# Ortho Regenerative Technologies Inc.

**Management's Discussion and Analysis for the three- and nine-month periods ending October 31, 2019**
*(In thousands of Canadian dollars, except for units, 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 nine-month periods ended on October 31, 2019 and compares those of the same periods in 2018. This MD&A 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 December 18, 2019, approved by Ortho RTI's Board of Directors on December 18, 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 Corporation's ability 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

| Calendar & Financial | | Corporate & Operations | |
|---|---|---|---|
| FY-19 | Fiscal Year ended on January 31, 2019 | cGMP | current Good Manufacturing Practice |
| FY-20 | Current Fiscal Year ending January 31, 2020 | CMO | Contract Manufacturing Organization |
| G&A | General and Administrative | CSE | Canadian Securities Exchange |
| ITC | Investment tax credits | FDA | US Food and Drug Administration |
| Q3-20 | Third quarter 2020 | IND | Investigational New Drug application with the FDA |
| Q2-20 | Second quarter 2020 | MRI | Magnetic Resonance Imaging |
| Q1-20 | First quarter 2020 | Ortho RTI | Ortho Regenerative Technologies Inc. |
| Q4-19 | Fourth quarter 2019 | Ortho-C | Proprietary biopolymer for Articular Cartilage repair |
| Q3-19 | Third quarter 2019 | Ortho-M | Proprietary biopolymer for Proprietary Biopolymer for Meniscus repair |
| Q2-19 | Second quarter 2019 | | |
| Q1-19 | First quarter 2019 | Ortho-R | Proprietary biopolymer for Rotator cuff repair |
| Q4-18 | Fourth quarter 2018 | Ortho-V | Proprietary biopolymer for Osteoarthritis healing |
| R&D | Research and Development | Polytechnique | Ecole Polytechnique de Montreal |
| YTD | Year to date | 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 at October 31, 2019 of which 3,452,685 shares are held in escrow.

**Overview of the Business** – *cont'd*

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 Polytechnique, and senior researchers at Polytechnique are still actively involved in the day-to-day development of Ortho RTI's pipeline.

**Development Pipeline**

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

- **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 for humans. No adverse events were found in any of the above-mentioned animal studies, which suggests a high level of safety.

Progress made during the recent quarters have set the stage for achievements of major corporate/regulatory/strategic milestones over the current and upcoming calendar years.

**Overview of the Business** – *cont'd*

The following tables presents a summary of the projected milestones based on calendar quarters for the 2019-2021 period:

| Past and Projected Milestones Year 2019-2021 | Calendar | Calendar 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 | | | | ■ | | | | | |
| **Ortho-R Clinical Trial - Rotator Cuff repair** | | | | | | | | | | |
| CMC Manufacturing - Clinical Batch | | | | ➔ | | ■ | | | | |
| 6-month pivotal animal trial | in-life portion | ➔ | | ☑ | | | | | | |
| | results | | | | ■ | | | | | |
| Pre-IND Meeting - FDA | | ☑ | | | | | | | | |
| US IND | Preperation | | | ➔ | ■ | | | | | |
| | Filing | | | | | ■ | | | | |
| | approval | | | | | ■ | | | | |
| Phase I/II clinical trial | CRO Selection | | | ☑ | | | | | | |
| | trial START | | | | | ➔ | | | | |
| | enrolment initiated | | | | | | ■ | | | |
| | enrolment completed | | | | | | | | ■ | |
| | interim results | | | | | | | | | ■ |
| | Completion | | | | | | | | | ■ |

➔ Initiation
☑ Completed
■ Target completion

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

**YTD and Q3-20 Highlights:**

During the third quarter, the Corporation continued to fund the development of our lead product Ortho-R, a biopolymer-PRP based bioactive implant, specifically designed to guide and accelerate the repair of various musculoskeletal conditions, such as Rotator Cuff, meniscus and ligament tears. Having completed the in-life portion of our pivotal animal study at the end of Q2-20, the preclinical study samples preparation and process were completed during the quarter. The pivotal study analysis is currently being processed with results and final report expected in January 2020. During the quarter, the Corporation has continued working on the completion of manufacturing and other FDA regulatory requirements and is advancing as planned towards Phase I/II IND submission in Q1-2020 (calendar year).

