuff remains the highest priority, since it is less complicated and has the fastest path to approval, but is still a large enough indication to merit development on its own: it can therefore act as the fastest path to the "human proof of concept" for the Corporation's technology overall, and increase the value of the entire portfolio.

The Corporation has therefore continued to manage its resources in a careful and prudent way while continuing the development of its lead candidate for rotator cuff repair.

FINANCIAL OVERVIEW

- On January 8, 2018, the Board granted 100,000 options to a new board member at an exercise price of $0.55.
- On December 19, 2017, the Board granted 100,000 options to a new member of the Scientific Advisory Board at an exercise price of $0.50.
- On December 11, 2017, the Corporation closed a tranche of its private placement in an amount of $160,000, less a cash fee of $5,500 for 320,000 units at 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. In addition to the private placement, 19,112 full warrants were exercised for the issuance of 19,112 Class "A" common shares for gross proceeds of $ 9,557.
- On October 31, 2017, the Corporation closed a tranche of its private placement of $905,000, less a cash fee of $30,000 and broker's warrants of $6,000, for 1,810,000 units at 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.
- On October 10, 2017, the Corporation shares began trading on the CSE.
- On October 10, 2017, with an effective date of August 1, 2017, the Corporation and École Polytechnique revised the monthly payments on the three research agreements from $58,333 to $23,133. This change resulted in $352,000 in savings on the contracts.
- On September 26, 2017, the Board granted 100,000 options to a new board member at an exercise price of $0.50.
- On September 15, 2017, the Corporation signed a short-term loan agreement to finance its investment tax credits in the amount of $278,700, bearing interest at 1.5% per month.
- On September 12, 2017, the Board extended the expiry date of the warrants issued in January and February 2016 to January 29 and March 9, 2019, respectively.
- In the second quarter, the Corporation closed two tranches of its private placement of $582,500, less a cash fee of $10,375 and broker's warrants of $3,095, for 1,165,000 units at 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.
- During the second quarter, the Board granted 700,000 stock options at an exercise price of $0.50.
- On July 28, 2017, the Corporation converted its accounts payable to Manitex into a note payable in the amount of $224,737.
- In the first quarter, the Corporation closed two tranches of its private placement of $650,000, less a cash fee of $27,500 and broker's warrants of $7,760, for 1,300,000 units at 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.

- On March 31, 2017, the Corporation entered into a Shares 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 issued had an aggregate fair value on that date of $96,000. 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.
- Concomitant with the closing of the second tranche in April 2017, the Corporation entered into a debt conversion and convertible loan agreement with Manitex. From the outstanding amount of $1,219,050, $400,000 was converted into 800,000 units at deemed price of $0.50 per unit. Each unit consists of one Class "A" common share and one-half common share purchase warrant under the same conditions as mentioned above.
- In conjunction with the debt conversion and loan agreement with Manitex, the Corporation converted $600,000 into a first ranking, long-term convertible loan, bearing interest at an annual rate of 10%, to be paid in full, principal and interest, on February 1, 2019.
- In June 2017, the Corporation settled consulting fees in the amount of $15,000 in shares.
- The net loss from operations for the year was approximately $2,022,000 compared to approximately $1,661,000 for the same period in 2017.
- Cash used in operating activities was $1,920,000, which includes cash used to fund development projects. Cash provided from financing activities was $2,537,000 and cash used to acquire intangible assets was $36,000 and $160,000 was spent on manufacturing equipment.

SELECTED ANNUAL FINANCIAL DATA

OPERATING EXPENSES

The following table sets forth financial information relating to the Corporation's operating expenses for the periods indicated and should be read in conjunction with the Annual Audited Financial Statements for the years ended January 31, 2018, 2017 and 2016. For more information on the restatements, refer to the section "Changes in accounting policies including initial adoption" below.

