Ortho Regenerative Technologies Inc.

Management's Discussion and Analysis for the three and six months ended July 31, 2020

(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 second quarter of our 2021 fiscal year ended on July 31, 2020 and compares those of the same period in fiscal year 2020. 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 September 24, 2020 and approved by Ortho RTI's Board of Directors on September 24, 2020. This document should be read in conjunction with the unaudited financial statements and notes thereto for the second quarter ended July 31, 2020 which have been prepared in accordance with *International Financial Reporting Standards*. Unless otherwise noted, all amounts are presented in thousands of Canadian dollars, except for share and per share amounts.

Non-IFRS Financial Measures

This MD&A refers to certain non-IFRS measures. Management uses these non-IFRS financial measures for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our business performance and trends. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use a non-IFRS measure, "EBITDA", to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. EBITDA is defined as net income (loss) before (i) provision for (recovery of) income taxes; (ii) interest (income) expense and other financing costs; (iii) depreciation; and (iv) amortization of intangible assets.

Cautionary note regarding forward-looking statements

This MD&A may contain some forward-looking information as defined under applicable Canadian securities laws. Forward looking information can generally be identified using forward-looking terminology such as "may", "anticipate", "expect", "intend", "estimate", "continue" or similar terminology. Forward looking information is subject to various known and unknown risks and uncertainties, many of which are beyond the ability of the Corporation to control or predict, that may cause the Corporation's actual results or performance to be materially different from actual results and are developed based on assumptions about such risks and other factors set out herein.

GLOSSARY TERMS

Calendar & Financial

CDU	Convertible Debenture Units
EBITDA (L)	EBITDA Loss
FY-20	Fiscal Year ended January 31, 2020
FY-21	Current Fiscal Year ending January 31, 2021
G&A	General and Administrative
ITC	Investment tax credits
Q2-21	Second quarter FY-21
Q1-21	First Quarter FY-21
Q4-20	Fourth quarter FY-20
Q3-20	Third quarter FY-20
Q2-20	Second quarter FY-20
Q1-20	First quarter FY-20
Q4-19	Fourth quarter FY-19
Q3-19	Third quarter FY-19
SR&ED	Scientific Research and Experimental Development
R&D	Research and Development
YTD	Year to date
YE-21	Year-end 2021 – January 31, 2021
YE-20	Year-end 2020 – January 31, 2020
W/C	Working Capital, defined as short-term assets less short-term liabilities

Corporate & Operations

API	Active Pharmaceutical Ingredient
CMC	Chemistry Manufacturing and Controls
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
MCRA	MCRA, LLC, a US based orthopedic specialty CRO
MRI	Magnetic Resonance Imaging
MTA	Material Transfer Agreement
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
Pre-RFD	Pre-Request for Designation

OVERVIEW OF THE BUSINESS AND BUSINESS STRATEGY

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 24,967,424 common shares that are issued and fully paid as at July 31, 2020 of which 1,726,363 shares are held in escrow and to be released on October 10, 2020.

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:

Development Stage

Program	Indication	Details
Ortho-R	Rotator Cuff	Ortho-R is Ortho RTI's lead program. Ortho-R is a biopolymer-PRP bioactive implant, specifically designed to guide and accelerate the repair of various musculoskeletal conditions. We are aiming to assess the clinical efficacy of Ortho-R, initially for Rotator Cuff repair. Ortho-R can also be used to accelerate the healing of other soft tissues such as ligaments and meniscus (see Ortho-M).
Ortho-M	Meniscus	Testing the efficacy of our biopolymer-PRP bioactive implant for meniscus repair

Feasibility Stage

Product	Indication	Details
Ortho-C	Cartilage repair	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	Osteoarthritis	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 patent protected 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 biologics implants;
(iv) biopolymer-PRP biologics 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.

Preclinical:

We have successfully completed the preclinical pivotal study's safety and clinical histology analysis, statistical analysis and final report. The study's final report confirmed the safety of Ortho-R as well as the evidence that our biologics hybrid implant delivered as an adjunct to standard of care surgery, improves tendon, tendon insertion site and overall repair in Rotator Cuff Tear repair compared to standard of care surgery alone. https://www.orthorti.com/cms_files/phpfQwJvt.pdf

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

Regulatory:

We have received from the US FDA Office of Combination Products, the Ortho-R product designation as a Drug/Biologics combination product. Ortho- R has various physicochemical interacting actions on various cell types and other PRP components, therefore supporting a combination product with the Ortho-R reconstituted in PRP considered a Drug/Biologics that is delivered through accessory Devices. The product's jurisdictional assignment is to the FDA's Center for Biologics and Research (CBER). The required Investigational New Drug (IND) regulatory application to start our Ortho-R US RCT clinical trial, will be completed and submitted to FDA during Q3 & Q4-20 (calendar year). There are multiple merits of a Drug/Biologics therapeutic combination product. One of them is the ability to have a multiple mode of action label, related to the various interactions between our proprietary biopolymer and PRP, which may justify the scientific rationale behind the product's therapeutic effect.

Manufacturing & CMC:

We continued working on the cGMP clinical lot production preparation with various activities such as new source material batch testing, methods and validations for the CGMP clinical lot, so that we are ready to complete production during Q4-20 (calendar year).

Clinical Program:

We continued working with MCRA from Washington D.C., our US Clinical Research Organization (CRO), in charge of managing our US multi-center Phase I/II clinical trial. Activities focus were mainly on protocol, patients' assessment EDC system, MRI procedure protocol and system, clinical sites evaluations. Clinical trial patients' enrollment may start Q1-21 (calendar year), immediately after Clinical Review Boards (CRB) approvals and IND submission approvals by the FDA.

During the quarter, the Corporation has tried to mitigate the impact of the COVID-19 pandemic as much as possible.