Phase I/II Rotator cuff Clinical Trial Progress

- January 2019: Start of a 6-month pivotal preclinical study on rotator cuff tear repair. This 6-month pivotal preclinical study was initiated to provide the data needed and address remaining FDA requirements in order to finalize the Phase I/II clinical protocol.
- February 2019: Successful pre-IND meeting with the FDA. The pre-IND meeting helped formalize the requirements for the planned filing of our US-IND application to initiate a Phase I/II clinical trial for assessing the clinical safety and efficacy of our Biopolymer-PRP bioactive implant (Ortho-R) in Rotator Cuff Tear repair. Since then we have focused our efforts on addressing the regulatory requirements and preparing and assembling the IND application.
- August 2019: Completion of the in-life portion of the 6-month ongoing preclinical study. The MRI data collection has been successfully completed.
- 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.

**YTD and Q3-20 Highlights** – *cont'd*

- In October 2019, we started the histopathology evaluation of the samples collected from the pivotal trial. We also successfully completed the manufacturing's methods and process validations. Continued ongoing scale-up and stability activities for the manufacturing of cGMP grade clinical testing material. MCRA's regulatory and clinical trial preparation work has been initiated and we are on track to file our US-IND with the FDA during the first quarter of the calendar 2020.

Other corporate and financial highlights for Q3-20 included:

- 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 may 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. Following completion of the MTA work, the parties will determine if and how to continue the development of the combined product under a more formal arrangement.
- In August 2019, the Corporation signed a new short-term loan agreement to finance its FY-20 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.
- October 9, 2019 the Corporation closed a non-brokered $1.6 million private placement of convertible debenture units (the "Private Placement") consisting of $750,000 of subscriptions and $894,000 from conversion of loans from Manitex Capital Inc. The Company issued 1,644 unsecured convertible debenture units (the "Units") at a purchase price of $1,000 per Unit for gross proceeds of $1,644,000. Each Unit consist of one 10% unsecured convertible debenture for a principal amount of $1,000 (each, a "Debenture") convertible at a $0.30 price per Class "A" share of the Company ("Common Share") and 2,000 Common Share purchase warrants (each, a "Warrant"), with an exercise price of $0.50 ("Exercise Price"), representing a 60% warrant coverage. The Warrants will automatically convert into Common Shares of the Company at the Exercise Price in the event that the volume weighted average price ("VWAP") over any 20 consecutive trading days is greater or equal to $1.00. Both the Debentures and the Warrants have a maturity date of October 8, 2021.

  Concurrent to the Private Placement, the Corporation amended the terms of a note payable of $150 (the "Note"), and a convertible loan of $720 (the Convertible Loan"), both owed to Manitex Capital. Such amendment allowed 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 Private Placement.
- During the quarter the Corporation extended 460,000 warrants maturing as at August 2, 2019 and 480,000 warrants maturing as at October 1, 2019, for an additional year. The exercise price of the warrants remained at $0.70.

**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.

| | **Q3-20** | **Q3-19** | *Change* | **YTD-20** | **YTD-19** | *Change* |
|---|---|---|---|---|---|---|
| | **$** | **$** | *%* | **$** | **$** | *%* |
| **Expenses** | | | | | | |
| R&D | 347 | 403 | -14% | 923 | 664 | +39% |
| G&A | 291 | 346 | -16% | 910 | 939 | -3% |
| Financial | 49 | 29 | +69% | 179 | 111 | +61% |
| Total Operating Expenses | 687 | 778 | -12% | 2,012 | 1,714 | +17% |
| **Net loss and comprehensive loss** | 687 | 778 | -12% | 2,012 | 1,714 | +17% |

### Revenue

There was no revenue generated for Q3-2020 and other reported periods.

### Expenses

Total operating expenses were $2,012 for YTD-20 as compared to $1,714 for YTD-19 representing a 17% increase. Total expenses increased due to R&D expenses increasing 39% in YTD-20 as compared to the previous year. R&D activities picked up during the year as the Corporation made significant progress towards the initiation of a rotator-cuff clinical trial. During the quarter, Ortho RTI continued to prioritize R&D activities while making efforts to control G&A expenses. G&A expenses decreased by 16% in Q3-20 as compared to Q3-19 but were stable for the YTD-20 period as compared to the prior year.