	2018 **$**	2017 $ (restated)	2016 $ (restated)
Research and development	**651,816**	698,882	535,294
General and administrative			
Professional and consulting fees	**467,796**	328,873	259,530
Office and administrative	**289,205**	349,506	89,902
Travel and promotion	**29,350**	47,897	23,602
Investor relations, transfer agent and filing fees	**144,376**	40,435	-
Share-based compensation	**204,922**	130,055	146,060
Interest and bank charges	**126,860**	65,400	7,957
Fair value adjustment on Class "A" shares	**107,333**	-	257,577
Operating expenses for the period	**2,021,659**	1,661,048	1,319,922
Loss per share			
Weighted average number of common shares outstanding	**17,330,526**	**13,603,359**	**8,150,084**
Basic and diluted	**0.12**	0.12	0.16

The number of options and full warrants outstanding as at January 31, 2018, 2017 and 2016 is not included in the calculation because the effect is anti-dilutive.

The comparative operating expenses for the years ended January 31, 2018, and 2017 are summarized below:

	2018 $	2017 $ (restated)	Change $
Research and development	651,816	698,882	47,066
General and administrative			
Professional and consulting fees	467,797	328,873	(138,924)
Office and administrative	289,205	349,506	60,301
Travel and promotion	29,350	47,897	18,547
Investor relations, transfer agent filing fees	144,376	40,435	(103,941)
Share-based compensation	204,922	130,055	(74,867)
Financial expenses	126,860	65,400	(61,460)
Fair value adjustment on Class “A” shares	107,333	-	(107,333)
Operating expenses for the period	2,021,659	1,661,048	(360,611)

For the year ended January 31, 2018, compared to the same period in 2017, overall expenses remain constant for both years.

Research and development costs

- Research and development costs represent mainly three research agreements with École Polytechnique for the products Ortho R, Ortho M and Ortho C. The monthly charge from École Polytechnique covers all expenses incurred related to the project (i.e. salaries of researchers, materials used, lab fees, overhead costs). Originally these contracts represented a monthly cost of $58,333. Effective August 1, 2017, both parties revised the monthly payments for these agreements to $23,133. The expenses for these contracts in fiscal 2018 were approximately $489,000, compared to $700,000 in fiscal 2017.

- Research and development costs are presented net of an estimated tax credit of $235,000 ($245,000 for the comparative period). The change of approximately $47,000 was due to amendments made to the three research contracts, for savings of $211,000 in fiscal 2018, an increase in the cost of three on going pilot studies of approximately $145,000, which was paid to a CRO and the consultants for services provided directly related to the pre-clinical studies for the Ortho-R projects. It also includes an decrease of approximately $15,000 of patent prosecution costs and an increase in amortization of the intangible asset in an amount of $24,000

- Research and development costs over time were as follows:

	Ortho R $	Ortho M $	Ortho C $	Total $
Expenditures incurred in prior years	483,000	604,000	376,000	1,463,000
Additions in fiscal 2018	461,000	196,000	120,000	777,000
Total accumulated expenditures	**944,000**	**800,00**	**496,000**	**2,240,000**

General and administrative expenses

- Professional and consulting fees increased by approximately $139,000, mainly due to an increase of $188,000 in consulting fees charged by the acting CEO and a decrease of $49,000 in consulting and professional services fees related to the development of business strategies and in-house and legal fees.

- Office and administrative expenses decreased by approximately $60,000, mainly due to lower salaries paid since the former CEO was paid as an employee in 2017. All other expenses have not significantly changed from fiscal 2017.

- Investor, transfer agent and filing fees increased by approximately $104,000, mainly due to the services agreement with our investor relations firm, and occasionally other firms, for a total amount of $99,000. The additional costs are for various filing requirements on the CSE, another provincial exchange, SEDAR fees and press releases.

- Share-based compensation increased by approximately $75,000 related to: (i) the grant of new options to the acting CEO and a new employee; and (ii) the addition of two new directors to the Board of Directors and a new member to the Scientific Advisory Board.

- Financial expenses increased by approximately $61,000. This increase was due to the interest on Manitex's debts in fiscal 2018 of approximately $107,000 compared to $38,000 the previous year, due to a higher interest rate on its overall debt. In September 2017, the Corporation obtained a short-term loan for financing its investment tax credits and paid approximately $21,000 of financial charges. In fiscal 2017 approximately $26,000 in interest was accrued on the unpaid research contract with École Polytechnique, however, only $16,000 was settled by the issuance of shares, which resulted in a net reversal of approximately $10,000 which represents an overall decrease of $36,000. The remainder was comprised of the amortization of transaction costs of $6,000 and $2,000 of bank charges, compared to approximately $1,000 in fiscal 2017.

