Ortho Regenerative Technologies Inc.

Financial statements
January 31, 2022

Management's responsibility

To the Shareholders of
Ortho Regenerative Technologies Inc.,

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safe guarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Audit Committee is composed of a majority of Directors who are neither management nor employees of the Corporation. The Audit Committee is responsible for overseeing management in the performance of its financial reporting responsibilities. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Corporation's external auditors.

Ernst & Young LLP, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors had full and free access to, and met periodically and separately with the Board, the Audit Committee and management to discuss their audit findings.

May 19, 2022

/s/ “Philippe Deschamps”	/s/ “Luc Mainville”
President & Chief Executive Officer	Chief Financial Officer

Independent auditor’s report

To the Shareholders of
Ortho Regenerative Technologies Inc.

Opinion

We have audited the financial statements of **Ortho Regenerative Technologies Inc.** ["the Corporation”], which comprise the statements of financial position as at January 31, 2022 and 2021, and the statements of loss and comprehensive loss, the statements of changes in shareholders’ deficit and the statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at January 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards [“IFRSs”].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Corporation incurred a net loss of $4.9 million and used $3.2 million in cash for its operating activities, during the year ended January 31, 2022. As stated in Note 1, these events or conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Corporation’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter-Restated comparative information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended January 31, 2021 has been restated. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises: The other information comprises the information included In the Management’s Discussion and Analysis. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management’s Discussion & Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Wajih Chemali.

Ernst & Young LLP [1]

Montreal, Canada
May 19, 2022

[1] CPA auditor, public accountancy permit no. A121006

Ortho Regenerative Technologies Inc.

Statements of Financial Position

In thousands of Canadian dollars

As at January 31,	*Notes*	**2022**	**2021** *[Restated – note 2]*
ASSETS			
Current			
Cash		**313**	2,379
Sales tax and other receivables		**35**	60
Investment tax credits receivable		**254**	143
Prepaid expenses and deposits		**120**	258
Total current assets		**722**	2,840
Equipment	*4*	**69**	73
Intangible assets	*5*	**332**	364
Total assets		**1,123**	3,277
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current			
Accounts payable and accrued liabilities	*6*	**607**	291
Government grants	*14*	**12**	-
Accrued interest on debentures		**177**	172
Convertible debentures	*8*	**-**	1,848
Convertible notes	*10*	**934**	-
Warrants	*10*	**139**	-
Total current liabilities		**1,869**	2,311
Long-term loan	*7*	**40**	40
Convertible debentures	*8*	**2,387**	628
Conversion options	*8*	**1,582**	-
Non-convertible debentures	*9*	**2,349**	2,099
Total liabilities		**8,227**	5,078
SHAREHOLDERS' DEFICIT			
Common shares	*11*	**7,891**	7,706
Warrants	*11*	**1,828**	2,080
Equity component of convertible debentures	*8*	**-**	469
Contributed surplus		**2,104**	1,605
Deficit		**(18,927)**	(13,661)
Total shareholders' deficit		**(7,104)**	(1,801)
Total liabilities and shareholders' deficit		**1,123**	3,277

Going Concern Uncertainty (Note 1); Commitments (Note 21); Subsequent Event (Note 22).

These audited annual financial statements were approved and authorized for issuance by the Board of Directors on May 19, 2022.

"/s/ "Philippe Deschamps" ", Director   *"/s/ "Michael Atkin" "*, Director

The notes are an integral part of these audited annual financial statements.

Ortho Regenerative Technologies Inc.

Statements of Loss and Comprehensive Loss

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

For the years ended January 31, 2022 and 2021

	Notes	**2022**	2021
Expenses			
Research and development	*14*	**1,549**	1,141
General and administrative	*15*	**1,471**	1,507
Share-based compensation	*11*	**237**	282
Financial	*16*	**1,307**	842
Total Expenses		**4,564**	3,772
Other items			
Fair Value adjustment on embedded derivative	*8*	**388**	-
Fair Value adjustment on warrants	*10*	**(31)**	-
Net loss and comprehensive loss		**4,921**	3,772
Loss per share			
Weighted average number of common shares outstanding		**34,897,265**	28,748,551
Basic and diluted loss per common share	*12*	**0.14**	0.13

Going Concern Uncertainty (Note 1)

The notes are an integral part of these audited annual financial statements.