### Research and Development costs

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

| | **Q3-20** | **Q3-19** | *Change* | **YTD-20** | **YTD-19** | *Change* |
|---|---|---|---|---|---|---|
| | **$** | **$** | *%* | **$** | **$** | *%* |
| Research costs | **-** | - | - | **-** | 28 | -100% |
| Development costs | **374** | 423 | -12% | **911** | 591 | +54% |
| Patent costs | **22** | 35 | -37% | **92** | 84 | +10% |
| Amortization – intangible asset | **8** | 8 | - | **24** | 24 | - |
| Depreciation – equipment | **17** | 26 | -35% | **50** | 26 | +92% |
| Total | **421** | 492 | -14% | **1,077** | 753 | +43% |
| Investment tax credit | **(74)** | (89) | -17% | **(154)** | (89) | +73% |
| **Total** | **347** | 403 | -14% | **923** | 664 | +39% |

Research costs include amounts paid under a contract with Polytechnique for work conducted on Ortho-C and Ortho-V. There were no research costs in FY-20 as the Corporation focused on advancing its Ortho-R rotator cuff program. Research costs were $28 for the comparable 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. For most contracts, expenses are accounted for when contractual obligations are met. The 54% increase in R&D spending FY-20 is due to the increased spending related to Ortho-R which is advancing toward the filing of the IND to start the rotator-cuff clinical trial. To date in 2020 the spending included the bulk of the costs related to a 6-month animal study, the initiation of scale-up and manufacturing activities of cGMP grade Ortho-R material, as well as regulatory work. Notwithstanding the increased activity in FY-20, the developments costs for Q3-20 decreased by 12% as compared to Q3-19 when the pilot study for Ortho-R was performed.

Patent prosecution costs increased by $8 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 Q3-20 as scientific equipment previously purchased by the Corporation is now in use.

The timing of third-party R&D expenses per project since inception is presented below. Amounts exclude internal R&D salaries:

| | **Ortho R** | **Ortho M** | **Ortho C** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Expenditures incurred in prior years | 1,942 | 837 | 524 | 3,303 |
| Additional expenditures in 2020 | 863 | - | - | 863 |
| **Total accumulated expenditures** | **2,805** | **837** | **524** | **4,166** |
| *% of accumulated expenditures by projects* | *67.3%* | *20.1%* | *12.6%* | *100.0%* |

**Research and Development costs** - *cont'd*

The table above demonstrates Ortho RTI's emphasis on moving Ortho-R forward as the first indication for the Corporation's biopolymer platform. 67.3% of all R&D expenditures to date have been spent on Ortho-R, including 100% of all R&D spent so far in FY-20.

**General and administrative expenses**

G&A expenses include administrative salaries, business travel expenses, and other office costs as well as consulting fees paid to non-R&D staff, professional fees paid for accounting and tax services, and investors relation activities. G&A expenses also include other non-R&D expenses such as share-based compensation which represents the costs for issuing options to staff, board members and consultants. Finally, G&A expenses include office and other lease costs, now presented as depreciation for the right to use asset starting in FY-20. (see IFRS 16 – Leases).

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

| | **Q3-20** | **Q3-19** | *Change* | **YTD-20** | **YTD-19** | *Change* |
|---|---|---|---|---|---|---|
| | **$** | **$** | *%* | **$** | **$** | *%* |
| Administrative salaries and office costs | **45** | 97 | -54% | **240** | 255 | -6% |
| Professional and consulting fees | **205** | 199 | +3% | **568** | 586 | -3% |
| Share-based compensation | **37** | 50 | -26% | **90** | 98 | -8% |
| Depreciation – right of use asset | **4** | - | +100% | **12** | - | +100% |
| **Total G&A expenses** | **291** | 346 | -16% | **910** | 939 | -3% |

Overall G&A expenses in Q3-20 decreased by 16% compared to Q3-19 and decreased slightly by 3% for the YTD-20 period as compared to the prior year. Administrative salaries and office costs decreased significantly between Q3-19 and Q3-20 following the changes made to the CFO position in Q3-19 representing a 54% reduction. Professional and consulting fees remained flat with a nominal 3% increase for the quarter, and 3% decrease for the YTD periods despite increased investors relation activities performed in FY-20.

During the YTD-20, the Corporation continued to benefit from significant savings on staff costs following the change of CFO which took place in Q3-19, the termination of a senior scientific staff and changes to the CEO position which took place in Q2-20. Our new CEO is now assuming the scientific leadership for all ongoing projects in addition to its other CEO responsibilities. For the YTD-20 period, the savings on staff/consulting fees 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 ability to achieve the projected corporate and R&D milestones. Prior to taking the CFO, CEO severance in consideration, the senior staff changes have led to $240 annual savings representing 45% reduction in internal staff costs. The Corporation's Share-based compensation was 26% lower for Q3-20 when comparing to Q3-19 when new options were granted to the new CFO. Depreciation for the right to use asset (previously office lease) compares to nil cost last year as the new IFRS 16 standard for Lease was implement in FY-20.