- The fair value adjustment on Class "A" shares of approximately $107,000 is the result of the change in fair value of the Class A shares reclassified as equity as at October 10, 2017. On this date, the Corporation's shares were listed on the CSE and therefore the liability for the shares held by Polyvalor is no longer a financial obligation and the shares have met the criteria's to be presented as equity as the carrying value of the liability.

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BALANCE SHEET HIGHLIGHTS

The following table sets forth financial information relating to the Corporation's statements of financial position for the periods indicated and should be read in conjunction with the Annual Audited Financial Statements for the years ended January 31 , 2018, 2017 and February 1, 2016. For more information on the restatements, refer to the section "Changes in accounting policies including initial adoption" below.

	January 31, 2018 $	January 31, 2017 $ (restated)	February 1, 2016 $ (restated)
Cash	**449,720**	7,366	646,246
Investment tax credits	**160,005**	345,005	225,915
Sales tax receivable and other assets	**39,002**	26,150	4,875
Current assets	**648,727**	378,521	907,204
Deferred share issue costs	**-**	-	153,874
Investment tax credits	**242,711**	-	-
Intangible assets	**460,332**	368,150	333,150
Equipment	**159,707**	-	-
Non-current assets	**862,750**	368,150	487,024
Total assets	**1,511,477**	746,671	1,394,228
Liabilities - current	**757,890**	1,680,161	1,098,139
Liabilities - non-current	**607,239**	333,334	333,334
Common shares	**3,842,500**	1,200,031	1,006,617
Warrants	**758,380**	238,000	130,000
Contributed surplus	**548,097**	276,115	146,060
Deficit	**(5,002,629)**	(2,980,970)	(1,319,922)

INVESTMENT TAX CREDITS

The amounts and the timing of the recognition of investment tax credits receivable involve a certain degree of estimation and judgment with regards to the eligibility of the research and development expenditures giving rise to the tax credit 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.

The Corporation recognized investment tax credits related to expenditures related to three research agreements with École Polytechnique. The estimated amount of tax credits for fiscal 2018 is $235,000 compared to approximately $245,000 for fiscal 2017. These amounts represent federal and provincial tax credits.

INTANGIBLE ASSETS

INTELLECTUAL PROPERTY

The Corporation owns 4 patent applications filed in 2009. Improvements to the technology discovered through work carried out at École Polytechnique and funded by Ortho are also owned by Ortho. The current patent portfolio includes the following:

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, comprises platelet-rich plasma (PRP), a chitosan, a salt and a clot activator;

Patent Family No. 2: Novel formulation of physiological chitosan-inorganic salt solution/blood mixtures for tissue repair; on August 26, our patent from Family No. 2 was issued in the United States and on March 16, 2018, we received a Notice of Allowance from the European Patent Office;

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 injections;

Patent Family No. 4: Freeze-dried chitosan 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.

During the year, the Corporation made a cash payment to Polyvalor covering the non-refundable fee of $36,410 and issued 240,000 of its common shares to Polyvalor on behalf of École Polytechnique, at a deemed price of $0.50 per common share, covering $120,000 of the outstanding amounts owed to them. The amount represents the commitment of a non-refundable fee of $100,000 as per the Assignment and Transfer Agreement and an overall financing charge of $20,000 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 and had an aggregate fair value at 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.

CURRENT LIABILITIES

The current liabilities are comprised on its accounts payable in the amount of $246,000 compared to $800,311, which were paid in the year,except the amount of $225,000 was settle as a note payable. Operatin loan payable to Manitex was settled by the issuance of a convertible loan in the amount of $600,000 and $400,000 was converted into equity,

Included in current liabilities we have short-term debt comprised of:

(a) Note payable

On July 28, 2017, the Corporation and Manitex signed an unsecured note payable in the amount of $224,737 bearing interest at 12% and maturing on October 31, 2018. The amount owed on the note payable as at January 31, 2018 was $238,628.

