Ortho Regenerative Technologies Inc.
Interim Condensed Financial Statements
Three-month and nine-month periods ended October 31, 2018 and 2017

The accompanying unaudited interim condensed financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Corporation. These statements have not been reviewed by the Corporation's external auditors.

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	October 31, 2018	January 31, 2018
	$	$
Assets *(Note 4)*		
Cash	**357,681**	449,720
Sales tax receivable	**50,519**	6,048
Prepaid expenses	**4,677**	32,954
Investment tax credits	**242,711**	160,005
Total current assets	**655,588**	648,727
Investment tax credits	**89,000**	242,711
Equipment *(Note 8)*	**209,008**	159,707
Intangible asset	**436,104**	460,332
Total non-current assets	**734,112**	862,750
Total assets	**1,389,700**	1,511,477
Liabilities		
Accounts payable and accrued liabilities	**446,674**	245,942
Short-term debt *(Note 4)*	**-**	511,948
Convertible loan *(Note 5)*	**681,004**	-
Total current liabilities	**1,127,678**	757,890
Note Payable *(Note 4)*	**135,405**	-
Convertible loan *(Note 5)*	**-**	607,239
Total non-current liabilities	**135,405**	607,239
Total liabilities	**1,263,083**	1,365,129
Shareholders' equity		
Common shares *(Note 7)*	**5,429,588**	3,842,500
Warrants *(Note 7)*	**801,000**	758,380
Contributed surplus *(Note 7)*	**612,461**	548,097
Deficit	**(6,716,432)**	(5,002,629)
Total shareholders' equity	**126,617**	146,348
Total liabilities and shareholders' equity	**1,389,700**	1,511,477

Going Concern Uncertainty *(Note 1)*; Commitments *(Note 14); Subsequent Events (Note 16)*

"*Brent Norton*", Director   "*Sharon Ludlow* ", Director

	Three months ended		Nine months ended	
	2018	2017	**2018**	2017
	$	$	**$**	$
Expenses				
Research and development costs *(Note 9)*	**403,410**	260,858	**663,226**	413,619
General and administrative expenses				
Professional and consulting fees	**199,600**	197,380	**586,622**	433,709
Office and administrative	**81,294**	76,650	**227,234**	186,221
Travel and promotion	**14,886**	10,141	**26,212**	22,079
Share-based compensation *(Note 7)*	**49,707**	51,073	**97,943**	156,154
	748,897	596,102	**1,601,237**	1,211,782
Financial expenses (gains)				
Interest on short-term debt and bank charges	**4,508**	23,208	**39,440**	15,168
Interest paid with shares	**-**	**-**	**-**	20,000
Interest and accretion on convertible loan	**24,637**	24,689	**73,126**	50,523
Gain on settlement of debt	**-**	**-**	**-**	(24,000)
Change in fair value on Class A shares *(Note 6)*	**-**	-	**-**	(10,734)
Derecognition of liabilities on Class A share *(Note 6)*	**-**	(246,842)	**-**	(246,842)
	29,145	(198,945)	**112,566**	(195,885)
Net loss and comprehensive loss	**778,042**	397,157	**1,713,803**	1,015,897
Loss per share				
Weighted average number of common shares outstanding	**24,717,641**	17,658,722	**22,825,373**	16,452,770
Basic and diluted loss per common share	**0.03**	0.02	**0.08**	0.06