The following tables presents a summary of the past and projected milestones based on calendar quarters/years for the 2019-2022 period:

Past and Projected Milestones 2019-2022	Calendar Year	Calendar Quarters/Years							
		2019	Q1-20	Q2-20	Q3-20	Q4-20	H1-21	H2-21	2022
Corporate / Strategic									
MTA collaboration	Initial Phase	➔							
	interim report	☑							
MTA collaboration - Step 2	On-Hold (Covid-19)			●					
Licensing Agreement - Ingenew Pharma				☑					
Finance									
US OTC-QB Listing					➔	■			
Debenture Financing		☑		☑					
Private Placement - Unit Offering					☑				
Ortho-R Clinical Trial - Rotator Cuff repair									
CMC Manufacturing	Scale-up	➔	☑						
	Stability 2yrs - shelf life	➔		☑					
	Stability 3yrs - shelf life	➔							■
	Clinical batch			➔		■			
6-month pivotal animal trial	in-life portion	☑							
	results			■					
Pre-IND Meeting - FDA		☑							
US-FDA IND	Filing Pre-RFD		☑						
	Drug/Biologic Designation			☑					
	IND filing				□	■			
	IND approval				□	■			
US Human Clinical	CRO Selection	☑							
	Protocole completion				■				
	Lead Investigator selection				■				
	Final sites selection				□	■			
	trial START				□	➔			
	Patients enrolment initiated						■		
	50% enrolment completed						■		
	enrolment completed							■	
	12-mth patient follow up completed								■
	Study results								■

➔ Initiation
□ previous target last quarter
■ Current Target
☑ Completed
● On-Hold

Note that, when setting the above timelines, management has not considered any possible delays that could take place as a result of the Covid-19 pandemic. Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

Q2-2021 CORPORATE HIGHLIGHTS

Ortho-R Program

- On March July 23, 2020, Ortho RTI announced new positive results following completion of its pivotal preclinical study report in Rotator Cuff Tear (RCT) repair under Good Laboratory Practices (GLP) conditions. The study compares Standard of Care (SOC) surgery augmented with Ortho-R 2mL or Ortho-R 3mL (Chitosan-PRP) treatment groups, versus SOC alone as a control.

  The new results from the completion of the statistical analysis of the histological data performed respectively by independent biostatisticians and licensed veterinarian pathologists blinded to treatment groups, confirms evidence of better tendon and insertion site histology and overall repair in RCT treated with Ortho-R.

  The statistical results report details analyses of histological scoring at 6 months postintervention performed by Biomedical Statistical Consulting in support of the Ortho Regenerative Technologies sponsored study of 6-month rotator cuff repair in a mature female sheep model. Analyses include between-group comparisons and dose response analyses of histological scores for infraspinatus tendon (ISP tendon), infraspinatus enthesis (ISP tendon insertion site) and overall repair (ISP pan-enthesis).

  For ISP tendon measurements, data are consistent with less severe cellularity in Ortho-R treated groups, indicative of a more normal tissue ($p = 0.031$, c-stat = 0.625). Moreover, all Ortho-R treated samples had no inflammatory cells observed in tendon tissue, compared to 42% of controls having minimal to moderate inflammatory cell scores, indicating there was no inflammation in Ortho-R treated groups ($p = 0.002$, cstat = 0.708). For ISP tendon insertion site measurements, the Ortho-R treated groups were associated with an increase in the proportion with no change or normal glycosaminoglycan (GAG) staining compared to the controls ($p = 0.071$, c-stat = 0.688). For ISP pan-enthesis measurements (overall repair), evidence is consistent with more complete remodeling/healing within the Ortho-R treated groups compared to controls, as well as a dose-response association favoring improved remodeling/healing. In combined analyses, one-third (n=8/24) of Ortho-R treated samples had complete healing with a smaller degree of remodeling, whereas none of the control samples fell within this category or better ($p = 0.019$, c-stat = 0.726). There was also some evidence of more normal GAG staining compared to controls, particularly within the Ortho-R 3 mL group; 100% of the Ortho-RT 3 mL group had normal GAG staining ($p = 0.016$, cstat = 0.774), whereas 75% were normal and 25% mild in the Ortho-R 2 mL group ($p = 0.118$, c-stat = 0.677) and 67% normal and 33.3% mild within controls.

  The c-statistic provides an estimation of the effect size (in this study, c-stat from 0.6 – 0.7 and > 0.7 were considered as moderate and strong evidence of a relationship). A low p value combined with a c-stat value > 0.6 indicates that statistical significance observed is due to moderate to large effect sizes.

  The veterinarian pathologist histology report conclusion highlights "The microscopic appearance of comprehensive ISP tendon enthesis healing (i.e. based on the overall quality of healing across the entire anatomic site), Ortho-R tended to have more complete healing of the enthesis site. This corresponded microscopically to an overall better structured, well-organized enthesis site, with distinct, regular well-organized tendon bundles, and fibrocartilage, generally combined with a lower score or magnitude of the bone remodeling.", indicating that Ortho-R treated groups had structural organization closer to normal overall.

Financing

- On April 22, 2020, the Corporation completed a non-brokered private placement for $1,060 worth of unsecured convertible debentures units at a price of $1 (one thousand) per units. The debentures bear interest at a rate of 10% per annum with a maturity date of April 21, 2022. The debentures are convertible at a price per Class A common shares of $0.30, in whole or in part, at the option of the holder at any time prior to the close of business on the last business day immediately preceding the maturity date. Each debenture unit consisted of one $1 ($ one thousand) principal amount unsecured convertible debenture and 2,000 share purchase warrants, each exercisable into one common share of the Corporation at $0.50 per share two (2) years from issuance. 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 "average VWAP" is the average of the volume weighted average market prices of the Corporation's Class "A" Shares on a single day. The private placement included $395 of contributions from insiders which represented 37% of all subscriptions. This continued support from insiders represents a significant endorsement of the Corporation's development programs and other fast-developing corporate initiatives.

Other Corporate Highlights

- On May 20, 2020, the Corporation announced that it has entered into a strategic and licensing agreement (the "Agreement") with Ingenew Pharmaceuticals Inc. ("Ingenew") a company controlled by an independent director of the Corporation. The Agreement will explore the expansion of the scope of Ortho RTI's proprietary technological platform applications to include the delivery of therapeutics. Under the Agreement, Ingenew will fund the research and development activities specifically looking to further advance Ortho RTI's proprietary technology platform as a delivery system for its proprietary therapeutics. Ingenew plans to integrate Ortho RTI's platform in its ongoing various oncology, urology and periodontal diseases programs, which are the main therapeutic areas that are exclusive to Ingenew under the Agreement. Ortho RTI is entitled to royalties on sales of products and on licensing revenues integrating Ingenew therapeutics agents and Ortho RTI's proprietary delivery platform. Ortho RTI will also benefit from a fully paid up

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

grant back license from Ingenew to access all improvements to its proprietary technology platform for orthopedic applications. Other therapeutic fields can be targeted leveraging the further advanced Ortho RTI platform developed by either party or in collaboration.