Ortho Regenerative Technologies Inc.

Statement of Changes in Shareholders' Deficit

In thousands of Canadian dollars, except for share and per share amount

For the years ended January 31, 2022 and 2021

	Notes	Number of common shares	Share capital	Warrants	Equity component of convertible debentures	Contributed surplus	Deficit	Total
Balance as at January 31, 2020		**24,752,424**	**5,418**	**732**	**385**	**955**	**(9,889)**	**(2,399)**
Units issued	*11*	8,163,812	1,803	809	-	-	-	2,612
Share/warrants issue costs	*11*	-	(80)	(103)	-	-	-	(183)
Options exercised	*11*	215,000	99	-	-	(78)	-	21
Share-based compensation	*11*	-	-	-	-	282	-	282
Issuance of warrants as a compensation	*11*	-	-	254	-	-	-	254
Exercise of warrants	*11*	134,000	89	(18)	-	-	-	71
Expired warrants	*11*	-	-	(446)	-	446	-	-
Issuance of warrants with debentures	*8, 9*	-	-	852	135	-	-	987
Conversion of debentures	*11*	1,302,364	377	-	(51)	-	-	326
Net loss for the period		-	-	-	-	-	(3,772)	(3,772)
Balance as at January 31, 2021		**34,567,600**	**7,706**	**2,080**	**469**	**1,605**	**(13,661)**	**(1,801)**
Shares issued	*11*	**115,480**	**56**	**-**	**-**	**-**	**-**	**56**
Share-based compensation	*11*	**-**	**-**	**-**	**-**	**237**	**-**	**237**
Exercise of warrants	*11*	**100,000**	**73**	**(10)**	**-**	**-**	**-**	**63**
Expired warrants	*11*	**-**	**-**	**(262)**	**-**	**262**	**-**	**-**
Warrants extension adjustment	*11*	**-**	**-**	**20**	**-**	**-**	**-**	**20**
Conversion of debentures	*8*	**173,013**	**56**	**-**	**(9)**	**-**	**-**	**47**
Extension of convertible debentures and reclassification warrants from equity to liability	*8*	**-**	**-**	**-**	**(460)**	**-**	**(345)**	**(805)**
Net loss for the period		**-**	**-**	**-**	**-**	**-**	**(4,921)**	**(4,921)**
Balance as at January 31, 2022		**34,956,093**	**7,891**	**1,828**	**-**	**2,104**	**(18,927)**	**(7,104)**

Going Concern Uncertainty (Note 1)

The notes are an integral part of these audited annual financial statements.

Ortho Regenerative Technologies Inc.

Statement of Cash Flows

In thousands of Canadian dollars

For the years ended January 31, 2022 and 2021

	Notes	2022	2021
Operating activities:			
Net loss from operations		**(4,921)**	(3,772)
Add items not affecting cash:			
Share-based compensation	*11*	**237**	282
Consulting fees and supplier and other payable settled through the issuance of shares, warrants or debentures		**57**	623
Depreciation and Amortization	*4,5*	**69**	89
Amortization – financial charges	*16*	**58**	47
Loss on extinguishment of debt		**-**	20
Gain on extinguishment of lease liability		**-**	(3)
Loss on extinguishment of convertible debentures	*8*	**26**	-
Unrealized gain on foreign exchange		**(18)**	(12)
Warrants extension adjustment	*11*	**20**	-
Interest on loans and debentures	*8,16*	**536**	497
Loss due to Fair Value adjustment – embedded derivative	*8*	**388**	-
Gain due to Fair Value adjustment – warrants liability	*10*	**(31)**	-
Loss on issuance of Convertible note	*10*	**54**	-
Government grant amortization	*14*	**(63)**	-
Net change in non-cash operating working capital	*13*	**368**	(752)
Cash used in operating activities		**(3,220)**	(2,981)
Investing activities:			
Acquisition of equipment	*4*	**(33)**	(3)
Cash used in investing activities		**(33)**	(3)
Financing activities:			
Proceeds from issuance of Convertible note	*10*	**1,027**	-
Proceeds from government grant	*14*	**75**	-
Proceeds from short-term debt		**-**	85
Repayment of short-term debt		**-**	(750)
Proceeds from long-term debt		**-**	40
Proceeds from exercised options		**-**	21
Proceeds from exercised warrants	*11*	**63**	71
Proceeds from issuance of debentures	*8, 9*	**-**	3,308
Proceeds from the issuance of shares		**-**	2,467
Payment of debt issue costs		**-**	(146)
Payment of share issue costs		**(1)**	(27)
Payment of lease obligation		**-**	(18)
Cash provided by financing activities		**1,164**	5,051
Cash, beginning of period		**2,379**	302
Increase (decrease) in cash		**(2,089)**	2,067
Effect of foreign exchange on cash		**23**	10
Cash, end of period		**313**	2,379

