

Ortho Regenerative Technologies Inc.
Unaudited Condensed Interim Financial Statements
For the three-month period ended April 30, 2019, and 2018

Ortho Regenerative Technologies Inc.

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Ortho Regenerative Technologies Inc.

Unaudited Condensed Interim Statements of Financial Position

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

As at,

	Notes	April 30 2019 \$	January 31 2019 \$
Assets			
Cash		32	524
Sales tax receivable		57	55
Investment tax credits receivable		193	378
Prepaid expenses		30	41
Total current assets		312	998
Investment tax credits receivable		68	-
Equipment	(4)	162	178
Right of use asset	(5)	39	-
Intangible assets	(6)	420	429
Total non-current assets		689	607
Total assets		1,001	1,605
Liabilities			
Accounts payable and accrued liabilities		1,001	975
Note payable	(9)	143	-
Lease liability	(7)	15	-
Loan	(8)	238	364
Total current liabilities		1,397	1,339
Lease liability	(7)	31	-
Note payable	(9)	-	139
Convertible loan	(10)	685	652
Derivative liability	(10)	63	63
Total non-current liabilities		779	854
Total liabilities		2,176	2,193
Shareholders' deficiency			
Common shares	(11)	5,430	5,430
Warrants		643	665
Contributed surplus		749	717
Deficit		(7,997)	(7,400)
Total shareholders' deficiency		(1,175)	(588)
Total liabilities and shareholders' deficiency		1,001	1,605

Going Concern Uncertainty (Note 1); Commitments (Note 20); Subsequent events (Note 21)

"/s/ _____, Director

"/s/ _____", Director

Ortho Regenerative Technologies Inc.
Unaudited Condensed Interim Statements of Loss and Comprehensive Loss

*In thousands of Canadian dollars except for share and per share amounts
For the three-month period ended April 30,*

	<i>Notes</i>	2019	2018
		\$	\$
Expenses			
Research and development costs	(13)	268	113
General and administrative		254	294
Financial		68	45
		590	452
Net loss and comprehensive loss		590	452
Loss per share			
Weighted average number of common shares outstanding		24,752,424	20,652,424
Basic and diluted loss per common share		0.02	0.02

The number of shares held in escrow as at April 30, 2019, is 5,179,007 (6,905,329 – January 31, 2019)

Ortho Regenerative Technologies Inc.

Unaudited Statement of Changes in Shareholders' Deficiency

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

For the three-month period ended

	Notes	Number of shares #	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Total Deficit \$
Balance, as at January 31, 2018		20,610,612	3,843	758	548	(5,003)	146
Exercised options		25,000	21	-	(19)	-	2
Exercised warrants		16,812	12	(2)	-	-	10
Issuance of warrants		-	-	23	-	-	23
Share based compensation	(11)	-	-	-	23	-	23
Net loss for the period		-	-	-	-	(452)	(452)
Balance, as at April 30, 2018		20,652,424	3,876	779	552	(5,455)	(248)
Balance, as at January 31, 2019		24,752,424	5,430	665	717	(7,400)	(588)
Expired warrants	(11)	-	-	(22)	22	-	-
Share based compensation	(11)	-	-	-	10	-	10
Adjustment for adoption of IFRS 16	(2)	-	-	-	-	(7)	(7)
Net loss for the period		-	-	-	-	(590)	(590)
Balance, as at April 30, 2019		24,752,424	5,430	643	749	(7,997)	(1,175)

Ortho Regenerative Technologies Inc.

Unaudited Statement of Cash Flow

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

For the three-month period ended April 30,

	Notes	2019 \$	2018 \$
Operating activities:			
Net loss from operations		(590)	(452)
Add items not affecting cash:			
Share-based compensation	(11)	10	23
Consulting fees paid by issuance of units		-	23
Depreciation and amortization		28	8
Amortization of finance charges		13	2
Payment of interest		(9)	(14)
Financial charges		39	44
Net change in non-cash working capital items	(12)	162	(32)
Cash used in operating activities		(347)	(398)
Investing activities:			
Acquisitions of equipment		-	(1)
Cash used in investing activities		-	(1)
Financing activities:			
Repayment of short-term debt	(8)	(139)	-
Proceeds from exercised warrants		-	10
Proceeds from exercised options		-	2
Payment of lease obligation	(7)	(6)	-
Cash (used) provided by financing activities		(145)	12
Decrease in cash		(492)	(387)
Cash, beginning of year		524	450
Cash, end of year		32	63