(b) Short term loan

On September 12, 2017, the Corporation signed a short-term loan agreement to finance its investment tax credits in an amount of $278,700. The loan is secured by a first-rank moveable hypothec on all of its assets, and bears interest at a fixed rate of 1.5% per month. The amounts are due upon receipt of the refunds from the respective governments. The amount is presented net of financing costs of $5,380.

Included in current liabilities we have short-term debt comprised of:

NON-CURRENT LIABILITIES

(a) Convertible loan

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 paid repaid in full, principal and interest on February 1, 2019. Prior to the maturity date, 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 the maturity date, 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.

Upon issuance, the convertible loan was separated into a liability in the amount of $533,000 and equity components of $67,000 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 convertible loan with similar terms, but without a conversion feature, from comparable companies. The total amount of accretion expenses charged to operations was $75,161.

(b) Class A Share liability

On October 10, 2017, the Corporation listed its shares on the CSE and therefore reclassified the liability to equity. Polyvalor held 1,073,334 shares, and as per IAS 32, approximately $533,000 was credited to share capital, based on the fair value of the liability as of October 10, 2017.

ANALYSIS OF FINANCIAL RESULTS FOR THE FOURTH QUARTER

	FY 2018 Q4 $	FY 2017 Q4 $	CHANGE
Research and development	278,653	41,608	(237,045)
General and administrative			
Professional and consulting fees	133,088	124,903	(8,185)
Office and administrative	94,937	39,693	(55,244)
Travel and promotion	7,271	7,557	286
Investor relations, transfer agent and filing fees	12,968	5,176	(7,792)
Share-based compensation	48,768	(19,003)	(67,771)
Financial expenses (income)	**65,163**	**40,712**	**(24,451)**
Net loss for the quarter	**640,848**	**240,646**	**(400,202)**
Loss per share Basic and diluted:	0.03	0.01	

In the fourth quarter, total expenses increased by $400,000 compared to the same period in fiscal 2017. Research and development expenses amounted to approximately $279,000 compared to $42,000 in fiscal 2017. The increase was due to the three pilot studies which commenced in the last quarter of the current year. General and administrative expenses, the main expenses were professional and consulting fees, office and administrative expenses and share-based compensation. Professional and consulting fees increased slightly, by $8,000, from the same quarter in fiscal 2017. This item includes corporate legal and audit fees in a total amount of $25,000 compared to $19,000 in fiscal 2017; $20,000 in corporate services compared to $46,000; and $88,000 in consulting fees paid to the acting CEO compared to $60,000. Office and administrative expenses increased by $55,000 from the comparative quarter. Office and administrative expenses consisted of salaries and benefits of approximately $84,000 compared to $40,000. The increase in salaries in Q4 was due to an additional employee and bonuses to employees. Other costs include insurance and office expenses in the amount of $11,400 compared to nil in prior year During the quarter 200,000 options were granted, for a compensation cost of approximately $70,000 to be recognized gradually over the vesting period of these options. During the quarter, approximately $49,000 of share-based compensation was recognized for employees, consultants and directors' remuneration, compared to a recovery of $19,000 due to the cancellation of options belonging to the former CEO which had not vested.

Overall financial expenses increased by approximately $24,000. This change was due to an increase in the interest charged by Manitex related to the accretion of the interest on the convertible loan and the note payable in the amounts of approximately $25,000 and $7,000, respectively, compared to $14,000 in the comparative quarter for the operating loan. Interest paid on a new short-term loan was approximately $14,000 compared to nil, and other financial charges decreased by $8,000.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information for the Corporation for the eight quarters ended January 31, 2018. This information is derived from unaudited quarterly financial statements prepared by management and in accordance with IFRS, and are 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 the statements and the accompanying notes.