	Number of shares	Share capital $	Warrants $	Contributed surplus $	Accumulated Deficit $	Total Equity $
Balance as at January 31, 2017	14,093,166	1,200,031	238,000	276,115	(2,980,970)	(1,266,824)
Issuance of units as equity *(Note 7)*	4,305,000	1,701,750	450,750	-	-	2,152,500
Transfer of shares presented as a liability	1,073,334	171,758	-	-	-	171,758
Conversion of debt into units as equity *(Note 7)*	800,000	320,000	80,000	-	-	400,000
Share issue costs *(Note 7)*	-	(85,375)	-	-	-	(85,375)
Issuance of warrants as issue costs *(Note 7)*	-	(16,795)	16,795	-	-	-
Share-based compensation *(Note 7)*	-	-	-	156,154	-	156,154
Conversion feature on convertible loan *(Note 5)*	-	-	-	67,061	-	67,061
Net loss for the period	-	-	-	-	(1,015,896)	(1,015,896)
Balance as at October 31, 2017	20,271,500	3,291,369	785,545	499,330	(3,996,866)	579,378
Balance as at January 31, 2018	**20,610,612**	**3,842,500**	**758,380**	**548,097**	**(5,002,629)**	**146,348**
Issuance of shares *(Note 7)*	**3,760,000**	**1,504,000**	**-**	**-**	**-**	**1,504,000**
Exercised options *(Note 7)*	**65,000**	**40,079**	**-**	**(33,579)**	**-**	**6,500**
Exercised warrants *(Note 7)*	**16,812**	**11,926**	**(2,063)**	**-**	**-**	**9,863**
Settlement of note payable by issuance of shares *(Note 4)*	**300,000**	**120,000**				**120,000**
Issuance of warrants *(Note 7)*	**-**	**(21,717)**	**44,683**	**-**	**-**	**22,966**
Share issue costs *(Note 7)*	**-**	**(67,200)**				**(67,200)**
Share-based compensation *(Note 7)*	**-**	**-**	**-**	**97,943**	**-**	**97,943**
Net loss for the period	**-**	**-**	**-**	**-**	**(1,713,803)**	**(1,713,803)**
Balance as at October 31, 2018	**24,752,424**	**5,429,588**	**801,000**	**612,461**	**(6,716,432)**	**126,617**

The number of shares held in escrow as at October 31, 2018 was 6,905,329 (10,357,972 as at October 31, 2017)

	2018	2017
	$	$
Operating activities:		
Net loss from operations	**(1,713,803)**	(1,015,897)
Add items not affecting cash:		
Share-based compensation	**97,943**	156,154
Consulting fees paid by issuance of equity instruments	**22,966**	15,000
Amortization – intangible asset	**24,228**	16,819
Amortization – transaction costs	**6,019**	2,723
Depreciation – equipment	**26,298**	-
Gain on settlement of debt *(Note 6)*	**-**	(24,000)
Interest paid by issuance of shares *(Note 6)*	**-**	20,000
Interest and accretion on convertible loan *(Note 5)*	**73,126**	50,523
Interest accrued on notes payable *(Note 4)*	**35,928**	7,096
Derecognition of liability shares *(Note 6)*	**-**	(246,842)
Change in fair value of Class A shares	**-**	(10,734)
	(1,427,295)	(1,029,158)
Net change in non-cash operating working capital:		
Sales tax receivable and prepaid expenses	**(16,194)**	(25,340)
Investment tax credits	**71,005**	(57,711)
Accounts payable and accrued liabilities	**179,918**	(226,529)
	234,729	(309,580)
Cash used in operating activities	**(1,192,566)**	(1,338,738)
Investing activities:		
Acquisition of equipment	**(54,781)**	-
Acquisition of intangible asset	**-**	(36,410)
Cash used in investing activities	**(54,781)**	(36,410)
Financing activities:		
Increase in operating loan	**-**	81,100
Payment of interest on short-term debt	**(19,155)**	-
Proceeds from short term debt	**-**	278,700
Repayment of short-term debt	**(278,700)**	-
Issuance of shares	**1,504,000**	2,137,500
Proceeds from exercised warrants	**9,863**	-
Proceeds from exercised options	**6,500**	-
Payment of debt issue costs	**-**	(12,647)
Payment of share issue costs	**(67,200)**	(85,375)
Cash provided by financing activities	**1,155,308**	2,399,278
(Decrease) increase in cash	**(92,039)**	1,024,130
Cash, beginning of period	**449,720**	7,367
Cash, end of period	**357,681**	1,031,497
Supplementary cash flow information		
Intangible asset acquired by issuances of shares	**-**	100,000
Settlement of note payable by issuance of shares	**120,000**	-
Settlement of accounts payable by issuance of a note payable	**-**	224,737
Settlement of accrued interest by issuance of convertible loan *(Note 5)*	**-**	39,050
Settlement of operating loan by issuance of convertible loan *(Note 5)*	**-**	560,950
Settlement of operating loan by issuance of shares *(Note 5)*	**-**	400,000
Derecognition of liability shares transferred to equity (Note 6)	**-**	171,758

1. Presentation of the 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. 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 considers 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 October 31, 2018, the Corporation had a deficit of $6,716,432 and a working capital deficit of $472,090. During the period ended October 31, 2018, the Corporation incurred a net loss of $1,713,803.