- On June 22, 2020, the Corporation announced the appointment of Mr. Michael Atkin as its new independent Chairman of the Board. Mr. Atkin is succeeding Mr. Steve Saviuk. Mr. Saviuk will continue to serve the Company as a Board member. Mr. Atkin has over 30 years of experience in the life sciences sector as an entrepreneur, start-up executive, leader and manager in the pharmaceutical and biotechnology industries and a strong track record of partnering and advancing new technologies towards commercialization. Mr. Atkin is President of Syzent Partners Ltd., a consulting firm based in Montreal, QC. Prior to founding Syzent in 2008, Mr. Atkin was Executive Chair and subsequently CEO of Ulysses Pharmaceuticals, and founding CEO of Aegera Therapeutics. Earlier in his career, Mr. Atkin held senior executive positions in product development and licensing at Bristol-Myers Squibb Company and Lederle International, now part of Pfizer. He holds an MBA from Columbia University's graduate school of business (New York, USA) and a BA from the University of Kent at Canterbury (Great Britain).
- On July 23, 2020, the Company held its Annual General and Special Meeting ("AGSM"). The following members of the board were re-elected: Michael Atkin, Steve Saviuk, Michael Buschmann, Caroline Hoemann, Tom Wright, Brent Norton, Pierre Laurin and Claude LeDuc. Shareholders also approved amendments to the share option plan ("Option Plan") of the Company dated November 20, 2015, for the extension of the maximum term of any options granted under the Option Plan from five (5) years to eight (8) years. Shareholders also voted in favor of appointing Ernst & Young, LLP as auditors of the Company for the ensuring year with their remuneration to be fixed by the Board of Directors.
- On July 24, 2020, Ortho RTI announced the issuance of 245,000 stock options to its Chief Executive Officer. The stock options have an exercise price of $0.37 and vest over 3 years, with a maturity date of 5 years after the grant. The pricing and vesting terms of the options were set in accordance with the Company's Stock Option Plan. Furthermore, the Company issued 2 million warrants with an exercise price of $0.50 per Common Share and expiring July 31, 2021 as compensation to nonrelated parties providing social media support and corporate branding services.

SELECTED FINANCIAL DATA

The following table sets forth financial information relating to the periods indicated and should be read in conjunction with the July 31, 2020 unaudited financial statements.

Statements of Loss

	Q2-21	**Q2-20**	*Change*		**YTD-21**	**YTD-20**	*Change*	
	$	$	*$[1]*	*%[2]*	**$**	$	*$[1]*	*%[2]*
Expenses								
R&D Expenses (Gross)	**210**	281	*(71)*	*25%*	**614**	656	*(42)*	*6%*
Provision for (recovery) of income taxes	**(15)**	(87)	*72*	*83%*	**(54)**	(154)	*100*	*65%*
R&D Expenses (Net)	**195**	194	*1*	*1%*	**560**	502	*58*	*12%*
Recovery %	***7%***	*31%*	*(24%)*	*n/a*	***9%***	*23%*	*(15%)*	*n/a*
G&A	**186**	361	*(175)*	*48%*	**693**	566	*127*	*22%*
Share-based compensation	**49**	44	*5*	*11%*	**69**	54	*15*	*28%*
Financial	**201**	63	*138*	*219 %*	**369**	130	*239*	*184%*
Total Expenses net of ITCs	**631**	**662**	*(31)*	*5%*	**1,691**	**1,252**	*439*	*35%*
Net Income (loss)	**(631)**	**(662)**	*31*	*5%*	**(1,691)**	**(1,252)**	*(439)*	*35%*
Profit (Loss) per share								
Basic and diluted	**(0.03)**	(0.03)	*0.00*	*6%*	**(0.07)**	(0.05)	*(0.02)*	*34%*
Weighted average number of shares outstanding	**24,778,743**	**24,752,424**	*26,319*	*0%*	**24,765,656**	**24,752,424**	*13,232*	*0%*

1. A positive variance represents a negative impact to net income and a negative variance represents a positive impact to net income
2. Percentage change is presented in relative values

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

EBITDA(L) Reconciliation (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")

The following table provides a reconciliation of net loss to EBITDA(L) for Q2-21, and YTD-21 as compared to the 2020 periods.

	Q2-20	Q2-19	*Change*		**YTD-20**	YTD-19	*Change*	
	$	*$*	*$[1]*	*%[2]*	**$**	$	*$[1]*	*%[2]*
Net Profit (loss)	**(631)**	(662)	*31*	*5%*	**(1,691)**	(1,252)	*(439)*	*35%*
Add (deduct)								
Provision for income taxes	**-**	-	*-*	*0%*	**-**	-	*-*	*0%*
Financial expense	**201**	63	*138*	*219%*	**369**	130	*239*	*184%*
Depreciation	**4**	17	*(13)*	*76%*	**21**	33	*(10)*	*36%*
Amortization of intangible assets	**8**	8	*-*	*0%*	**16**	16	*-*	*0%*
EBITDA(L)	**(418)**	(574)	*156*	*27%*	**(1,285)**	(1,073)	*212*	*20%*

1. A positive variance represents a negative impact to net income and a negative variance represents a positive impact to net income
2. Percentage change is presented in relative values

	Q2-21 vs Q2-20	**YTD-21 vs YTD-20**
Revenues	• Ortho RTI is a clinical stage company. There were no revenues generated during each of Q2-21 and YTD-21.	
R&D expenses (Gross)	• R&D expenses include internal and external expenses. Internal expenses represent mostly salaries for our staff. External expenses include all development costs related to work performed under our Collaborative R&D contract with Polytechnique as well as specific manufacturing activities, regulatory, pre-clinical and clinical work to advance our pipeline. R&D expenses (Gross) are presented prior to considering R&D tax credits (ITCs) recovered from the provincial government for Scientific Research and Experimental Development (SR&ED) programs.	
	• The 25% decrease is due to the timing of non-recurrent expenses related to our Ortho-R program. A pivotal animal study was started late in FY-19 and study costs were invoiced throughout the course of the last year as study milestones were met. A milestone was met in Q2-20 and the study was completed during the Q1-21 period. Hence, no important non-recurrent cost was incurred during Q2-21. Other R&D expenses included costs incurred in relation to the Polytechnique R&D contract which were stable between the 2 periods, as well as fees incurred in relation to the preparation of our US clinical trial such as 1) CRO consulting fees to support our interactions with the US-FDA in anticipation of our IND filing, 2) pre-selection of the US clinical centers to be involved in the study and 3) development of the clinical trial protocol, recruitment criteria etc. • The Q2-21 expenses also reflect savings made on staff costs following the termination in Q2-20 of a senior R&D staff member involved in project management, since replaced by our CEO who possesses the required skills to assume project management duties.	• Nominal variance between the two periods. However, the termination of a senior R&D staff member involved in project management in Q2-20, has led to savings reflected in the YTD-21 results.
ITCs	• ITCs represent R&D tax credits recovered from the provincial government for SR&ED programs. Claims can be made for eligible R&D expenses and the recovery rates vary depending on the nature of the expense. Salary and wages typically lead to a greater recovery than external costs. Since going public in 2017, the Corporation lost its CPCC ("Canadian controlled private company") status, and consequently in only eligible to refundable Quebec credits, while federal credits are applied against future profits. • The Corporation will favour Quebec based suppliers where possible in order to claim SR&ED refundable credits and reduce the net costs of performing its R&D programs. • Ortho-R has opted to elect a US-based CRO, MCRA to help with the planning and execution of its Ortho-R clinical trial with most centers to be located in the US. The Corporation believes this is the best strategy to optimize the results of the study and create the most value for its shareholders. This decision will likely reduce the SR&ED claims going forward on the Ortho-R program.	