See note 12 for supplemental cash flow information

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

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

As at April 30, 2019

1. Presentation of Financial Statements

Description of the Business and Going Concern Uncertainty

Ortho Regenerative Technologies Inc. ("the Corporation", or "Ortho RTI") was incorporated under the *Canada Business Corporations Act* on February 5, 2015. The Corporation's head office, principal address and registered office is located at 16667 Hymus Blvd., Kirkland, Quebec, Canada. On October 10, 2017, the Corporation's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol ORTH.

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

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

The Corporation has yet to generate revenue and has relied upon the issuance of debt and equity instruments to fund operations. As at April 30, 2019, the Corporation had a deficit of \$7,997 and a negative working capital of \$1,085. During the three-month period ended April 30, 2019, the Corporation incurred a net loss of \$590.

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

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

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors on July 2, 2019.

2. Summary of Significant Accounting Policies

a) *Basis of measurement*

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

b) *Functional and presentation currency*

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

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

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

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

As at April 30, 2019

2. Summary of Significant Accounting Policies

	April 30, 2019	January 31, 2019
End of period exchange rate	1.3423	1.3144
Period average exchange rate	1.3320	1.3035

c) Statement of Compliance

These unaudited condensed interim financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared in accordance with those IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective or issued as at the time of preparing these condensed interim financial statements and also with International Accounting Standard ("IAS") 34, as issued by the International Accounting Standards Board ("IASB"). The policies set out below have been consistently applied to all the periods presented.

The preparation of the Corporation's unaudited condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Corporation's accounting policies, management has made judgments and estimates disclosed in Note 3, which have the most significant effect on the amounts recognized in the financial statements.

d) Recently adopted accounting policies

IFRS 16, Leases

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

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

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

The Corporation quantified the impact of IFRS 16 adoption on the 2020 opening balance sheet. On transition to IFRS 16, the Corporation recognized right-of-use assets and lease liabilities. This non-cash adjustment has been excluded from the Statement of Cash Flows. The impact on opening deficit was an increase of \$7.

The impact on transition is summarized below:

	February 1, 2019
Recognition of right of use assets	42
Recognition of lease liabilities	49

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

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

As at April 30, 2019

2. Summary of Significant Accounting Policies – cont'd

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

	February 1, 2019
Operating lease liabilities before discounting	96
Discounted using the incremental borrowing rate	(25)
Total lease liability recognized under IFRS 16 at February 1, 2019	71

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

	February 1, 2019
Operating lease liability at February 1, 2019	48
Lease payments prior to February 1, 2019	22
Depreciation prior to February 1, 2019	(28)
Right of use asset at February 1, 2019	42

Accounting policy applicable from February 1, 2019

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

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

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

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

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

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

As at April 30, 2019

2. Summary of Significant Accounting Policies – cont'd

Accounting policy applicable before February 1, 2019

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

IFRS 9, Financial Instruments

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

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

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

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

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

e) Investment tax credits

Investment tax credits are comprised of scientific research and experimental development tax credits and are recognized when there is reasonable assurance of their recovery and recorded as a reduction of the related expense or cost of the asset acquired, as applicable. Investment tax credits are subject to the customary approvals by the pertinent tax authorities. Adjustments required, if any, are reflected in the year when such assessments are received.

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

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

As at April 30, 2019

2. Summary of Significant Accounting Policies – cont'd

f) *Intangible assets*

The intangible assets of the Corporation include intellectual properties and technologies acquired from a third party and is recorded at cost less accumulated amortization and accumulated impairment losses, if any. Initial acquisition cost is based on the fair value of the consideration paid and will be amortized on a straight-line basis over the estimated useful life. The intangible assets are amortized on a straight-line fifteen (15) years. The Corporation reviews the estimated useful lives and carrying value of its technology rights as part of its periodic assessment for impairment of non-financial assets.

g) *Equipment*

Equipment are recorded at cost less accumulated amortization. The equipment will be amortized over their estimated useful life on a declining balance basis over the next three years for computer equipment and five years for scientific equipment.

h) *Research and development costs*

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

i) *Impairment of non-financial assets*

The Corporation assesses, at each reporting period, whether there is an indication that an asset may be impaired. Impairment is recognized when the carrying amount of an asset, exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Equipment, as well as intangible asset with a finite useful life are tested for impairment whenever there is an indication that the carrying amount of the asset exceeds its recoverable amount. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the recoverable amount of the asset. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized.