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 December 3, 2018.

2. Summary of Significant Accounting Policies

a) Basis of measurement

These financial statements have been prepared on a going-concern basis, under the historical cost convention, 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 the Canadian dollar, 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 income. 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.

	October 31, 2018	January 31, 2018
End of period exchange rate	**1.3142**	1.2293
	October 31, 2018	October 31, 2017
Three-month period average exchange rate	**1.3010**	1.2496

2. Summary of Significant Accounting Policies *(Continued)*

c) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended January 31, 2018 as they follow the same accounting policies and methods of application.

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.

d) Recently adopted accounting policies

IAS 16 – Property, plant and equipment

During the period ended October 31, 2018, the Company adopted a significant accounting policy for equipment in accordance with IAS 16 – Property, plant and equipment. Under the Company's policy, equipment is recorded at historical cost less accumulated depreciation and impairment charges. Equipment is depreciated using the declining balance method. The significant classes of equipment and their useful lives are as follows:

- Computer Equipment – 30% per annum
- Scientific Equipment – 20% per annum

An item of equipment is derecognized upon disposal, when held for sale, or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

IFRS 9 Financial Instruments

The final version of IFRS 9, Financial Instruments ("IFRS 9"), 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. In addition, an entity's own credit risk changes can be applied early in isolation without otherwise changing the accounting for financial instruments. The adoption of the amendment did not have a material impact on these financial statements.

***e)* Future accounting pronouncements**

IFRS 16 Leases

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

The preparation of the unaudited condensed interim consolidated financial statements requires management to undertake a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgments and estimates. These estimates and judgments are based on management's best knowledge of the events or circumstances and actions the Company may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 to the Corporation's 2018 annual financial statements and are still applicable for the period ended October 31, 2018.

4. Short-term debt and Note Payable

a) On July 28, 2017, the Corporation and Manitex Capital Inc. ("Manitex") signed an unsecured note payable in the amount of $224,737. The note payable bears interest at 12% and matures on October 31, 2018. On July 17, 2018, the Corporation issued 300,000 shares for a total amount of $120,000 in partial settlement of the note payable. The terms and conditions of the note payable remain unchanged.

The note payable consists of the following:

	October 31, 2018 **$**	January 31, 2018 $
Principal	**224,737**	224,737
Interest accrued	**30,668**	13,891
Partial settlement by issuance of shares	**(120,000)**	-
Total note payable	**135,405**	238,628

On October 31, 2018, the Corporation and Manitex extended the maturity date of the note to February 1, 2020. All outstanding principal and interest shall be due and payable and the Corporation does reserve the right to repay the Note (in whole or in part) prior to the maturity date with no penalty. Also, notwithstanding the extended maturity date, the note shall be payable upon closing of a private placement or other equity or loan financing with net proceeds of a minimum of $2.5 million.

b) On September 12, 2017, the Corporation signed a short-term loan agreement to finance its investment tax credits. The loan was secured by a first rank moveable hypothec on its assets and bore interest at a fixed rate of 1.5% per month. In July 2018, the Corporation repaid the loan in full.

	October 31, 2018 **$**	January 31, 2018 $
Principal	**278,700**	278,700
Repaid during the period	**(278,700)**	-
Transaction costs	**-**	(5,380)
Total short-term loan	**-**	273,320

5. Convertible Loan

Convertible loan consists of the following:

	October 31, 2018 **$**	January 31, 2018 $
Face value of the convertible loan upon conversion	**600,000**	600,000
Less: equity component	**(67,061)**	(67,061)
Book value of convertible loan on initial recognition	**532,939**	532,939
Accretion expense	**148,287**	75,161
Transaction costs	**(222)**	(861)
Total convertible loan	**681,004**	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 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 exceed $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 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, from comparable companies, for a debenture with similar terms but without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of 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 was accreted up to the principal balance at maturity. The accretion is presented as a financial expense. During the period, an amount of $73,126 was charged to the statement of loss and comprehensive loss.