	• ITCs accrued for Q2-21 were $15 as compared to $87 for Q2-20 representing a 83% reduction. The reduction is driven by a decrease in R&D expenses between the two periods, and a greater portion of R&D expenses spent on US contracts which do not qualify for SR&ED credits. This explains the reduction in the net ITC recovery rate from 31% in Q2-20 to 7% in Q2-21.	• ITCs accrued for YTD-21 were $54 as compared to $154 for YTD-20 representing a 65% reduction. Same as for the quarter commentaries, the reduction is driven by a decrease in R&D expenses between the two periods, and a greater portion of R&D expenses spent on US contracts which do not qualify for SR&ED credits. The net ITC recovery rate dropped from 23% in YTD-20 to 9% in YTD-21.
R&D expenses (Net)	• Net variance in R&D expense between Q2-20 and Q2-21 was nominal as to the decrease in overall gross spending was offset by lower ITC recovery.	• Despite a 6% drop in gross R&D spending between YTD-20 and YTD-21, the 65% drop in ITC recovery between the two periods resulted in a 12% increase in Net R&D spending.
G&A expenses	• G&A expenses include salaries and consulting fees paid to non-R&D staff, professional fees, conferences, travel expenses, as well as investors relation activities. G&A expenses also include office lease costs, presented as depreciation for the right-of-use asset and interest accretion on the related lease liability starting in FY-20.	
	• During Q2-21, G&A expenses were $186 compared to $361 for the Q2-20 period, representing a positive $175 variance. The 48% decrease was mainly due to the change in the CEO. The termination of the prior acting CEO led to a severance payment of $120 in our Q2-20 results. Before considering this one-time expense, G&A expenses were still $55 lower than the prior year period which is indicative of management's efforts to dedicate a greater portion of its resources toward R&D value creation activities.	• The $127 increase in G&A expenses between the YTD-20 and YTD-21 period was due a non-recurrent salary adjustment of $267 paid to senior management in Q1-21. The salary adjustment was paid in shares as part of the April 21, 2020 CDU financing to compensate for management not having received any cash salaries during the July 2020 to April 2021 period. Management was requested to convert all of its remuneration into CDUs in order to preserve liquidities and maximize allocation of cash raised from CDU financings towards payments of third-party suppliers. This provided cash savings to the Corporation and ensured that its lead Ortho-R program, kept progressing as planned. This non-recurrent adjustment to salaries was offset by a $120 severance paid to the prior acting CEO who was replaced in Q2-20.
Share-based compensation	• Represents the expense related to issuing options to staff, consultants and board members. Variances for the quarter and YTD periods were nominal.	
Financial expenses	• Over the last year, the Corporation financed its operation via the issuance of interest-bearing instruments such as CDUs and ITC loans as opposed to equity. While such financial instruments do not lead to an immediate dilution in the total number of shares outstanding in the short term, they lead to increased interest charges.	
	• As a result of CDU financings totalling $3,204 over the last year, financial charges increased significantly in Q2-21 as compared to Q1-20 at $201 compared to $63. This represents a 219% increase or $138. • The financial charges for Q2-21 included $158 of interest accrued on the CDUs issued between October 2019 and April 2020 as well as $46 for the ITC loans outstanding. This compares to nil and $22 for the Q2-20 period.	• Following the addition of $3,204 of CDUs over the last twelve months, financial charges for YTD-21 have increased by 184% over the corresponding YTD-20 period. • The financial charges for YTD-21 period included $265 of interest accrued on the CDUs as well as $89 for the ITC loans outstanding, compared to nil and $52 for the prior YTD period.
Total Expenses	• Total expenses net of ITCs for Q2-21 were $631 compared to $662 for Q2-20 representing a 5% decrease. The $31 decrease was mainly due to the $175 decrease in G&A described above and offset partly by the $138 incremental financial charges.	• Total expenses net of ITCs for YTD-21 was $1,691 compared to $1,252 for YTD-20 representing a 35% increase. The $439 increase resulted mainly from the sharp reduction in ITC recovery, the $127 increase in G&A expenses described above, and the $239 increase in financial charges resulting from the CDU financings.
Net loss for the period	• As indicated above, the loss for the Q2-21 compared to Q2-20 decreased slightly by 5% despite the financial charges relating to our financing strategy adopted to attract capital over the past year and the drop in ITC recovery on R&D expenses.	• Loss for the YTD-21 was $1,691 compared with $1,252 for the prior year period representing a $439 increase. The YTD loss increased by 35% due to a 184% increase in financial charges following our CDU financing, as well as a 22% increase in G&A

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

	• Our lead program Ortho-R is entering human clinical trial phase in FY-21, which should facilitate equity-based financings as opposed to issuance of CDUs. (See "Subsequent Events").	expenses which included a non-recurrent $267 salary adjustment to senior management – see G&A above.
EBITDA (L)	• Management believes that our EBITDA (L) performance is more indicative of our operating results as it eliminates the financial costs associated with our financial structure such as our CDU financing and ITC financings as well as the amortization of intangible assets.	
	• Our EBITDA loss during Q2-21 was $418 as compared to $574 for Q2-20, representing a 27% improvement.	• Our EBITDA loss during YTD-21 was $1,285 as compared to $1,073 for YTD-20, representing a 20% increase. (See Net Loss comments above) • Our EBITDA loss for the YTD period was significantly lower than our Net loss after eliminating the costs associated with our debenture and loan financing initiatives.

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 unaudited financial statements for Q2-21.