The reversal of impairment losses is limited to the amount that would bring the carrying value of the asset to the amount that would have been recorded, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of loss and Comprehensive loss in the same line item where the original impairment was recognized.

j) *Financial assets and liabilities*

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

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

The following summarizes the Corporation's classification and measurement of financial assets and liabilities as at April 30:

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

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

As at April 30, 2019

2. Summary of Significant Accounting Policies – cont'd

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

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the period incurred. Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred. All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value.

k) Income taxes

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

Current tax

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

Deferred tax

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

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax asset and liability differences are recognized directly in income, other comprehensive income ("OCI") or equity based on the classification of the item to which they relate.

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

l) Sales tax

Expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized in the cost of acquisition of the asset or as part of the expense item, as applicable; and receivables and payables that are stated with the amount of sales tax included.

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

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

As at April 30, 2019

2. Summary of Significant Accounting Policies – cont'd

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or accounts payable and accrued liabilities in the statement of financial position.

m) *Share capital*

The Corporation's share capital is classified as equity if it is non-redeemable, or redeemable only at the Corporation's option, and any dividends are discretionary. Incremental costs directly attributable to the issuance of shares and warrants, net of any tax effects, are recognized as a deduction of equity. Dividends thereon are recognized as distributions within equity upon approval by the Corporation's Board of Directors.

When the Corporation issues units that are comprised of a combination of shares and warrants, the value is assigned to shares and warrants based on their relative fair values. The fair value of the shares is determined by the closing price on the date of the transaction and the fair value of the warrants is determined based on a stochastic model.

When warrants are exercised, share capital is credited by the sum of the consideration paid, together with the related portion previously recorded to warrants. Share capital is classified as a liability if it is redeemable on a specific date or in the future, or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in earnings as accrued.

n) *Share-based compensation*

The Corporation grants stock options to directors, officers, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is determined at the date of grant using the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Corporation's common stock and an expected life of the stock-based instruments. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately to the statement of loss with an offsetting credit to contributed surplus, except for options granted as consideration for share issuance costs, which are charged to share capital.

When stock options are exercised, share capital is credited by the sum of the consideration paid, together with the related portion previously recorded to contributed surplus.

o) *Earnings per share*

Basic earnings or loss per share is calculated by dividing the profit or loss of the year by the weighted average number of shares outstanding. Diluted earnings or loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted earnings or loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. For the period presented, the potentially dilutive effect of options, full warrants and convertible instruments have proved to be anti-dilutive.

p) *Segment reporting*

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

q) *Leases*

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

r) *Future accounting pronouncements*

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

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

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

As at April 30, 2019

3. Use of Estimates and Judgments

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

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

Management's budget and strategic plans are fundamental information used as a basis for the estimates necessary to prepare financial information. Management tracks performance as compared to the budget, and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following areas require management's critical estimates:

Share-based payments and warrants

The Corporation measures the cost of share-based payments, either equity or cash-settled, with employees by reference to the fair value of the equity instrument or underlying equity instrument at the date on which they are granted. Estimating fair value for share-based payments requires management to determine the most appropriate valuation model for a grant, which is dependent on the terms and conditions of each grant. In valuing certain types of stock-based payments and warrants granted, the Corporation uses the Black-Scholes option pricing model. Several assumptions are used in the underlying calculation of fair values of the Corporation's stock options and warrants granted using the Black-Scholes option pricing model, including the expected life of the option or warrant, stock price volatility and forfeiture rates. Details of the assumptions used are included in *Note 10*.

Convertible loan

The calculation of the fair value of the debt component of the convertible loan requires using an interest rate that the Corporation would have had to pay had the loan been obtained without a conversion feature. Such interest rate requires management's estimates by reference to loan interest paid by comparable companies in the similar sector. The Corporation estimates 20% being the reasonable interest rate a comparable company in the biotech sector would likely pay in obtaining loans. Changes to these estimates may affect the carrying value of the convertible loan and the equity portion of convertible debentures.