6. Class A shares liability

As per the shareholders' agreement all shares held by Polyvalor have a put right associated to them allowing Polyvalor to require that the Corporation redeem the shares if the Corporation has not listed its shares on a recognized stock exchange by June 19, 2022. On October 10th, 2017, the Corporation listed its shares on the CSE and therefore has derecognized the liability. Accordingly, as per IAS 39 the difference between the fair value and the accounting value is charged to comprehensive loss on the date of derecognition.

Class A shares consists of the following:

	October 31, 2017 **$**	January 31, 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 (2)	**(10,734)**	-
Fair value of 1,073,334 Class A common shares	**418,600**	333,334
Transfer of 1,073,334 Class A common shares to equity	**(171,758)**	-
Gain on derecognition of the liability	**(246,842)**	-
	-	333,334

6. Class A shares liability *(continued)*

(1) On March 31, 2017, the Corporation entered into a shares for debt agreements, with Polytechnique and Polyvalor, where 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 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 Polytechnique equals $120,000. The shares were issued on March 31, 2017 having an aggregate fair value at that date of $96,000, based on the private placement recently closed. Accordingly, a gain of $24,000 was charged to the statement of loss as a gain on settlement of debt.

(2) As at July 31, 2017, management reviewed the fair value and determined that the value of the common shares is $0.39 based on the offered private placement which was closed on July 28, 2017, which resulted in a change in fair value of $10,734 charge to comprehensive loss.

Details of the assumptions used are as follows for the respective dates:

	July 31, 2017	March 31, 2017	January 31, 2017
Weighted average risk-free interest rate	1.28%	0.72%	0.82%
Weighted average volatility factor	96%	87%	125%
Weighted average expected life (in years)	1.5	1.5	1.5
Weighted of Class A common shares	$0.39	$0.40	$0.40

Volatility is determined based on the historical share price of comparable companies. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

7. 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 shares issued during the period ended October 31, 2018:

Number of shares	**Issue date**	**Gross proceeds $**	**Fair value of the shares $**	**Total issue costs $**
40,000 (a)	**October 19, 2018**	**14,829**	**18,829**	**-**
150,000 (b&c)	**July 19, 2018**	**60,000**	**60,000**	**5,000**
300,000 (d)	**July 17, 2018**	**-**	**120,000**	**-**
3,610,000 (b&c)	**May 31, 2018**	**1,444,000**	**1,444,000**	**62,500**
25,000 (f)	**April 24, 2018**	**2,500**	**21,250**	**-**
16,812 (e)	**March 3-16, 2018**	**9,863**	**11,926**	**-**
4,141,812		**1,531,192**	**1,676,005**	**67,500**

7. Share Capital *(Continued)*

(a) The Corporation issued a total of 40,000 common shares for the exercise of 4,000 options, of which $18,829 was credited to share capital and $14,829 was debited from contributed surplus

(b) subscription price of $0.40 per share;

(c) In connection with the private placements described in (a), the Corporation issued a total of 145,500 brokers' warrants of which $21,717 was credited to warrants and debited as issue costs based on the stochastic option model.

(d) The Corporation settled a partial amount of its note payable by the issuance of 300,000 shares to Manitex Capital for a fair value of $120,000 (Note 4)

(e) The Corporation issued a total of 16,812 common shares for the exercise of 16,812 brokers' warrants, of which $11,926 was credited to share capital and $2,063 was debited from warrants.

(f) The Corporation issued a total of 25,000 common shares for the exercise of 25,000 options, of which $21,250 was credited to share capital and $18,750 was debited from contributed surplus.

The following table presents the units issued during the period ended October 31, 2017:

Number of units	Issue date	Gross proceeds $	Fair value of the shares $	Fair value of the full warrants $	Total issue costs $
1,810,000 (g&j)	October 31, 2017	905,000	724,000	181,000	40,000
780,000 (g&j)	July 28, 2017	390,000	304,200	85,800	16,350
385,000 (g&j)	June 28, 2017	192,500	142,450	50,050	7,120
30,000 (g&h)	June 28, 2017	-	11,100	3,900	-
340,000 (g&j)	April 27, 2017	170,000	136,000	34,000	16,200
800,000 (g&i)	April 27, 2017	-	320,000	80,000	-
960,000 (g&j)	March 31, 2017	480,000	384,000	96,000	22,500
5,105,000		2,137,500	2,021,750	530,750	102,170

(g) 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 the Black-Scholes option valuation model, the proceeds were allocated between the common shares and the half-warrant.