**Financial charges**

Aside from regular interest and bank changes, financial charges include interest on ITC loans, interest on the convertible note and loan from Manitex, as well as the interest on the new convertible debt closed on October 8, 2019.

| | **Q3-20** | **Q3-19** | **Change** | **YTD-20** | **YTD-19** | **Change** |
|---|---|---|---|---|---|---|
| | **$** | **$** | **%** | **$** | **$** | **%** |
| Interest, bank charges and FX | **2** | 0 | 100% | **-1** | -2 | -50% |
| Interest Manitex note | **3** | 4 | -25% | **11** | 17 | -35% |
| Lease costs - new standard | **2** | - | 100% | **7** | - | 100% |
| Interest and fees on ITC loans | **30** | - | 100% | **82** | 23 | 257% |
| Interest on convertible debt | **75** | 25 | 200% | **143** | 73 | 96% |
| Gain on debt settlement – Manitex loan | **(63)** | - | -100% | **(63)** | - | -100% |
| **Total** | **49** | **29** | **69%** | **179** | **111** | **61%** |

**Financial charges** - *cont'd*

Financial charges increased in Q3-20 as compared to the year ago period as a result of the new convertible debt financing closed October 8, 2019 as well as new ITC loans secured in 2019 and 2020. The table also shows the impact of the new IFRS 16 - Lease standard. During the quarter we also realized a $63 gain on conversion of the convertible loan from Manitex into the convertible unit transaction close on October 8, 2019.

**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.

| | **Q3-20** | FY-2019 | *Change* | *Change* |
|---|---|---|---|---|
| | **$** | $ | *$* | *%* |
| (Bank overdraft) / Cash | **(2)** | 524 | *(526)* | *-100%* |
| Current assets | **288** | 998 | *(710)* | *-71%* |
| ITC (current & non-current) | **347** | 378 | *(31)* | *-8%* |
| Intangible Assets | **404** | 429 | *(25)* | *-6%* |
| Non-current assets | **722** | 607 | *115* | *+19%* |
| Total assets | **1,010** | 1,605 | *(595)* | *-37%* |
| Liabilities – current | **1,807** | 1,339 | *468* | *+35%* |
| Liabilities - non-current | **1,609** | 854 | *755* | *+88%* |
| Total liabilities | **3,416** | 2,193 | *1,223* | *+56%* |
| Common shares | **5,430** | 5,430 | - | - |
| Warrants | **693** | 665 | 28 | +4% |
| Contributed surplus | **888** | 717 | 171 | +24% |
| Deficit | **9,417** | 7,400 | *2,017* | *+27%* |

**Cash**

The cash situation at the end of the period was a $2 overdraft as compared to $524 at the start of the year. During the quarter the financial resources of the company have been used to fund R&D activities. Despite limited resources, Ortho RTI has been able to meet all R&D timelines expected for the quarter. The Corporation kept progressing towards the filing of the US IND for its rotator cuff program has planned in early 2020 calendar year by maintaining the support of its key suppliers who keep providing flexible payments terms. Additional funding has been secured after the end of the quarter (See "*Subsequent Events* - note b").

**Investment Tax Credits**

Total current and non-current ITC's have decreased by 8% as the Corporation collected $186 from prior period claims while making addition of $155 representing new claims made or to be made for the 2019 and 2020 fiscal years.

**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 Montreal. 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; This patent was abandoned on November 9, 2019. The company's Freeze-Dried platform patents (family 3-4, covers all applications in No. 2 and plus multiple benefits, including a faster coagulation onset time, ease of use for the clinicians and a much longer commercially viable shelf life.

**Balance Sheet Highlights - Intangible Asset** – *cont'd*

(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.

The $25 reduction represents amortization for YTD-20.

**Liabilities**

Total liabilities as at October 31, 2019 have increased by 56% as compared to January 31, 2019 representing a $1,223 increase. Short-term liabilities have increased by $468 mainly as a result of new ITC loans of $197 and an increase in trade payables of $252. Trade payables are mainly composed of R&D suppliers involved in the Ortho-R project and are being settled without compromising the progress of the Corporation's R&D activities.