As at,	**Selected Pro-Forma July 31, 2020 [1]**	**31-Jul-20**	31-Jan-20	*Change*	
	$	**$**	$	*$[2]*	*%[3]*
Cash	2,577	**23**	302	*(279)*	*92%*
Current assets	2,895	**341**	741	*(400)*	*54%*
ITC (current & non-current)	219	**219**	361	*(142)*	*39%*
Intangible Assets	380	**380**	396	*(16)*	*4%*
Non-current assets	499	**499**	546	*(47)*	*9%*
Total assets	3,394	**840**	1,287	(447)	35%
Short-term ITC Loans	434	**434**	596	*(162)*	*27%*
Liabilities – current	1,737	**1,737**	1,637	*100*	*6%*
Convertible Debentures	2,792	**2,792**	1,726	*1066*	*62%*
Long-term loans	40	**40**	302	*(262)*	*87%*
Total liabilities	4,583	**4,583**	3,686	*897*	*24%*
Common shares	8,068	**5,514**	5,418	*96*	*2%*
Warrants	857[4]	**857**	732	*125*	*17%*
Equity component of CDU	520	**520**	385	*135*	*35%*
Contributed surplus	946	**946**	955	*(9)*	*1%*
Deficit	11,580	**11,580**	9,889	*1,691*	*17%*

1. Pro-Forma July 31, 2020 figures incorporate the impact of the Private placement and Additional Private Placement – See Subsequent Events" note.
2. A positive variance represents a positive impact to our balance sheet and a negative variance represents a negative impact to our balance sheet
3. Percentage change is presented in relative values
4. Accounting treatment of warrants issued subsequent to the end of Q2-21 have not been performed.

Selected items	**Q2-21 vs YE-20**
Cash	• Cash at the end of Q2-21 was $23 as compared to $302 at the start of the year. Despite our limited cash resources, the Corporation continued to progress its Ortho-R program towards the start of a first human clinical trial set to start later this year.
Adjusted Cash (after giving effect to the Private Placement Offerings)	• Adjusted Cash (after giving effect to the Private Placement and Additional Private Placement – See "Subsequent Events" note) is more indicative of our cash situation as of the date of this MD&A. Financing initiatives initiated prior to the end of the period have led to securing $2,612 of gross proceeds from non-brokered financings closed in August and September 2020 providing $2,554 net of fees and expenses. Such financings must be considered when assessing our ability to meet our operational and financial obligations as we continue to make significant progress with our lead Ortho-R program.
Current assets	• The drop in cash and short-term ITC have led to a $400 decrease of our short-term asset since the start of FY-21.
ITCs	• The reduction of our ITC recovery rates (See "Statement of Loss" commentaries) and collection of prior year ITC have led to a $142 drop in our total ITC credits.

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

Intangible Asset	• Intangible assets reflect the net book value of our patents and biopolymer technology acquired from Polyvalor. The nominal reduction between YE-20 and Q2-21 results from amortization charges which were not offset by new investments. Ortho RTI is the owner of 4 patent families. Our patent portfolio includes the following: ○ Patent Family No.1: Clot-activated polymer composition for repairing the tissue of the subject, where the polymer composition adheres to the tissue and promotes cell proliferation, comprising platelet-rich plasma (PRP), a biopolymer, a salt and a clot activator. ○ Patent Family No.2: Novel formulation of physiological biopolymer-inorganic salt solution/blood mixtures for tissue repair. *This patent family was abandoned on November 9, 2019*. The company's Freeze-Dried platform patents (family 3-4, covers all applications found in the Patent Family No.2 plus many other claims, such as faster coagulation onset time, easier use for the clinicians and a much longer commercially viable shelf life. ○ 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. ○ 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.
Current Liabilities	• Current liabilities as at Q2-21 have increased slightly by 6% or $100 compared to YE-20. The variance includes a $265 increase in trade payable offset mainly by a $162 reduction in ITC loans following receipt of prior year ITC claims. Trade payables are mainly composed of R&D suppliers involved in the Ortho-R projects.
Convertible debentures units (CDU)	• During the past year, the Corporation issued $3,204 worth of CDUs to fund its operation including a first closing of $1,644 on October 8, 2019, a second closing of $500 on December 30, 2019 and a third closing of $1,060 on April 21, 2020. At the end of Q2-21, the Convertible debentures plus accreted interest net of the fair value allocated to the conversion option of the debentures and the fair value allocated to the warrants issued as part of the CDU financings amounted to $2,792 compared to $1,726 at YE-20. Please refer to note 13 of our Q2-21 unaudited financial statements for more details on the convertible debentures. • The $1,066 net change to the convertible debentures between YE-20 and Q2-21 included a conversion of the $302 long term loan, $758 raised during the period, a $124 fair value allocated to warrants issued as part of the CDU financing, $135 for the fair value allocated to the conversion features of the Convertible debentures, and a $265 accretion expense representing the interest accumulated on the CDU to be paid yearly.
Long-term Loans	• Long term loan at the end of Q2-21 have reduced by $262 since the start of FY-21. The $302 loan secured late in FY-20 was converted into the April 2020 CDU financing. During the YTD-21 the Corporation secured $40 from the Canada Emergency Response Benefit program which is part of the COVID-19 economic response plan.
Warrants	• The $125 increase between YE-20 and the end of Q2-21 relates to the issuance of warrants as part of the April 21, 2020 CDU financing.
Equity component of Convertible debentures	• The equity component of the convertible debentures represents the fair value of the conversion features of the CDUs. The outstanding debentures can be converted at $0.30 until their respective 2-yr maturity. The $385 balance as at YE-20 represents the fair value of the conversion features for the convertible debentures issued in October and December 2019. The $135 increase for YTD-21 relates to the fair value of the conversion feature for the CDU issued on April 21, 2020.
Contributed Surplus	• $9 decrease relates to a $78 impact for stock options exercised during the period offset by $69 for stock-based compensation charged during the YTD period.
Deficit	• Increase reflects the performance of the Corporation during Q2-21. (See "Statement of Loss" commentaries)

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

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table sets out the Corporation's selected unaudited quarterly financial information for the eight quarters ended July 31, 2020. 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.