	FY 2018 Q4 $	FY 2018 Q3 $	FY 2018 Q2 $	FY 2018 Q1 $ (Restated)	FY 2017 Q4 $ (Restated)	FY 2017 Q3 $ (Restated)	FY 2017 Q2 $ (Restated)	FY 2017 Q1 $ (Restated)
R&D costs	**278,653**	**226,182**	**81,373**	**65,608**	**41,608**	**236,109**	**219,068**	**202,097**
G&A expenses								
Professional and consulting fees	133,088	174,880	107,945	90,884	124,903	83,365	97,160	23,445
Office and administrative	94,937	92,613	55,138	46,517	39,693	72,737	121,264	115,812
Travel and promotion	7,271	10,141	5,664	6,274	7,557	13,755	14,565	12,020
Investor relations, transfer agent and filing fees	12,968	41,210	33,300	17,898	5,176	16,386	18,876	-
Total G&A	**248,264**	**318,844**	**202,047**	**161,573**	**177,329**	**186,243**	**251,862**	**151,277**
Share-based compensation	**48,768**	**51,073**	**99,425**	**5,656**	**(19,003)**	**40,473**	**68,122**	**40,463**
Financial expenses (income)	**65,163**	**47,897**	**(10,160)**	**23,960**	**40,712**	**10,727**	**11,499**	**2,462**
Change in fair value of Class "A" shares	**-**	**118,067**	**(10,734)**	**-**	**-**	**-**	**-**	**-**
Net loss for the quarter	**640,848**	**762,063**	**361,951**	**256,797**	**240,646**	**473,552**	**550,551**	**396,299**
Loss per share Basic and diluted:	0.03	0.04	0.02	0.02	0.01	0.03	0.03	0.03

R&D is defined by Research and development costs and G&A is define by General and administrative

Research and development costs increased in FY2018 compared to FY2017. The increase was due to a decrease in the percentage of investment tax credits claimed in Q4 FY2018 that was less than the prior quarters. During Q3 and Q4 of FY2018, the Corporation commenced 3 pre-clinical studies which were completed in late Q4 FY2018. In Q4 FY2017, an amount of $200,000 of ITC's was accrued which explains most of the large variance from the previous quarter, and the costs for Q1 and Q2 of FY2018 were mainly the École Polytechnique research contracts.

Professional and consulting fees increased from Q4 FY2017, due to the arrival of a new CEO who is paid as a consultant. Included in consulting fees are payments to consultants to provide strategic and business development, at management's discretion.

Office and administrative expenses remained relatively consistent from one quarter to the next. The increase in Q2 FY2018, was due to the addition of one employee, and in Q1 and Q2 FY2017, the former CEO was paid as an employee, which explains the decrease after Q2 FY2017. Overall office expenses were consistent from one quarter to another, with little variance.

Commencing in late Q1 FY2018, management hired an investor relations firm which explains the increase commencing in Q2 FY2018. During Q3 FY2018, finder's fees were paid to other firms for their significant contributions to the private financing entered into on October 31, 2017.

Amortization of intangible assets commenced in Q2 FY2018 and should remain constant from one quarter to the next over the next 15 years.

Share-based compensation increased in FY2018 compared to FY2017. The increase was due to the grants made to new employees, members of the Board and the Advisory Board and the CEO. The recovery in Q4 FY2017 was due to the cancellation of 625,000 of the former CEO's options which had not vested at his departure.

Financial expenses increased significantly in FY2018 compared to FY2017, due to a new short-term loan at a rate of 1.5% per month and the convertible loan recorded at an interest rate of 18% to reflect its market value at initial recognition.

In addition to these expenses, the non-cash item, change in the fair value of Class "A" shares in the amount of $118,067 results 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. The shares have now been reclassified as equity. For more detailed information, please refer to the Class "A" shares liability section or Note 10 to the Annual Audited Financial Statements.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS:

Sources and Uses of Cash

For the years ended January 31	**2018** $	2017 $ (Restated)
Operating activities:		
Net loss from operations	**(2,021,659)**	(1,661,048)
Items not affecting cash	**483,848**	130,055
Cash used in operations prior to changes in working capital	**(1,558,714)**	(1,530.993)
Changes in non-cash working capital	**(361,149)**	(168,025)
Cash used in operations	**(1,898,960)**	(1,164,421)
Investing activities:		
Acquisition of equipment	**(159,707)**	-
Acquisition of intangible assets	**(36,410)**	(35,000)
Cash used in investing activities	**(196,117)**	(35,000)
Financing activities:		
Cash received from operating loan	**81,100**	639,850
Cash received from short-term debt, net of transaction costs	**266,052**	-
Payment of interest on short-term debt	**(20,903)**	-
Cash received from equity financing	**2,297,500**	540,000
Payment of share issue costs	**(95,875)**	(23,250)
Cash received from exercised warrants	**9,557**	
Payment for costs related to the long form prospectus	**-**	(61,464)
Cash provided by financing activities	**2,537,431**	1,095,138
Increase (decrease) in cash	**442,354**	(638,880)
Cash, beginning of period	**7,366**	646,246
Cash, end of period	**449,720**	7,366

The Corporation had cash of $449,720 compared to $7,366 in FY2017. The increase of $442,354 was due to financing obtained during the year.

