ORTHO Regenerative Technologies

Ortho Regenerative Technologies Inc.

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

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

Management's Responsibility for Financial Reporting

This Management's Discussion and Analysis ("MD&A") for Ortho Regenerative Technologies Inc. (the "Corporation" or "Ortho RTI") provides an overview of the Corporation's operations, performance and financial results for the three and six-month periods ended on July 31, 2019 and compares those of the same periods in 2018 and is the responsibility of management and has been reviewed and approved by its Board of Directors. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board of Directors and is comprised of financially literate directors. This report was reviewed by the Corporation's Audit Committee on September 30, 2019 and approved by Ortho RTI's Board of Directors on September 30, 2019 and should be read in conjunction with the financial statements for the year ended January 31, 2019. Unless otherwise noted, all amounts are presented in thousands of Canadian dollars, except for share and per share amounts.

The ability of the Corporation to fulfill its obligations and finance its future activities depends on its ability to raise additional capital and the continuous support of its creditors. The Corporation believes its efforts to raise sufficient funds to support its activities will be successful, however, there is no assurance that funds will continue to be raised on acceptable terms. This indicates the existence of a material uncertainty that may cast a significant doubt about the ability of the Corporation to continue as a going concern without obtaining additional financial resources. Failure to obtain such additional financing could result in delay or indefinite postponement of the Corporation's strategic initiatives. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

Forward-looking statements

The information contained in this MD&A may contain some forward-looking statements. Forward-looking information is not limited to information with respect to our future financial and operating performance, future development activities and adequacy of financial resources. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience. Our forward-looking statements are based on the reasonable beliefs, expectations and opinions of management on the date of this management analysis. Although we have attempted to identify important factors that could cause actual results to differ from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information.

GLOSSARY OF ABBREVIATIONS

Abbreviation	Calendar & Financial
FY-19	The Fiscal Year ended on January 31, 2019
FY-20	The current fiscal year ending on Jan 31, 2020
G&A	General and Administrative
ITC	Investment tax credits
Q2-20	Second quarter 2020
Q1-20	First quarter 2020
Q4-19	Fourth quarter 2019
Q3-19	Third quarter 2019
Q2-19	Second quarter 2019
Q1-19	First quarter 2019
Q4-18	Fourth quarter 2018
Q3-18	Third quarter 2018
R&D	Research and Development
YTD	Year to date

Abbreviation	Corporate & Operations
cGMP	current Good Manufacturing Practice
CMO	Contract Manufacturing Organization
CSE	Canadian Securities Exchange
FDA	US Food and Drug Administration
IND	Investigational New Drug application with the FDA
MRI	Magnetic Resonance Imaging
Ortho RTI	Ortho Regenerative Technologies Inc.
Ortho-C	Proprietary biopolymer for Articular Cartilage repair
Ortho-M	Proprietary biopolymer for Proprietary Biopolymer for Meniscus repair
Ortho-R	Proprietary biopolymer for Rotator cuff repair
Ortho-V	Proprietary biopolymer for Osteoarthritis healing
Polytechnique	Ecole Polytechnique de Montreal
PRP	Platelet-rich plasma

Overview of the Business

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

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

Overview of the Business – *cont'd*

Development Pipeline

Ortho RTI's pipeline includes four active R&D projects, composed of two active development-stage projects:

- **Ortho-R** - Assessing the clinical efficacy of our biopolymer-PRP bioactive implant for Rotator Cuff repair
- **Ortho-M** - Testing the efficacy of our biopolymer-PRP bioactive implant for meniscus repair
- **Ortho-C** - Feasibility research on a freeze-dried matrix with ultra-high porosity designed to augment bone marrow stimulation procedures for articular cartilage repair, including microfracture and drilling
- **Ortho-V** - Feasibility research on a freeze-dried biopolymer formulation combined with autologous biologics, tailored for intra-articular injections to provide visco-supplementation of articular joints and potentially gain disease modification outcomes in applications such as Osteoarthritis.

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

Ortho-R for Rotator Cuff repair

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

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

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

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

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

☑ Completed
■ Target completion

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

Q2-20 Highlights

During Q2-20, the Corporation's main activities consisted in funding development activities in relation to its lead project Ortho-R. Such activities continued to progress following the significant steps made in the last fiscal year. The 2019 year culminated with the start of a 6-month pivotal animal study in January 2019 as well as a pre-IND meeting with the FDA (in February 2019) to formalize the requirements for the filing of our IND application to initiate a Phase I/II human clinical trial on Ortho-R.

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

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

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

Selected Fiscal Year Financial Data

The following table sets forth financial information for the Corporation for the periods indicated and should be read in conjunction with the audited financial statements for the year ended January 31, 2019.