Depreciation and amortization

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

The following areas require management's judgments:

Investment tax credits

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

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4. Equipment

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

	Cost \$	Accumulated amortization \$	Carrying Value \$
Balance as at January 31, 2019	235	(57)	178
Additions	-	(16)	(16)
Balance as at April 30, 2019	235	(73)	162

5. Right of use asset

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

	Cost \$	Accumulated amortization \$	Carrying Value \$
Balance as at February 1, 2019, on adoption of IFRS 16	70	(28)	42
Additions	-	(3)	(3)
Balance as at April 30, 2019	70	(31)	39

6. Intangible Asset

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

	Cost \$	Accumulated amortization \$	Carrying Value \$
Balance as at January 31, 2019	485	(56)	429
Additions	-	(9)	(9)
Balance as at April 30, 2019	485	(65)	420

7. Lease liability

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

	Three months ended April 30, 2019 \$	Twelve months ended January 31, 2019 \$
Balance at February 1 on adoption of IFRS 16	49	-
Interest expense	3	-
Lease payments	(6)	-
Balance as at April 30, 2019	46	-
Which consists of		
Current lease liability	15	-
Non-current lease liability	31	-

Effective January 1, 2018, the Corporation signed a sublease agreement for the period January 1, 2018 to December 31, 2021. The sublease agreement does not contain any contingent rent clause and both parties may terminate the sublease agreement by giving a two-month notice after the initial term of 6 months.

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

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7. Lease liability – cont'd

Year ending January 31,	Occupancy costs
2020	18
2021	24
2022	22
	64

8. Loan

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

	Three months ended April 30, 2019	Twelve months ended January 31, 2019
	\$	\$
Opening balance	364	272
Additions	-	389
Repayment	(139)	(273)
Transaction costs	-	(34)
Amortization of transaction costs	13	10
Total Loan	238	364

9. Note Payable

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

	Three months ended April 30, 2019	Twelve months ended January 31, 2019
	\$ (current)	\$ (non-current)
Principal	139	225
Partial settlement by issuance of shares	-	(120)
Interest accrued	4	34
Total note payable	143	139

10. Convertible Loan

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

	Three months ended April 30, 2019	Twelve months ended January 31, 2019
	\$	\$
Opening balance	652	607
Fair value of option allocated to liability	-	(63)
Equity component residual value	-	67
Gain on debt extinguishment	-	(58)
Accretion expense	33	98
Amortization of transaction costs	-	1
Total Convertible loan	685	652

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11. Share Capital and other Equity Instruments

(a) Share capital

Authorized

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

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

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

	Class "A"	
	#	\$
Balance as at January 31, 2019	24,752,424	5,430
Balance as at April 30, 2019	24,752,424	5,430

Based on the escrow agreement filed with the *Autorité des Marchés Financiers*, 5,179,007 shares are held in escrow and will be released from the Escrowed Securities as follows:

Release Date	Number of Escrowed Securities to be Released
On October 10, 2019	1,726,322
On April 10, 2020	1,726,322
On October 10, 2020	1,726,363

(b) Share based compensation

The Corporation implemented an incentive stock option plan for directors, officers, employees and consultants to participate in the growth and development of the Corporation by providing such persons with the opportunity, through stock options, to purchase common shares of the Corporation. The stock option plan provides that the aggregate number of shares reserved for issuance, set aside and made available for issuance may not exceed 10% of the number of issued shares at the time the options are to be granted. The maximum number of options which may be granted to any one beneficiary shall not exceed 5% of the issued shares, calculated at the date the option is granted.

The stock option plan is administered by the Board of Directors of the Corporation and it has full and final authority with respect to the granting of all options thereunder. Options may be granted under the stock option plan to such directors, officers, employees or consultants of the Corporation and its affiliates, if any, as the Board of Directors may from time to time designate.

The exercise price of any options granted under the stock option plan shall be determined by the Board of Directors, subject to any applicable regulations or policies. The term and vesting of any options granted under the stock option plan shall be determined by the Board of Directors at the time of grant, however, subject to earlier termination in the event of dismissal for cause, termination other than for cause or in the event of death, the term of any options granted under the stock option plan may not exceed 5 years.