(a) Operating activities

Cash used in operations represents the cash flows from loss, excluding expenses not affecting cash and the net change in non-cash operating working capital. During the current period, non-cash items amounted to ($483,848) (2017 - $130,055). These amounts represent for the current period share-based compensation of $204,922 (2017 - $130,055), consulting fees settled in shares of $15,000, financial interest of $132,365, amortization of intangibles of $24,228, amortization of transaction costs of $6,407 and a change in fair value on the Class "A" shares of $107,633.The net change in non-cash working capital was affected by the decrease in accounts payable and accrued liabilities of $290,586 (2017 – $57,828), an increase in sales tax receivable and prepaid expenses of $12,852 (2017 – decrease of $8,893) and an increase in investment tax credits of $57,711 (2017 – $119,090).

(b) Investing activities

The Corporation acquired new equipment in the amount of approximately $159,700 (nil in 2017) to manufacture its Ortho R product in accordance with Good Manufacturing Practice. It also paid $36,400 ($35,000 – 2017) as per the IP agreement to Polyvalor to acquire the intangible asset.

(c) Financing activities

During the current period, the Corporation received $2,297,500 (2017 - $540,000) from the issuance of units with related share issue costs of $95,875 (2017 - $23,250) and drew $81,100 (2017 - $639,850) on its operating loan facility with Manitex. In addition, the Corporation received proceeds from a new short-term loan in the amount of $278,700 with transaction costs of $12,648. The Corporation received $9,557 from the exercise of warrants. Cash flows provided by financing activities amounted to $2,558,334 (2017 – $1,095,138).

(d) Use of funds

The following table presents the use of funds provided by equity and debt financing:

	2018	2017	2016
	$	$	
Payments on the École Polytechnique contracts	**848,466**	409,733	397,265
Acquisitions of equipment and intangible asset	**96,019**	35,000	194,844
Payment of expenditures toward the pre-clinical plan	**381,499**	-	-
General and administrative expenses	**1,027,250**	643,039	214,019
Payment of transaction costs	**108,523**	84,712	14,000
	2,217,137	1,172,484	820,128
Total increase in financing	**2,307,057**	540,000	1,226,374
Total debt financing	**359,800**	639,850	240,000
Amount remaining in cash	**449,720**	7,366	646,246

(e) Future financing

At the close of the business day on January 31, 2018, Ortho RTi had 4,030,138 warrants outstanding, exercisable at $0.70. None of these warrants are currently in-the-money. These 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 $2,820,000.

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 private placements with accredited and institutional investors.

LIQUIDITY AND CAPITAL RESOURCES:

	January 31, 2018	January 31, 2017
	$	$
Cash	**449,720**	7,366
Working capital [(i)]	**(109,163)**	(1,301,640)
Total assets	**1,511,477**	746,671

(i) Working capital is measured as current assets less current liabilities.

The Corporation's primary objective with respect to its capital management is to ensure that is has sufficient financial resources to meet its financial obligations. The current working capital deficiency is being addressed by the Corporation and its Board of Directors.

To secure the additional capital necessary to fund its negative working capital 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.

Over the next 12 months, the Corporation has the obligation to repay its short-term debt in the amount of approximately $556,000, including interest payments to be made at the contractual rate, and to pay its sublease in the amount $24,000. In addition, the Corporation will continue to make payments to École Polytechnique on the remainder of its three research contracts in an amount of $92,532, which represents monthly payments of $23,133 for the next four months.