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

Revenue

There was no revenue generated for Q2-2020.

Expenses

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

Research and development costs

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

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

There were no Research costs in FY-20 as the Corporation focused on advancing its Orth-R rotator cuff project. Research costs included amounts paid under a contract with Polytechnique for work conducted on Ortho-C and Ortho-V. Research costs were $28 for the YTD-19 as the Ortho-C contract was completed in May 2018.

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

Patent prosecution costs increased by $20 in YTD-20 as compared to YTD-19 as our patent portfolio continued to progress in the various jurisdictions included the commencement of national phases in Europe. Depreciation costs were $17 for Q2-20 as scientific equipment previously purchased by the Corporation is now in use.

The timing of R&D costs per project since inception is as follows:

	Ortho R $	Ortho M $	Ortho C $	Total $
Expenditures incurred in prior years	**1,942**	837	524	3,303
Additional expenditures in 2019	**490**	-	-	490
Total accumulated expenditures	**2,432**	**837**	**524**	**3,793**

The table above demonstrates that emphasis put by Ortho RTI's management on moving Ortho-R forward as the first indication for the Corporation's biopolymer platform.

General and administrative expenses

For the respective periods, G&A expenses consisted of:

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

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

Financial charges

For the respective periods, financial charges consisted of:

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

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

Balance Sheet Highlights

The following table sets forth the financial information related to the Corporation's statements of financial position for the periods indicated and should be read in conjunction with the audited financial statements for FY-19.

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

Cash

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

Investment Tax Credits

Total current and non-current ITC's have decreased by 8% as the Corporation collected $186 for prior periods vs the addition of $155 representing new claims made or to be made.

Intangible Asset

Ortho RTI is the owner of 4 patent applications filed since 2009. It also owns improvements to the technology discovered through work it funded at Polytechnique. The current patent portfolio includes the following:

(i) Patent Family No.1: Clot-activated polymer composition for repairing the tissue of the subject, where the polymer composition adheres to the tissue and promotes cell proliferation, comprising platelet-rich plasma (PRP), a biopolymer, a salt and a clot activator;

(ii) Patent Family No.2: Novel formulation of physiological biopolymer-inorganic salt solution/blood mixtures for tissue repair;

(iii) Patent Family No.3: Freeze-dried polymer compositions for mixing with platelet rich plasma to form implants for tissue repair or compositions for therapeutic intra-articular injection;

(iv) Patent Family No.4: Freeze-dried biopolymer scaffolds that form a hydrated microparticle dispersion after contact with blood or blood-derived fluids and stimulate anabolic wound repair processes, including angiogenesis, cell chemotaxis, tissue remodeling, and extracellular matrix deposition.

The $9 reduction represents amortization for Q1-20.

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

Balance Sheet Highlights – cont'd

Liabilities

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

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

Summary of Quarterly Results

The following table sets out the Corporation's selected unaudited quarterly financial information for the eight quarters ended January 31, 2019. This information is derived from unaudited quarterly financial statements prepared by management and in accordance with IFRS and is expressed in Canadian dollars. The following quarterly information is presented on the same basis as the audited financial statements and should be read in conjunction with those statements and their accompanying notes.

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

There are three main categories of expenses: R&D costs, G&A and financial expenses. R&D Costs represents all costs prior to taking into account the ITC's related to those costs. Net R&D costs represents the R&D costs less ITC provisions to be claimed after year-end. G&A expenses include 1) share-based compensation for the issuance of options to senior management, staff, board of directors, scientific advisory board and consultants working for the Corporation, as well as 2) salaries for non-scientific management and support staff, recurrent professional and consulting fees, expenses for audit and tax related matters, in-house counsel, fees paid to investor relations firms.

R&D costs have fluctuated from quarter to quarter depending on the timing of work performed by our partners and suppliers. The amount of R&D costs as well as ITC provisions have increased in the last quarter of FY-19 as the Corporation commenced its large pivotal animal study for testing Ortho-R for rotator cuff repair.

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

Other G&A expenses have fluctuated from quarter to quarter. During Q3-19, the Corporation made changes to its senior management team, which resulted in the termination of the then acting CFO, and nomination of a new Senior Vice president and CFO. The net effects of this change included a severance payment to the prior CFO, resulting in the net reduction of salaries/fees paid for the CFO role starting in Q4-19. Fees for maintenance and filing of patents have been consistent over the comparable periods. It is expected that the recent changes to personal which took place in Q2-20 will have a material impact on G&A spending starting in Q3-20. Other expenses, such as rent, insurance, and office expenses, have been relatively stable and had no significant impact on the overall amount.