The balance of the increase in total liabilities comes mainly from the addition of convertible debenture units issued during the period at favorable terms for the Corporation. (See "Q3-20 highlights")

**Summary of Quarterly Results**

The following table sets out the Corporation's selected unaudited quarterly financial information for the eight quarters ended October 31, 2019. This information is derived from unaudited quarterly financial statements prepared by management in accordance with IFRS. 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.

| | **Q3-20**<br>**$** | Q2-20<br>$ | Q1-20<br>$ | Q4-19<br>$ | **Q3-19**<br>**$** | Q2-19<br>$ | Q1-19<br>$ | Q4-18<br>$ |
|---|---|---|---|---|---|---|---|---|
| R&D costs | **347** | 245 | 331 | 418 | **403** | 112 | 148 | 279 |
| G&A expenses | **254** | 360 | 205 | 248 | **296** | 309 | 236 | 248 |
| Share-based compensation | **37** | 44 | 10 | 36 | **50** | 26 | 23 | 49 |
| Financial expenses (income) | **49** | 63 | 67 | (17) | **29** | 38 | 44 | 65 |
| Net loss for the quarter | **687** | 712 | 613 | 685 | **778** | 485 | 451 | 641 |
| Loss per share (Basic and diluted): | **0.03** | 0.03 | 0.02 | 0.04 | **0.03** | 0.02 | 0.02 | 0.04 |

We highlight four main categories of expenses: R&D costs, G&A, Share-based compensation, and financial expenses. R&D costs represents the gross R&D costs less ITC provisions related to these costs and to be claimed after year-end. G&A expenses include mainly salaries for non-scientific management and support staff, recurrent professional and consulting fees, expenses for audit and tax related matters, in-house counsel, and fees paid to investor relations firms. Share-based compensation are costs for the issuance of options to senior management, staff, board of directors, scientific advisory board and consultants working for the Corporation. Financial expenses are costs associated with the ITC loans, and convertible debenture units.

R&D costs net of ITC provisions have fluctuated from quarter to quarter depending on the timing of work performed by our partners and suppliers.

G&A expenses have fluctuated from quarter to quarters. During the reported periods, Ortho RTI made significant changes to its senior management team, which resulted in the termination of the then acting CFO and the nomination of a new Senior Vice president and CFO in Q3-19, as well as termination and replacement of the CEO in Q2-20. The net effects of these changes included severance payments to the prior CFO, and CEO but more importantly resulted in a substantial reduction of salaries/fees paid for the CFO role starting in Q4-19 and same for the CEO position starting Q3-20. In addition to the reduction of the G&A expenses, the replacement of the CEO has led to material decrease in R&D salaries as the new CEO has been able to assume duties previously handled by a senior R&D staff terminated during Q2-20. The full benefit of the changes to the Corporation's personnel represent more than 50% savings for salaries and consulting fees for the position mentioned above, and will positively impact the Corporation's financial results over the quarters ahead as Ortho RTI is now allocating a greater % of its financial resources towards R&D activities. Fees for maintenance and filing of patents have been consistent over the

**Summary of Quarterly Results** – *cont'd*

comparable periods. Other expenses, such as rent, insurance, and office expenses, have been relatively stable and had no significant impact on the overall amount.

Share-based compensation have fluctuated as a results of staff changes, as well as due to the timing of expense recognition associated with the vesting of the options issued.

Financial expenses have fluctuated over the reported periods, based on addition and repayment of ITC loans, reduction/conversion of the Manitex note and loan. The net income of $17 for Q4-19 came as a result of the settlement/conversion of a Manitex Loan.

## Cash Flows, Liquidity and Capital Resources

| ***Sources and Uses of Cash*** | **YTD-20**<br>$ | YTD-19<br>$ |
|---|---|---|
| **Provided by (used in):** | | |
| Operating activities | **(1,350)** | (1,211) |
| Investing activities | **-** | (55) |
| Financing activities | **824** | 1,175 |
| **Decrease in cash** | **(526)** | (91) |
| Cash, beginning of period | **524** | 450 |
| **Cash (Overdraft), end of period** | **(2)** | 359 |

At the end of Q3-20, the Corporation had cash resources of $(2) compared to $524 at the end of FY-19. During Q3-20, the Corporation and used $1,350 to fund operating activities including $18 on 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 b".