Going Concern Uncertainty (Note 1)

The notes are an integral part of these audited annual financial statements.

1. Presentation of Financial Statements

Description of the Business and Going Concern Uncertainty

Ortho Regenerative Technologies Inc. ("the Corporation", or "Ortho") was incorporated under the Canada Business Corporations Act on February 5, 2015. The Corporation's head office, principal address and registered office is located at 16667 Hymus Blvd., Kirkland, Quebec, Canada. Since October 10, 2017, the Corporation's shares have been listed on the Canadian Securities Exchange ("CSE"), under the symbol "ORTH". The Corporation also trades on the United States OTCQB market under the symbol "ORTIF".

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. 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.

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

The Corporation has yet to generate revenue and has relied upon the issuance of debt and equity instruments to fund its operations. During the year ended January 31, 2022, the Corporation incurred a net loss of $4,921 and used cash in operations of $3,220. As at January 31, 2022 the Corporation had a negative working capital balance of $1,147.

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

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

These annual financial statements were approved and authorized for issuance by the Board of Directors on May 19, 2022.

2. Summary of Significant Accounting Policies

Basis of measurement

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

Restated comparative figures

The comparative figures of the statement of financial position were restated to reflect a correction to the current portion of the convertible debentures as at January 31, 2021, by reclassifying an amount of $1,848 from non-current liabilities to current liabilities.

Functional and presentation currency

These audited annual financial statements are presented in Canadian dollars, which is also the functional currency of the Corporation.

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

	January 31, 2022	January 31, 2021
End of period exchange rate – USD	**1.2719**	1.2780
Period average exchange rate – USD	**1.2528**	1.3401

Statement of Compliance

These audited annual financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared in accordance with those IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective or issued as at the time of preparing these audited annual financial statements. The policies set out below have been consistently applied to all the periods presented.

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

Investment tax credits

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

Intangible assets

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

Equipment

Equipment is recorded at cost less accumulated amortization. Equipment is amortized over their estimated useful life which ranges from three to five years.

Research and development costs

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

Impairment of non-financial assets

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

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

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

Financial instruments

Financial assets

At initial recognition, financial assets are classified either as financial assets at fair value through profit or loss ("FVTPL"), measured at amortized cost ("AC") or fair value through other comprehensive income or loss ("FVTOCI"). The classification is based on two criteria: the Corporation's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion"). The Corporation's financial assets are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion are classified and subsequently measured at amortized cost.

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

Financial liabilities

Financial liabilities classified at AC are initially recognized at fair value less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortized cost using the effective interest method.

Financial liabilities classified at FVTPL are carried at fair value with gains and losses recognized in the consolidated statement of loss. Gains and losses on FVTOCI are recognized in other comprehensive income (loss), if any.

The following summarizes the Corporation's classification and measurement of financial assets and liabilities as at January 31, 2022:

	Measurement
Financial asset:	
Cash	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Accrued Interest	Amortized cost
Long-term loan	Amortized cost
Convertible debentures	Amortized cost
Non-convertible debentures	Amortized cost
Convertible notes	Amortized cost
Conversion option classified as an embedded derivative	FVTPL
Warrants classified as liability	FVTPL

The initial carrying amount of a compound financial instrument, i.e., an instrument that comprises a liability and an equity component, is allocated using the residual value method. Under the residual value method, the Corporation first determines the fair value of the liability component, and the residual amount is allocated to the equity component.

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

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

The Corporation categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observation of the inputs used in the measurement. The three levels are defined as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets;
Level 2: Fair value is based on inputs other than quoted prices included within Level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs.