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

Subject to certain exceptions, in the event that an employee, director, officer, consultant or individual conducting investor relations activities ceases to hold office, options granted to such a holder under the stock option plan will expire 90 days after the holder ceases to hold office or such earlier date as the Board of Directors may decide at the date the options were granted. Notwithstanding the foregoing, in the event of a termination for cause of an option holder, all unexercised options held by such option holder shall immediately terminate.

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

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

	Number of Shares #	Weighted Average Exercise Price \$
Balance as at January 31, 2019	2,225,000	0.44
Cancelled during the period	(150,000)	0.52
Balance as at April 30, 2019	2,075,000	0.44

During the period, 150,000 options were cancelled, and the recognized compensation related to these options amounted to \$19.

In total, \$10 (\$23 – 2018) of consultants and directors' compensation expense has been included in the statement of loss and credited to contributed surplus.

All share-based payments will be settled in equity. The Corporation has no legal or contractual obligation to repurchase or settle the options in cash.

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

Number of options outstanding	Number of options exercisable	Exercise price \$	Remaining contractual life
260,000 (a)	185,000	0.10	1.25 years
1,300,000	1,075,000	0.50	2.10 years
50,000	25,000	0.55	3.70 years
465,000	75,000	0.50	4.39 years
2,075,000	1,360,000		

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

(c) Warrants

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

	Number of Shares #	Weighted Average Exercise Price \$
Balance as at January 31, 2019	3,569,713	0.70
Expired during the period	(126,713)	0.67
Balance as at April 30, 2019	3,443,000	0.70

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

As at April 30, 2019, the Corporation had outstanding warrants as follows:

Number of full warrants	Issue date	Expiry date	Exercise price	Fair value of full warrants	Remaining contractual life in years
			\$	\$	
460,000	August 2, 2016	August 2, 2019	0.70	0.20	0.26
480,000	March 31, 2017	October 1, 2019	0.70	0.20	0.42
570,000	April 27, 2017	October 29, 2019	0.70	0.20	0.50
207,500	June 28, 2017	December 28, 2019	0.70	0.26	0.66
390,000	July 28, 2017	January 29, 2020	0.70	0.22	0.75
905,000	October 31, 2017	April 29, 2020	0.70	0.10	1.00
25,000	October 27, 2017	June 11, 2019	0.70	0.10	0.12
160,000	December 6, 2017	June 6, 2019	0.70	0.21	0.10
100,000	February 13, 2018	August 13, 2019	0.70	0.23	0.29
143,000	May 30, 2018	November 1, 2019	0.70	0.15	0.51
2,500	May 30, 2018	November 1, 2019	0.70	0.11	0.51
3,443,000					0.43

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

12. Supplemental Cash Flow Information

For the three months ended April 30, supplemental cash flow information consisted of:

	2019	2018
	\$	\$
Net change in non-cash operating working capital items		
Sales tax receivable and prepaid expenses	19	13
Investment tax credits receivable	117	-
Accounts payable and accrued liabilities	26	(45)
Total	162	(32)
Non-cash transactions		
	2019	2018
	\$	\$
Settlement of note payable by issuance of shares	-	120
Right of use asset	(2)	-

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13. Research and Development Costs

For the three months ending April 30, research and development costs consist of:

	2019	2018
	\$	\$
Research expenses	-	21
Development costs	276	60
Patent costs	35	24
Amortization – intangible asset	9	8
Depreciation – equipment	16	-
	336	113
Investment tax credit	(68)	-
Total	268	113

14. Personnel Costs

For the three months ending April 30, personnel costs consist of:

	2019	2018
	\$	\$
Salaries and employee benefits expense	38	76
Share-based compensation for employees and directors and consulting fees paid in lieu of salaries	85	18
Total	123	94

15. Income Taxes

As at January 31, 2019, the Corporation had accumulated non-capital losses for income tax purposes, which are available to be applied against future taxable income.

	Federal	Provincial
	\$	\$
2036	567	423
2037	1,332	1,352
2038	460	458
2039	1,192	1,192
	3,551	3,425

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

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

Ortho Regenerative Technologies Inc.