	Q2-20	Q1-21	Q4-20	Q3-20	**Q2-20**	Q1-20	Q4-19	**Q3-19**	Q2-19
R&D costs (Net of ITCs)	**195**	365	142	347	**194**	308	418	403	112
G&A expenses	**186**	507	136	254	**361**	205	248	296	309
Share-based compensation	**49**	20	74	37	**44**	10	36	50	26
Financial expenses (income)	**201**	168	125	49	**63**	67	(17)	29	38
Total Expense	**631**	1,060	477	687	**662**	590	685	778	485
Net Profit (loss)	**(631)**	(1,060)	(477)	(687)	**(662)**	(590)	(685)	(778)	(485)
Profit (Loss) per share Basic and diluted):	**(0.07)**	(0.04)	(0.02)	(0.03)	**(0.03)**	(0.02)	(0.04)	(0.03)	(0.02)
EBITDA (Loss)	**(430)**	(892)	(352)	(638)	**(599)**	(523)	(702)	(749)	(447)

(See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")

Notes	Valuable information
R&D expenses (Net of ITCs)	• Net R&D expenses represent gross R&D expenses less ITC provisions related to these costs and to be claimed after year-end**.** R&D expenses net of ITC provisions have fluctuated from quarter to quarter depending on the timing of work performed by our partners and suppliers as well as internal R&D spending. Fees for maintenance and filing of patents have been consistent over the comparable periods. • Net R&D expenses in Q2-21 have decreased compared to the prior quarter due to the timing of non-recurrent expenses incurred in relation to the Otho-R rotator cuff program. As indicated in the Statement of Loss commentaries, the R&D expenses in Q1-21 reflected the final invoice related to our pivotal animal study. Q2-21 expenses represented fees incurred in relation to the preparation of our US clinical trial including 1) CRO fees to support our US-FDA interactions in anticipation of our IND filing later this year, 2) pre-selection of the US clinical centers to be involved in the study and 3) development of the clinical trial protocol, recruitment criteria etc.
G&A expenses	• G&A expenses consist primarily of salaries or consulting fees for non-scientific management and staff, professional fees for audit and tax related matters, in-house counsel, insurance, and fees paid to investor relations firms. • G&A expenses have fluctuated from quarter to quarter. G&A expenses over the last 8 quarters include non-recurrent charges related to changes to the senior management team, including a $60 severance in Q3-19 to the prior acting CFO, and a $120 severance in Q2-20 to prior acting CEO. These changes to senior management also 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 is also assuming duties previously handled by a senior R&D staff member terminated in Q2-20. The full benefit of these staff changes represent in excess of 50% in annual recurrent 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. • The Q1-21 increase is well explained in the G&A section of Statement of Loss commentaries and relates mainly to a non-recurrent $267 salary adjustment paid to senior management for having agreed to receive no cash remuneration between July 2020 and April 2020. The total remuneration to senior management, inclusive of the $267 non-recurrent salary adjustment (non-cash) is still in line with industry comparable. • G&A expenses have dropped in Q2-21 due to the non-recurrent Q1-21 adjustment (see above). • Other expenses, such as rent, insurance, and office expenses, have been relatively stable and had no significant impact on the overall spending.
Share-Based Compensation	• 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. • Share-based compensation fluctuates as a results of staff changes, and due to the timing of expense recognition associated with the vesting of the options issued.
Financial expenses	• Financial expenses are costs associated with the ITC loans, term loan, notes payable and CDUs. • Financial expenses have fluctuated over the reported periods, based on 1) addition and repayment of ITC loans, 2) reduction/conversion of the Manitex note and loan, and 3) issuance of CDUs. • The increase in financial expense between Q4-20 and Q2-21 results from the CDU financings closed over the last few quarters, including $1,644 in Q3-20, $500 in Q4-20, and $1,060 in Q1-21.

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

	• The net income of $17 in Q4-19 came from the settlement/conversion of a loan from Manitex.
Net loss	• Net loss in Q2-21 dropped $429 compared to Q1-21 reflecting the reduction in R&D spending, the impact of the non-recurrent increase in our G&A expenses in Q1-21 and offset by the incremental financial expenses related to our CDU financings. • Going forward Ortho RTI's net loss will be mainly driven by the level of R&D spending made to advance the Corporation's lead program Ortho-R.
EBITDA Loss	• EBITDA Loss (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures") eliminates the impact of the CDU, ITC and other financings which reflect the Corporation's financing strategy adopted to attract the required capital to fund its operations. After eliminating such expenses, the EBITDA Loss has decreased significantly from Q1-21 to Q2-21.

LIQUIDITIES AND CAPITAL RESSOURCES

			Change	
For the six-month period ending	**31-Jul-20**	31-Jul-19	*$[1]*	*%[2]*
Provided by (used in):				
Operating Activities				
Net loss from operations	**(1,691)**	(1,252)	*439*	*35%*
Add items not affecting cash	**1,220**	596	*624*	*104%*
	(471)	(656)	*185*	*28%*
Investing Activities	**-**	-	*-*	*0%*
Financing Activities	**192**	174	*18*	*10%*
(Decrease) Increase in cash	**(279)**	(482)	*203*	*-42%*
Cash, Beginning of the period	**302**	524	*(222)*	*-42%*
Cash , End of the period	**23**	42	*(19)*	*-45%*
Additional Information				
Adjusted Cash, End [(3)]	**2,577**	42	*2,535*	*6036%*

1. A positive variance represents a positive impact to cash flows and a negative variance represents a negative impact to cash flows
2. Percentage change is presented in relative values
3. Adjusted Cash, includes the net impact of the Private Placement and Additional Private Placement - See "Subsequent Event".

	YTD FY-21 ending July 31, 2020 vs Prior Year YTD
Cash used in operations	• Cash used in operations represents the cash flows from operations, excluding income and expenses not affecting cash plus changes in non-cash working capital items.
	• While our net loss for the period increased by 35% from $1,252 to $1,691, cash used in operations was only $471 for the first six-month of FY-21 compared to $656 for the prior year period, representing a 28% decrease. During the period there were a total of $1,220 of items not affecting cash such as a $395 worth of senior management remuneration and salary paid by issuing CDUs, compared to nil last year (See "Statement of Loss" – G&A commentaries), and $324 of financial charges compared to $84 last year, representing accrued interest on the CDU.
Cash used in investing activities	• There was no cash used for investing activities for the first six-month of FY-21 and prior year period as the Corporation continued to leverage its agreement with Polytechnique with access to their laboratories.
Cash provided by financing activities	• Financing activities contributed $192 the first six-month of FY-21 as compared to $174 for the prior year period. During the YTD-21, the Corporation collected $355 from the CDU financing closed on April 21, 2020 as well as a $40 new loan under the Canada Emergency Response Benefit program. This was offset mainly by a repayment of ITC loans for $193. This compares to $325 worth of new ITC loans secured in the prior year period, offset by a $139 ITC loan repayment and a $12 payment of lease obligation.
Cash, End of the period	• The Corporation ended Q2-21 with $32 of cash compared to $302 at the end of FY-20. Despite the limited liquidities, the Corporation continued to execute and meet its business objectives by relying on its suppliers and converting management's salaries in the various CDU financings.
Adjusted Cash, end of the period	• Adjusted Cash reflects the pro-forma impact of the Private placement and Additional Private Placement completed after the end of Q2-21 (See "Subsequent Events"). Considering the impact of the 2 Private placements, our cash position has increased by $2,535 since the end of FY-20.