At the end of the quarter, while Ortho RTI has a great track record of being able to raise capital to advance its R&D programs, there are still uncertainties as the ability of the Corporation to secure adequate capital to keep funding its operations and continuing the development plan of its various products. Ortho RTI has raised addition capital after the end of the quarter ("See subsequent events") and continues to seek financing from institutional life science investors based in Canada as well as the United States.

**Future financing**

As at October 31, 2019, Ortho RTI had 3,158,000 warrants outstanding exercisable at $0.70 and 3,287,800 exercisable at $0.50. These warrants are currently out-of-the-money meaning that the exercise price of the warrant exceeds the stock price for the underlying common shares of Ortho RTI. All of the warrants contain a trigger provision that provides the Corporation with the discretion 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 $3,855. Considering the exercise price of the warrants outstanding, the Corporation has extended all warrants maturing in 2019 as well as warrants expiring up to April 2020 for an additional year. See "Subsequent events" note a.

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.

**Future financing** – *cont'd*

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 first quarter of calendar 2020. Management estimates the costs of the upcoming Phase I/II trial to be $5 million over 2 years.

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 October 31.

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

| | **Q3-20**<br>**$** | Q3-19<br>$ |
|---|---|---|
| *Transactions with key management and members of the Board of Directors:* | | |
| Salaries and employee benefits expense | **-** | 63 |
| Share-based compensation to employees and directors | **37** | 50 |
| Consulting fees paid to a director, CEO and CFO | **70** | 60 |
| *Transactions with Manitex, a shareholder of the Corporation:* | | |
| Interest charged by Manitex | **65** | 50 |
| *Transaction with École Polytechnique, a partner of Polyvalor :* | | |
| Research and development costs | **74** | 75 |

**Transactions with Related Parties** – *cont'd*

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

| | | **October 31, 19** | October 31, 18 |
|---|---|---|---|
| | | **$** | $ |
| Accounts payable and accrued liabilities due to a director, CEO and CFO | (Note 1) | **182** | - |
| 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** | 136 |

*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.

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.

**Recently adopted accounting policies** – *cont'd*

| 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%.

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** |

***IFRS 16, Leases*** *– 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 | **(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.

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 and other currencies. 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<br>$ | CDN equivalent<br>$ |
|---|---:|---:|
| Cash – USD | 1 | 1 |
| Accounts payable and accrued liabilities – USD | (18) | (23) |
| Accounts payable and accrued liabilities – EUR | (1) | (1) |
| Accounts payable and accrued liabilities – GBP | (16) | (27) |
| Accounts payable and accrued liabilities – JPY | (436) | (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 October 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 | **1,227** | 1,227 | 324 | 903 | - |
| Investment tax credit loan* | **561** | 646 | - | - | 646 |
| Convertible loan* | **20** | 20 | 20 | - | - |
| Convertible debenture units * | **1,344** | 1,969 | - | - | 1,969 |
| | **3,152** | 3,862 | 344 | 903 | 2,615 |

| *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 | 6 |
| 2021 | 24 |
| 2022 | 22 |
| 2023 | - |
| 2024 | - |
| | 52 |

**Subsequent events**

a) On December 12, 2019 the Corporation announced the extension of the term of certain warrants of the Company (the "Extended Warrants") which were originally issued in June 2017, July 2017 and October 2017 in connection with a private placement. The Extended Warrants, representing an aggregate of 207,500, 390,000 and 905,000 share purchase warrants of the Company, originally expiring on December 28, 2019, January 28, 2020 and April 29, 2020 respectively. Pursuant to this extension, the expiry date of the Extended Warrants is extended for one (1) year, being December 28, 2020, January 28, 2021 and April 29, 2021. All other terms of the Extended Warrants will remain unchanged.

b) On December 31, 2019 the Corporation closed a non-brokered $0.5 million private placement of convertible debenture units (the "Private Placement"). The Company issued 500 unsecured convertible debenture units (the "Units") at a purchase price of $1 ($ one thousand) per Unit for gross proceeds of $500. Each Unit consist of one 10% unsecured convertible debenture for a principal amount of $1 ($ one thousand) (each, a "Debenture") convertible at a $0.30 price per Class "A" share of the Company ("Common Share") and 2,000 Common Share purchase warrants (each, a "Warrant"), with an exercise price of $0.50 ("Exercise Price"). The Warrants will automatically convert into Common Shares of the Company at the Exercise Price if the volume weighted average price ("VWAP") over any 20 consecutive trading days is greater or equal to $1.00. Both the Debentures and the Warrants have a maturity date of December 31, 2021.