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16. Financial Instruments

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

	April 30, 2019		
	FVTPL	FVTOCI	Amortized cost
Financial asset:			
Cash	-	-	32
Financial liabilities:			
Accounts payable and accrued liabilities	-	-	(1,001)
Loan	-	-	(238)
Note payable	-	-	(143)
Convertible loan	-	-	(685)
Derivative liability	(63)	-	-
	(63)	-	(2,035)

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

The Corporation categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observation of the inputs used in the measurement. For the three months ended April 30, 2019 and twelve months ended January 31, 2019, the Corporation has carried at fair value financial instruments in Level 1. At April 30, 2019, the Corporation's only financial instrument measured at fair value is cash, which is considered a Level 1 instrument. There were no transfers between levels during the year.

The three levels are defined as follows:

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

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

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

Ortho Regenerative Technologies Inc.

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16. Financial Instruments – cont'd

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

Date of Fair Value Measurement		(Level 1)	(Level 2)	(Level 3)
		\$	\$	\$
<u>April 30 2019</u>				
Assets	None	-	-	-
Liabilities	Derivative liability	-	63	-
<u>January 31 2019</u>				
Assets	None	-	-	-
Liabilities	Derivative liability	-	63	-

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

17. Financial Risk Factors

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

(a) Credit risk

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

(b) Market risk

(i) Cash flow and fair value interest rate risk

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

(ii) Currency risk

The Corporation has cash and accounts payable and accrued liabilities denominated in U.S. dollars. The Corporation does not hold financial derivatives to manage fluctuation in these risks.

The following presents the accounts that are exposed to foreign exchange volatility:

	USD	CDN equivalent
	\$	\$
Cash	1	1
Accounts payable and accrued liabilities	(5)	(7)

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.

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17. Financial Risk Factors – cont'd

(c) Liquidity risk

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

April 30, 2019

	Carrying value	Contractual cash flows	Less than 60 days	60 days to 12 months	More than 12 months
	\$	\$	\$	\$	\$
Financial liabilities					
Accounts payable and accrued liabilities	1,001	1,001	114	887	-
Loan*	238	307	-	307	-
Note payable *	143	155	-	155	-
Convertible loan *	685	795	-	795	-
	2,067	2,258	114	2,144	-

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

January 31, 2019

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

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

(d) Capital risk management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation's definition of capital includes equity, comprised of issued common shares, warrants and contributed surplus. The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient financial resources to meet its financial obligations. To secure the additional capital necessary to carry out these plans, the Corporation will attempt to raise additional funds through the issuance of equity or by securing strategic partners. The Corporation is not subject to any externally imposed capital requirements.

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18. Related party transactions

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

	April 30 2019 \$	April 30 2018 \$
<i>Transactions with key management and members of the Board of Directors:</i>		
Salaries and employee benefits expense	-	42
Share-based compensation to employees and directors	10	16
Consulting fees charged by a director, CEO and CFO	75	60
<i>Transactions with Manitex Capital Inc., a shareholder of the Corporation:</i>		
Interest charged by Manitex Capital Inc.	37	30
<i>Transaction with École Polytechnique, a partner of Polyvalor</i>		
Research and development costs	74	69

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

	2019 \$	2018 \$
Accounts payable and accrued liabilities due to a director, CEO and CFO	14	10
Accounts payable due to École Polytechnique, a partner of Polyvalor	149	69
Transaction with Polyvalor, holder of 1,073,333 common shares:		
Amounts included in intangible asset	116	116

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

19. Comparative figures

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

20. Commitments

On June 19, 2015, the Corporation entered into three long term research service agreements with École Polytechnique. When the Corporation's products are commercialized, Ortho RTi will be required to make non-refundable payments to Polyvalor equal to 1.5% of net sales.

21. Subsequent events

- a) On June 20, 2019, the Corporation announced the appointment of Messrs. Pierre Laurin and Claude LeDuc to its Board of Directors. The nominations are effective as of June 19, 2019. In connection with Mr. Laurin's appointment to the Board, the Corporation granted Mr. Laurin 100,000 share options. The Corporation has also granted 500,000 share options to Mr. LeDuc, in accordance with the terms of his engagement as President and CEO which were approved by the Board on June 17, 2019. Finally, the Corporation has granted an aggregate of 150,000 share options to two consultants. All share options were granted pursuant to the Corporation's Share Option Plan and will vest pursuant to the respective option agreements between the Corporation and each optionee. All options granted as of this date may be exercised at an exercise price of \$0.36 per Class A share, for a period of 5 years from the date of issuance.