Cash, and Working Capital

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

As at,	**Q2-21**	Q2 - 20	*Change*		**Q2-21**	YE-20	*Change*	
	$	$	*$[1]*	*%[2]*	**$**	$	*$[1]*	*%[2]*
Cash	**23**	42	*(19)*	*45%*	**23**	302	*(279)*	*92%*
W/C	**(1,396)**	(1,730)	*334*	*19%*	**(1,396)**	(896)	*(500)*	*56%*
Total assets	**840**	1,043	*(203)*	*19%*	**840**	1,287	*-447*	*35%*
Additional information [(3)]								
Adjusted Cash	**2,577**	42	*2,535*	*6036%*	**2,577**	302	*2,275*	*753%*
Adjusted W/C	**1,158**	(1,730)	*2,220*	*128%*	**1,158**	(896)	*2,054*	*229%*

1. A positive variance represents a positive impact and a negative variance represents a negative impact
2. Percentage change is presented in relative values
3. Additional information includes the net impact of the Private Placement and Additional Private Placement - See "Subsequent Event".

Cash at the end of Q2-21 was $23 as compared to $302 at YE-20. Our cash position was low but similar to the cash position at the end of the prior year quarter of $42. The cash position between YE-20 and Q2-21 decreased by $279 despite the $1,060 CDU financing which closed on April 21, 2020. Commitments for the April 2020 CDU financing were secured late in FY-20 ($302) as well as throughout the Q1-21 period and used to settle payables and ensure continued progress of our Ortho-R program. During the YTD-21 period, due to our cash position reducing, we have experienced a deterioration of our working capital which was also impacted by a reduction in our ITC receivables by $142, and a $265 increase in accounts payable, only offset partly by the $162 reduction in ITC loans.

Despite limited liquidities, Ortho RTI continued to make significant progress towards the start of its first human trial on Ortho-R for rotator cuff repair. The Corporation is still on track to meet this important corporate milestone in FY-21. Over the prior periods, the Corporation has demonstrated its ability raise the necessary capital to support its operations and deliver on its development timelines and management has implemented a series of financing initiates in order to attract the required capital to continue funding its operations and deliver on shareholders expectations. (See "Subsequent Events")

Taking into consideration net financing of $2,554 secured after the end of Q2-21, our adjusted working capital would be $1,158 compared to a working capital deficit of $1,730 as at Q2-20.

Future financing

As at July 31 2020, Ortho RTI had 9,453,167 warrants outstanding including 3,012,500 exercisable at $0.70 and the balance exercisable at $0.50. 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 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 influx of cash to the Corporation would be approximately $5.3 million.

The Corporation's use of available funds over the coming year is of utmost concern to the Board. 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 secure the required capital necessary to fund its operations and development projects. Management's focus is on securing equity-based financings from Canadian and US based institutional and/or accredited investors. The Corporation is also actively promoting its technologies to strategic partners.

Going Concern

This MD&A has been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging liabilities in the normal course of business for the foreseeable future. As reflected in the annual audited financial statements, the Corporation is still a clinical stage R&D company and has not yet achieved profitability. During six-month period ended on July 31, 2020, the Corporation incurred a net loss of $1,691, used cash in operations of $471 and had a working capital deficiency of $1,396. This raises significant doubt about the Company's ability to continue as a going concern.

Accordingly, the ability of the Corporation to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing and ultimately on generating future profitable operations. Management anticipates that the continued advancement of its lead Ortho-R program will facilitate securing additional funds from existing and new investors. There is no assurance that any fund-raising initiatives will be successful. Factors within and outside the Corporation's control could have a significant bearing on its ability to obtain additional financing. The unaudited financial statements as at and for the period ended July 31, 2020 do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern.

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

Covid-19 pandemic

An outbreak of a novel strain of coronavirus, identified as "COVID-19", was declared a global pandemic by the World Health Organization on March 11, 2020. In response, many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures have disrupted the activities of many entities and have led to significant volatility in the global markets. The Corporation continues to monitor and actively manage the developing impacts from COVID-19, including but not limited to, the potential future effects on its assets, cash flow and liquidity, and will continue to assess impacts to the Corporation's operations, going concern assumption, and the value of assets and liabilities reported in these statements. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

Discussion of operating cash requirements

All programs in the Corporation's current portfolio will require a significant investment to increase their market value (through, for example, clinical trials) or to attract a strategic partner. We estimate that $35 million will be required to bring our rotator cuff, meniscus, and cartilage programs to market. There are several areas where duplication between programs can provide savings such as the manufacture of the chitosan material, which is common across our product platform. We therefore do not need to replicate manufacturing capabilities, or the associated costs, for each of the projects.

Ortho-R for the repair of rotator cuff tears is a clinical development stage program and represents our lead product for commercialization. We currently estimate that an additional investment of at least $5 million will be required to provide proof of concept in human and another $10 million to bring the same program to commercialization.

Ortho-M (meniscus) 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 be required prior to submitting an IDE application prior to 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 intend to commit any 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 entered, on September 1, 2018, into a $887 Collaborative R&D Agreement with Polytechnique to ensure access to Polytechnique's staff, expertise and laboratories up until September 2021. (See "Commitments")

Off-Balance Sheet Arrangements

The Corporation has one off-balance sheet arrangement see ("Commitments").

Transactions with Related Parties

The following table presents the related party transactions presented in the statement of loss for the quarter and year ended:

	Q2-21	Q2-20	**YTD-21**	YTD-20
Transactions with key management and members of the Board of Directors:				
Share-based compensation to employees and directors	**42**	44	**60**	54
Consulting fees paid to a director, CEO and CFO (Note 1)	**55**	45	**308**	75
Termination benefits paid to a former CEO	**-**	120	**-**	120
Interest charged by Manitex, a shareholder of the Corporation	**49**	39	**96**	76
Research and development costs charged by Polytechnique	**73**	73	**147**	147

Compensation of key management includes directors, CEO, and the CFO.

Note 1: all fees paid to the CEO and CFO were paid by issuing CDU units or accrued as payables, in lieu of cash.