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

(i) 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. Using the Black-Scholes option valuation model, the same values were allocated between the common shares and the half-warrant as to the placement concluded on April 28, 2017.

(j) In connection with these private placements described in (g), the Corporation issued a total of 135,750 brokers' warrants, for which $16,795 was credited to warrants and debited as issue costs based on the Black-Scholes option valuation model.

7. Share Capital *(Continued)*

(b) Share option and compensation expense:

The Corporation implemented an incentive stock option plan to allow 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.

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.

Changes in outstanding options were as follows during the period:

	2018		2017	
	Number #	**Weighted exercise price $**	Number #	Weighted exercise price $
Balance on January 31	**1,700,000**	**0.39**	800,000	0.25
Granted during the period	**665,000**	**0.50**	800,000	0.50
Expired during the period	**-**	**-**	-	-
Cancelled during the period	**(75,000)**	**0.10**	(50,000)	0.50
Forfeited during the period	**-**		(50,000)	0.50
Exercised during the period	**(65,000)**	**0.10**	-	-
Balance on October 31	**2,225,000**	**0.41**	1,500,000	0.39

The following options were granted in the respective reporting periods:

For the period ended October 31, 2018

Number of options	**Issue date**	**Expiry date**	**Exercise price $**	**Fair value of options $**
465,000 (a)	**September 19, 2018**	**September 19,2023**	**0.50**	**0.21**
200,000 (b)	**June 19, 2018**	**December 19, 2019**	**0.50**	**0.14**
665,000				

(a) The options vest 25% immediately and then every 12 months following the grant date.

(b) The options vest 25% immediately and then every 6 months following the grant date.

7. Share Capital _(Continued)_

(b) Share option and compensation expense:

For the period ended October 31, 2017

Number of options	Issue date	Expiry date	Exercise price $	Fair value of options $
_100,000 (c)_	_September 26, 2017_	_September 26, 2022_	_0.50_	_0.20_
_100,000 (c)_	_July 17, 2017_	_July 17, 2022_	_0.50_	_0.20_
_600,000 (d)_	_May 17, 2017_	_May 17, 2022_	_0.50_	_0.20_
800,000				

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

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

The following options to purchase common shares were outstanding as at October 31, 2018:

Number of options outstanding	Number of options exercisable	Exercise price $	Remaining contractual life in years
260,000 [1]	**185,000**	**0.10**	**1.50**
1,400,000	**636,800**	**0.50**	**2.33**
100,000	**-**	**0.55**	**3.94**
465,000	**75,000**	**0.50**	**4.63**
2,225,000	**896,800**		**3.10**

[1] As per the escrow agreement these options are held in escrow and are subject to the same release conditions as described in Note 11(a) of the annual audited financial statements.

Under the Black-Scholes option-pricing model, the following assumptions were used when the options were granted for the periods ended October 31:

	2018	2017
Share price	**$0.45 - $0.37**	n/a
Weighted average risk-free interest rate	**1.94% - 2.28%**	0.62% - 1.52%
Weighted average volatility factor	**73.0% - 74.7%**	78.15% - 106.58%
Weighted average expected life (in years)	**5**	5
Weighted fair value of options	**$0.14 - $0.21**	$0.23 - $0.30

For the period ended October 31, 2017, the stock was not listed on any exchange. Volatility is determined based on the historical share price of comparable companies.

7. Share Capital *(Continued)*

(c) Warrants

Changes in outstanding warrants were as follows during the period:

	2018		2017	
	Number #	**Weighted exercise price $**	Number #	Weighted exercise price $
Balance as at January 31	**4,030,138**	**0.70**	1,190,000	0.70
Granted during the period	**245,500**	**0.70**	1,723,250	0.69
Expired during the period	**-**	**-**	-	-
Cancelled during the period	**-**	**-**	-	-
Exercised during the period	**(16,812)**	**0.59**	-	-
Balance as at October 31	**4,258,826**	**0.70**	2,913,250	0.69

On February 12, 2018, the Board issued 100,000 non-transferable share purchase warrants to a consultant. Using a stochastic model, the fair value of the warrants was $22,966 and has been charged to comprehensive loss under consulting fees.