Financial expenses decreased significantly in FY-19 as compared to FY-18, due to the repayment of the short-term loan agreement secured by investment tax credits and by the partial repayment of the unsecured note payable due to one of its shareholder Manitex.

In addition, Q3-19 was impacted by a non-cash item following a net change in the fair value of Class "A" shares in a net amount of $107. This resulted from the shares being reclassified from a liability to equity. An equity instrument shall be measured at the carrying value of the financial liability at the date of reclassification. As of the Q3-18, the shares have been reclassified as equity at fair value.

Cash Flows, Liquidity and Capital Resources

Sources and Uses of Cash

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

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

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

At the end of the year, these cash resources may be insufficient to sustain operations through the end of the fiscal year in terms of funding operating activities and continuing the preclinical development plan with the CMO and CRO. Ortho RTI continues to seek financing from institutional life science investors based in Canada as well as the United States.

Future financing

As at July 31, 2019, Ortho RTI had 3,443,000 warrants outstanding exercisable at $0.70. These warrants are currently in-the-money. All of the warrants contain a trigger provision that provides the Corporation with the discretionary ability to accelerate the expiry date to a period of 30 days: if the Corporation's weighted average share price for 30 consecutive trading days equals or exceeds $1.00 per share, the Corporation may give notice to the warrant holders that they must exercise their warrants within a period of 30 days from the date of receipt of such notice. Any warrants not exercised during this reduced exercise period will expire.

The extent to which these warrants are exercised will be a function of the market price of the Corporation's underlying common shares and investors' view of the opportunity for shareholder value creation over the investment time for each individual investor. If the acceleration clause is exercised, the maximum inflow of cash to the Corporation would be approximately $2,410. Considering the terms of the warrants outstanding at the end of FY-19, the Corporation extended 905,000 warrants maturing on April 29, 2019 for an additional year.

Since the extent and timing of warrant exercise as a source of financing are uncertain, management continues to look for alternative sources of financing to support operations going forward. The current focus in this regard is on securing private placements with accredited and institutional investors.

The Corporation's use of available funds over the coming year is of utmost concern to the Board. In order to secure the required capital necessary to fund its operations and development projects, the Corporation is actively attempting to raise funds through the issuance of equity or by securing strategic partners. Management continues to seek new investors from financial institutions and accredited investors.

Discussion of operating cash requirements

All four products in the Corporation's current portfolio will require a significant investment to increase their market value (through, for example, clinical trials) to attract a strategic partner. We currently estimate that an investment of at least $35 million will be required over time to complete the R&D process, including regulatory approvals and manufacturing validations for all four products. There are several areas where duplication between product lines can be avoided, for example in the manufacture of the chitosan material, which is common across our product platform. We therefore do not need to replicate manufacturing capability, or the associated costs, for each of the four products.

Ortho-R is in a pure development phase and represents our lead product for commercialization. We anticipate filing our IND application with the FDA in the later part of fiscal year 2020. Management estimates that funds required to complete pre-clinical and scale-up activities for Ortho-R, including G&A and other recurring costs total approximately $3 million.

Summary of Quarterly Results – *cont'd*

Ortho-M is the Corporation's second candidate and is also in a development phase. Proof of efficacy in a large animal preclinical model is expected to take place in the coming fiscal year. Ortho-M's development pathway and plan will be similar to Ortho-R and will benefit from

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

Ortho-C and Ortho-V are currently at earlier stage of development and management does not intent to commit material sums to the advancement of these projects until its successfully advances Ortho-R and Ortho-M in human clinical testing.

In order to successfully advance its current R&D programs, Ortho RTI has entered on September 1, 2018 into $887 Collaborative R&D Agreement with Polytechnique to ensure access to Polytechnique's staff and expertise for the next three years.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

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

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

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

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

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

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

Use of Accounting Estimates and Judgements

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

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

Use of Accounting Estimates and Judgements – *cont'd*

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

Please refer to Note 3 of the annual audited financial statements for an extended description of the information concerning the Corporation's significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses.

Recently adopted accounting policies

IFRS 9, Financial Instruments

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

IFRS 9 includes a revised model for classifying financial assets, which results in classification according to a financial instrument's contractual cash flow characteristics and the business models under which they are held. At initial recognition, financial assets are measured at fair value. The following table presents the classification impacts on the financial assets and liabilities upon the adoption of IFRS 9. There was no significant impact with regards to the measurement of the financial assets and liabilities.