Over the next 12 months, the Corporation's development activities will be focused on completing the manufacturing of the Ortho R product and commencing its animal pivotal pre-clinical trials following good laboratory practice, with a CRO. The Corporation's use of available funds over the coming year is of utmost concern to the Board, and revised spending budgets have been prepared to postpone development activities and reduce some administrative expenses, should the private financing through share issues or debt be insufficient to fund the business plan. These activities can be postponed, and we do not believe that these delays would materially impact the potential for the product or the Corporation. The Corporation can also delay the prosecution of its patents. In doing so, the Corporation is not giving up any of its rights or the protection of its intellectual property, as the patent authorities have built in such delays into the patent regulations, and companies are afforded the opportunity to delay the prosecution of patents for confidentiality and strategic reasons.

Discussion of operational cash requirements:

All four products in the Corporation's current portfolio will require 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 research and development process, including regulatory approvals and manufacturing validations.

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 that human pilot clinical trials may start in the second quarter of 2019, once the Investigational New Drug ("IND") application has been approved. The current stage of the program is concentrated on ensuring that all preclinical activities are complete: these preclinical activities include formal toxicology testing, pivotal animal efficacy study(ies), and the transfer of the manufacturing process to a contract manufacturing organization. All the preclinical activities have commenced, and we anticipate that they can all be accomplished with another $2.8 million in expenditures up to the IND approval.

Ortho-M is the Corporation's second candidate and is also in a development phase. The large animal preclinical model studies are complete. We anticipate a pathway and plan similar to that for to Ortho-R, and management is currently evaluating the estimated commencement of the pivotal animal efficacy study(ies). This will require an investment of approximately $1 million for submission of an IND application.

Ortho-C is in the research and discovery phase. The Corporation (through its ongoing funding) will continue to investigate possible formulations and conduct small and large animal research studies to investigate possible efficacy in articular cartilage repair. As such, the associated costs are covered by the ongoing commitment under the third research agreement with École Polytechnique, the terms of which require a monthly investment of $6,940 for the next four months.

Ortho-V is a discovery and feasibility project whose funding will come from the same research agreement with École Polytechnique covering the development of Ortho-M. To date, minimal funds has been applied to this project. We are currently working with École Polytechnique to develop the project over the next year.

COMMITMENTS

The following represents the commitments entered into by the Corporation:

a) On June 19, 2015, the Corporation entered into three long-term research service agreements with École Polytechnique, requiring total disbursements of $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 of $161,931. The revised monthly amounts are as follows:

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

If the Corporation fails to perform any of the payments provided in these agreements, compound interest at an annual rate of 12% will be applied to 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 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

OFF BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

The following table presents related party transactions for the years ended January 31, 2018, and 2017:

	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.

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 Polytechnique, a partner of Polyvalor	**-**	385,882
Transaction with Polyvalor, holder of 1,073,333 common shares:		
Amounts included in intellectual property	**116,410**	35,000

USE OF ACCOUNTING 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 reported revenues, expenses, comprehensive loss, assets and liabilities and the 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 periodically reviewed, 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 required 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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

a) Change in Accounting Policy

During the second quarter of fiscal 2018, the Corporation changed its accounting policy with respect to its intangible assets, specifically with respect to its development 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, 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 to reflect the new policy. Consequently, development costs and patent prosecution costs in the amounts of $926,639 and $392,042 were charged to operations for the years ended January 31, 2017, and 2016, respectively.

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 assets	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 $
General and administrative expenses			
Research and development costs	164,285	534,597	698,882
Total general and administrative expenses	1,061,051	534,597	1,595,648
Net loss and comprehensive loss for the period	1,126,451	534,597	1,660,048
Basic and diluted loss per common share	0.05	0.02	0.07

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 for the period	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 assets	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 assets	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)

b) 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 on 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.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Information on standards issued but not effective is provided in Note 2 of the Audited Financial Statements.

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 plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred. An extended description of the Corporation's financial instruments and their fair values is provided in Note 8 of the Annual Audited Financial Statements.

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 a 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.

RISK MANAGEMENT

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.

Management determined that the Corporation is not exposed to currency and credit risk arising from these financial instruments.

a) 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 fluctuations 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.

b) Liquidity risk

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

January 31, 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.

c) 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 is actively attempting 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.