In connection with the private placements that closed during the period, the Corporation issued a total of 145,500 broker's warrants. Using a stochastic model, the fair value of the warrants was $21,716 and has been credited to warrants and debited as issue costs.

On July 31, 2018 the Corporation extended the expiry date of certain warrants which were issued in connection with private placements that closed prior to the listing of Ortho RTi's shares on the CSE. Pursuant to the warrant term extension, the expiry dates of the warrants issued in conjunction with the private placements closed on August 3, 2016, March 31, 2017, April 27, 2017, June 28, 2017 and July 27, 2017 were extended for one (1) year from their respective original maturity dates. All other terms of the extended warrants remained unchanged.

As at October 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	0.50
80,000	February 28, 2016	March 9, 2019	0.70	0.20	0.61
460,000	August 2, 2016	August 2, 2019	0.70	0.20	1.01
480,000	March 31, 2017	October 1, 2019	0.70	0.20	1.17
26,363	March 31, 2017	October 1, 2018	0.50	0.14	0.17
570,000	April 27, 2017	October 29, 2019	0.70	0.20	1.25
207,500	June 28, 2017	December 28, 2019	0.70	0.26	1.41
1,750	June 28, 2017	December 28, 2018	0.50	0.14	0.41
390,000	July 28, 2017	January 29, 2020	0.70	0.22	1.50
19,000	July 28, 2017	January 29, 2019	0.50	0.15	0.50
957,713	October 31, 2017	April 29, 2019	0.70	0.14	0.75
171,000	December 11, 2017	May 11, 2019	0.70	0.21	0.78
100,000	February 13, 2018	August 12, 2019	0.70	0.23	1.03
143,000	May 31, 2018	November 1, 2019	0.70	0.15	1.34
2,500	July 19, 2018	January 19, 2020	0.70	0.11	1.47
4,258,826					0.93

7. Share Capital *(Continued)*

All the above warrants include an expiry acceleration clause. If, during the remaining period, 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.

A stochastic option-pricing model was used. The following assumptions were used when the warrants were granted for the periods ended October 31:

	2018	2017
Share price	**$0.48 -$ 0.70**	$0.48
Weighted average risk-free interest rate	**1.78%-1.93%**	0.72% - 1.46%
Weighted average volatility factor	**72% - 105%**	66.17% - 107.00%
Weighted average expected life (in years)	**1.5**	1.5
Weighted fair value of warrants	**n/a**	$0.10 – $0.13
Weighted fair value of broker's warrants	**$0.11 - $0.15**	$0.14 - $0.20

8. Equipment

	Computer Equipment $	***Scientific Equipment $***	***Total $***
Net carrying amount – January 31, 2018	**-**	**159,707**	**159,707**
Additions	3,171	72,428	75,599
Depreciation	(678)	(25,620)	(26,298)
Net carrying amount – October 31, 2018	**2,493**	**206,515**	**209,008**

9. Research and Development Costs

Research and development costs consist of:

	3 months ended October 31		**9 months ended October 31**	
	2018 $	2017 $	**2018 $**	2017 $
Research costs	**-**	20,820	**27,760**	99,324
Development costs	**388,607**	187,427	**489,472**	459,829
Patent prosecution costs	**34,960**	9,526	**84,134**	32,269
Salaries and employee benefits	**34,469**	34,675	**100,696**	40,456
Amortization – intangible asset	**8,076**	8,410	**24,228**	16,819
Depreciation – equipment	**26,298**	-	**26,298**	-
Gross research and development costs	**492,410**	260,858	**752,588**	648,697
Investment tax credit	**(89,000)**	-	**(89,362)**	(235,078)
Net research and development costs	**403,410**	260,858	**663,226**	413,619

10. Personnel Costs

The following table presents the expenses which include personnel costs.