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

	July 31, 20	July 31, 19
Accounts payable and accrued liabilities due to a director, CEO and CFO	**146**	163
Accounts payable due to École Polytechnique, a partner of Polyvalor	**147**	74
Convertible debenture due to a director, CEO and CFO	**806**	-
Convertible debenture due to Manitex, a shareholder of the Corporation	**879**	-

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

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

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 currencies.

The following presents the accounts that are exposed to foreign exchange volatility as at July 31, 2020:

	July 31, 2020		January 31, 2020	
	Foreign Currency	**CDN equivalent**	Foreign Currency	CDN equivalent
Cash – USD	4	5	-	1
Accounts payable and accrued liabilities – USD	152	203	56	74
Accounts payable and accrued liabilities – EUR	5	8	6	9
Accounts payable and accrued liabilities – AUD	1	1	-	-
Accounts payable and accrued liabilities – JPY	205	3	161	2

For the comparative period, these amounts were not material. If the foreign exchange rate had been 5% higher or lower, all other variables held constant, the impact of the foreign exchange gain or loss would have been $8.

(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, 2020		***Carrying value***	***Contractual cash flows***	***Less than 12 months***	***Greater than 12 months***
Financial liabilities					
Accounts payable and accrued liabilities		**1,286**	1,286	1,286	-
Investment tax credit loan	(i)	**434**	470	470	-
Long-term loans		**40**	40	-	40
Convertible debenture	(i)	**2,792**	3,845	-	3,845
		4,552	5,641	1,756	3,885

(i) Includes interest payment to be made at the contractual rate

As at January 31, 2020		***Carrying value***	***Contractual cash flows***	***Less than 12 months***	***More than 12 months***
Accounts payable and accrued liabilities		**1,021**	1,021	1,021	-
Investment tax credit loan	(i)	**596**	723	723	-
Long term loans		**302**	302	-	302
Convertible debentures	(i)	**1,726**	2,573	-	2,573
		3,645	4,619	1,744	2,875

(i) Includes interest payment to be made at the contractual rate

(d) Capital risk management

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 and maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. 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.

Statement of Compliance

The unaudited financial statements included in this MD&A for the quarter ending July 31, 2020 have been prepared in accordance with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board ("IASB")* as well as with those standards and interpretations as issued by the *International Financial Reporting Interpretations Committee ("IFRIC")* issued and effective or issued and early adopted as at the time of preparing these statements.

Use of Estimates and Judgements

Reference should be made to the Corporation's annual consolidated financial statements, *Note 3*, 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.

Commitments

On June 19, 2015, the Corporation entered into three (3) 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. As part of these agreements, the Corporation is committed to pay quarterly instalments of $73.5 until the first quarter of 2022.

SUBSEQUENT EVENTS

(i) On August 6, 2020 – Ortho RTI announced that Ortho-R is designated as a Drug/Biologic combination product, by the FDA Office for Combination Products. The jurisdictional assignment for Ortho-R will be the Center for Biologics Evaluation and Research (CBER). Previously, on March 26th, 2020, the Corporation had submitted a pre-Request for Designation application to the FDA's Office for Combination Products to seek for guidance on designation status for Ortho-R product, a Chitosan-based matrix biopolymer mixed with Platelet Rich Plasma (PRP) to form an in-situ deliverable biologic implant to augment the repair of Rotator Cuff Tears after standard of care surgery. During the evaluation period, technical, scientific and preclinical information was exchanged with the FDA, and multiple rounds of questions and clarifications were addressed. This substantial information demonstrated that Ortho-R has various physicochemical interacting actions on various cell types and other PRP components, therefore supporting a combination product with the Ortho-R reconstituted in PRP considered a Drug/Biologics that is delivered through accessory Devices.

(ii) On August 24, 2020 – Ortho RTI announced the closing of a non-brokered $2.5 million private placement of units (the "Private Placement" or "Unit Offering"). The Company issued 7,733,812 units (the "Units") at a purchase price of $0.32 per Unit for total gross proceeds of $2,475. Each Unit consists of one (1) class A share of the Company (a "Share") and one (1) Share purchase warrant of the Company (a "Warrant"). Each Warrant is exercisable into one (1) Share in the capital of the Company (a "Warrant Share") at the price of $0.50 per Warrant Share for a period of 36 months from closing. In the event that the daily VWAP over any twenty (20) consecutive trading days is greater or equal to $1.00, the Company may give notice to the Warrant holder, at any time after February 5 , 2021, that all remaining Warrants must be exercised within a period of 30 days from the date of receipt of the notice, failing which the Warrants will automatically expire. The "VWAP" is the average of the volume weighted average market price of the Company's Common Shares on a single day. The Common Shares and the Warrants issued under the Private Placement are subject to a statutory 4-months hold period under the applicable securities laws. The Company paid $51 in finder's fees in connection with the Private Placement. No broker or agent was involved in the transaction. The net proceeds of the Offering will be used to fund the following ongoing value creation activities: 1) Securing FDA's approval to start our US clinical trial on ORTHO-R for rotator cuff tear repair 2) Manufacturing GMP Clinical Trial batch for Ortho-R 3) Completing US clinical trial investigation sites selection, setting, and training 4) Starting US clinical trial patients enrolment activities 5) Secure US exchange listing for Ortho RTI's shares 6) General and administrative corporate purposes. Senior executives, including the Chief Executive Officer, two Directors, family members and 1 senior staff member participated in the Private Placement for an aggregate amount of $353.

(iii) On September 2, 2020 – Ortho RTI announced that it has completed an additional $138 non-brokered private placement of units (the "Additional Private Placement"). The Additional Private Placement was conducted at the same terms and follows the closing of a non-brokered and oversubscribed $2.5 million private placement of units completed on August 21, 2020 bringing the overall gross proceeds raised through the two private placements to $2.6 million. The Company issued an additional 430,000 units (the "Units") at a purchase price of $0.32 per Unit for total gross proceeds of $138. Each Unit consists of one (1) class A share of the Company (a "Share") and one (1) Share purchase warrant of the Company (a "Warrant"). Each Warrant is exercisable into one (1) Share in the capital of the Company (a "Warrant Share") at the price of $0.50 per Warrant Share for a period of 36 months from closing. In the event that the daily VWAP over any twenty (20) consecutive trading days is greater or equal to $1.00, the Company may give notice to the Warrant holder, at any time after February 5 , 2021, that all remaining Warrants must be exercised within a period of 30-days from the date of receipt of the notice, failing which the Warrants will automatically expire. The "VWAP" is the average of the volume weighted average market price of the Company's Common Shares on a single day. The Common Shares and the Warrants issued under the Private Placement are subject to a statutory 4-months hold period under the applicable securities laws. No broker or agent was involved in the transaction.