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

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

IFRS 16, Leases

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

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

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

***IFRS 16, Leases** – cont'd*

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

The impact on transition is summarized below:

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

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

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

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

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

Accounting policy applicable from February 1, 2019

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

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

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

Accounting policy applicable from February 1, 2019 – *cont'd*

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

Accounting policy applicable before February 1, 2019

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

Financial Risk Factors

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

(a) Credit risk

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

(b) Market risk

(i) Cash flow and fair value interest rate risk

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

(ii) Currency risk

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

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

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

For the comparative period the amount is not material.

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

Financial Risk Factors – *cont'd*

(c) Liquidity risk

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

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

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

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

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

(d) Capital risk management

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

Commitments

a) On June 19, 2015, the Corporation entered into three long term research service agreements with École Polytechnique When the Corporation's product is commercialized, it must make non-refundable payments to Polyvalor equal to 1.5% of net sales.

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

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

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

Subsequent events

a) In August 2019, the Corporation signed a new short-term loan agreement to finance its 2020 fiscal year ITC's in an amount of $342. The loan is secured by a first-rank moveable hypothec on all assets, and bears interest at a fixed rate of 1.5% per month.

b) In August 2019, the Company completed the in-life portion of the 6-month preclinical study required to start its rotator cuff Phase I/II clinical trial. The IND filing is anticipated by fiscal year-end. Ortho RTI started a 6-month pivotal preclinical study in January 2019 to provide the required data and address remaining FDA requirements in order to finalize the Phase I/II protocol. The in-life portion as well as data collection have been successfully completed. Final reporting is expected in the fall of 2019, along with other final IND requirements regarding manufacturing and stability.

c) In August 2019, Ortho RTI announced the signing of a collaborative Material Transfer Agreement ("MTA") with a leading global Orthopaedic Company (the "Partner"). Under the terms of the MTA, a formulation of the Partner's commercial product will be evaluated for its properties when used in conjunction with Ortho's Ortho-R product. The work to be performed under the MTA is scheduled to be completed before 2019 year-end. Ortho RTI's proprietary biopolymer matrix acts as a biodegradable scaffold with great residency properties that can be used to retain any type of bioactive material, prolong their therapeutic effect and ultimately significantly improve benefits to patients. The agreement fits the Corporation's strategy of working with other companies to assess whether Ortho RTI's proprietary biopolymer platform could be used in conjunction with other companies' products for uses outside of our core focus. It also serves as a third-party validation of the Corporation's platform and dramatically increases commercial market opportunities.

d) In September 2019 – Ortho RTI announced the selection of MCRA, LLC as its US based orthopedic specialty CRO, to conduct its upcoming Phase I/II rotator cuff Ortho-R human trial. The Ortho-R Phase I/II clinical trial plans to enroll 75 patients, randomized across 3 arms of 25 patients across multiple sites in the US. MCRA is a leading advisory firm and CRO focused on the neuro-musculoskeletal industry. MCRA has key relationships with hundreds of US surgical sites and has provided assistance to more than 600 companies including the top 10 largest US Orthopaedic companies. MCRA will be integrating regulatory and reimbursement expertise in conjunction with its CRO services for the Ortho-R Phase I/II clinical program.

e) On September 30, 2019, the Corporation confirmed having received subscriptions totaling $750 under its previously announced Non-Brokered Private Placement of unsecured convertible debenture units (the "Units"). Final terms of the Units are as follows: Each Unit consists of one unsecured convertible debenture in the principal amount of $1,000 (each, a "Debenture") and 2,000 Class "A" share purchase warrants (each, a "Warrant"), with an exercise price of $0.50, expiring 24 months after the date of issuance of such Warrants, representing a 60% warrant coverage. Debentures will be convertible at $0.30 per share (the "Conversion price"). The Debentures will bear interest at a rate of 10% per annum from the date of issue, payable in cash, annually in arrears. In the event that the average VWAP over any twenty (20) consecutive trading days is greater or equal to $1.00, the Corporation may give notice to the Warrant holder that it must exercise its remaining Warrants within a period of 30-days from the date of receipt of the notice, failing which the Warrants will automatically expire. The securities issued under the Private Placement will be subject to a four-month hold period in accordance with applicable securities legislation.

f) Concurrent to the Convertible Debt Financing, the Corporation amended the terms of the Note payable of $147, and the Convertible Loan of $720, to allow both the Note and Convertible Loan to be converted in any kind of securities. Following such amendment, both the Note Payable and the Convertible loan plus accrued interest totalling $894 were converted into the Non-Brokered Private Placement.

g) On August 2, 2019 the Corporation extended 460,000 warrants maturing as at August 2, 2019, for an additional year. The exercise price of the warrant remained at $0.70.

h) On September 17, 2019 the Corporation extended 480,000 warrants maturing as at October 1, 2019, for an additional year. The exercise price of the warrant remained at $0.70.