	3 months ended October 31		9 months ended October 31	
	2018 **$**	2017 $	**2018** **$**	2017 $
Salaries and employee benefits				
Research and development costs	**34,469**	34,676	**100,696**	40,456
General and administrative	**63,437**	49,708	**146,698**	132,299
Salaries and employee benefits	**97,906**	84,384	**247,394**	172,755
Share-based compensation for:				
Employees and acting CEO	**41,811**	43,163	**74,256**	140,405
Directors	**7,896**	7,910	**23,687**	15,749
Total share-based compensation	**49,707**	51,073	**97,943**	156,154
Total personnel costs	**147,613**	135,457	**345,337**	328,909

11. Financial Instruments

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

	October 31, 2018		*January 31, 2018*	
	Carrying Value FVTPL $	***Fair Value $***	*Carrying Value FVTPL $*	*Fair Value $*
Financial assets				
Cash	**357,681**	**357,681**	449,720	449,720

	October 31, 2018			*January 31, 2018*		
	Carrying Value FVTPL $	***Carrying Value Other Financial Liabilities $***	***Fair Value $***	*Carrying Value FVTPL $*	*Carrying Value Other Financial Liabilities $*	*Fair Value $*
Financial liabilities						
Accounts payable and accrued liabilities	**-**	**446,674**	**446,674**	-	245,942	245,942
Short-term debts	**-**	**-**	**-**	-	511,948	511,948
Note Payable	**-**	**135,405**	**135,405**	-	-	-
Convertible loan	**-**	**681,004**	**681,004**	-	607,239	607,239
Total	**-**	**1,263,083**	**1,263,083**	-	1,365,129	1,365,129

The Corporation has determined the estimated fair values of its financial instruments based on 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.

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 statements of financial position as at October 31, 2018 is as follows: Level 1 - $357,681, Level 2 – none, Level 3 – none

During the periods ended October 31, 2018 and January 31, 2018, there were no transfers between Levels 1, 2 and 3 of the fair value hierarchy.

12. Financial Risk Factors

The Corporation's activities expose it to financial risks: market risk, specifically to 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 and convertible debenture 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.

(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:

October 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	446,674	446,674	403,808	42,866	-
Note payable *	135,405	155,139	-	-	155,139
Convertible loan *	681,004	705,863	-	705,863	-
Total	1,263,083	1,307,676	403,808	748,729	155,139

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

(d) Capital risk management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of issued common shares, warrants and contributed surplus, in the definition of capital. 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. To secure the additional capital necessary to pursue 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.

13. Related Party Transactions

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

	October 31, 2018 $	October 31, 2017 $
Transactions with key management members and members of the Board of Directors:		
Salaries and employee benefits	**146,699**	130,421
Share-based compensation to employees and directors	**64,014**	165,609
Consulting fees charged by a director, the CEO and the CFO	**217,580**	145,000
Transactions with a family member of a director and the CEO		
Consulting fees charged by the family member	**-**	15,000
Transactions with Manitex, a shareholder of the Corporation:		
Interest charged by Manitex	**85,929**	75,205
Consulting fees charged by Manitex	**-**	8,100
Transaction with École Polytechnique, a partner of Polyvalor:		
Reversal of interest accrued	**-**	(6,215)
Research and development costs	**146,714**	419,400

Compensation of key management includes directors and Chief Executive Officer and Chief Financial Officer.

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

	October 31, 2018 $	October 31, 2017 $
Accounts payable and accrued liabilities due to a director and the CEO	**-**	67,250
Accounts payable and accrued liabilities due to Polytechnique, a partner of Polyvalor	**-**	23,133
Transaction with Polyvalor, holder of 1,073,333 common shares:		
Amounts included in Intellectual Property	**-**	134,410

All other related party transactions are disclosed in the respective notes to these financial statements.

14. Commitments

Product Agreement

When the product is commercialized, the Corporation must make non-refundable payments to Polyvalor equal to 1.5% of net sales.

Lease agreement

Effective January 1, 2018, the Corporation signed a sublease agreement for the period from January 1, 2018 to December 31, 2021. The sublease agreement does not contain any contingent rent clause and both parties may terminate the sublease agreement by giving a two-month notice after the initial term of 6 months. The remaining obligation on this contract is $76,000 with an annual minimum obligation of $24,000.

15. Comparative figures

Certain comparative figures have been reclassified to conform to the financial presentation adopted for the current period.

16. **Subsequent Events**

In August 2018, the Corporation signed a letter of agreement with Ecole Polytechnique for a three-year research contract for a total amount of $886,650 payable over 3 years for an annual amount of $295,550 commencing September 1, 2018, paid equally on a quarterly basis until the end of February 2021. On December 4th, 2018, the letter of agreement was amended. The total amount of the agreement was increased to $996,920 and the term extended from three (3) to four (4) years. Annual amounts payable by the Corporation under the agreement is now $286,615.