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

Income taxes

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

Current tax

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

Deferred tax

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

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax asset and liability differences are recognized directly in income (loss), other comprehensive income (loss) ("OCI") or equity based on the classification of the item to which they relate. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its tax assets and liabilities on a net basis.

Sales tax

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

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

Segment reporting

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

Share capital

The Corporation's share capital is classified as equity if it is non-redeemable, or redeemable only at the Corporation's option, and any dividends are discretionary. Incremental costs directly attributable to the issuance of shares and warrants, net of any tax effects, are recognized as a deduction of equity. Dividends thereon are recognized as distributions within equity upon approval by the Corporation's Board of Directors. When the Corporation issues shares that are comprised of a combination of shares and warrants, the value is assigned to shares and warrants based on their relative fair values. The fair value of the shares is determined by the closing price on the date of the transaction and the fair value of the warrants is determined based on a stochastic model.

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

Share-based compensation

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

Earnings per share

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

3. Use of Estimates and Judgment

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

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

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

The following areas require management's critical estimates:

Share-based payments and warrants

The Corporation measures the cost of share-based payments with employees by reference to the fair value of the equity instrument or underlying equity instrument at the date on which they are granted. Estimating fair value for share-based payments requires management to determine the most appropriate valuation model for a grant, which is dependent on the terms and conditions of each grant. In valuing certain types of stock-based payments and warrants granted, the Corporation uses, depending on terms and conditions, the Black-Scholes option pricing model or the stochastic model. Several assumptions are used in the underlying calculation of fair values of the Corporation's stock options and warrants granted using these models, including the expected life of the option or warrant and volatility. Details of the assumptions used are included in Note 11.

Valuation of convertible and non-convertible financial instruments

The Corporation determines the value of convertible notes, convertible and non-convertible debentures by first valuing free-standing instruments and by allocating the value of each free-standing instrument based on a relative fair value basis.

The calculation of the fair value of the debt component of debentures requires using an interest rate that the Corporation would have had to pay had the loan been obtained without a conversion feature. Such interest rate requires management's estimates by reference to loan interest paid by comparable companies in the similar sector. The Corporation estimates at 24% the reasonable interest rate that a comparable company in the biotech sector would likely pay for convertible notes as of December 13, 2021 (27.5% on the convertible debentures issued in April 2020 and 25% on the non-convertible debentures issued in November 2020). Details of the assumptions used are included in Note 10. The Corporation used the same reasonable interest rate to estimate the impact from the maturity extension on certain convertible debentures. Details of the assumptions used are included in Note 8. Changes to these estimates may affect the carrying value of the host debt instrument, warrants classified as equity or liability and embedded derivatives within the convertible and non-convertible debentures or convertible notes.

The Corporation initially measures the conversion feature by reference to the fair value of the underlying equity instrument at the date on which the option is issued. Estimating fair value for conversion feature requires management to determine the most appropriate valuation model, which is dependent on the terms and conditions of each option. In valuing the conversion feature, the Corporation uses the Black-Scholes option pricing model. Several assumptions are used in the calculation of fair values of the Corporation's conversion feature, including the term of the option and volatility.

Depreciation and amortization

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

The following area require management's judgment:

Investment tax credits

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

Valuation of Deferred tax assets

The Corporation follows the liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. As a result, a projection of taxable income is required for those years, as well as an assumption of the ultimate recovery or settlement period for temporary differences. The projection of future taxable income is based on Management's best estimates and may vary from actual taxable income. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

4. Equipment

	Cost	Accumulated depreciation	Carrying Value
Balance as at January 31, 2020	235	(123)	112
Additions	3	(42)	(39)
Balance as at January 31, 2021	238	(165)	73
Additions	**33**	**(37)**	**(4)**
Balance as at January 31, 2022	**271**	**(202)**	**69**

5. Intangible Assets

	Cost	Accumulated amortization	Carrying Value
Balance as at January 31, 2020	485	(89)	396
Additions	-	(32)	(32)
Balance as at January 31, 2021	485	(121)	364
Additions	**-**	**(32)**	**(32)**
Balance as at January 31, 2022	**485**	**(153)**	**332**

6. Accounts Payable and Accrued Liabilities

Balance as at	**January 31, 2022**	January 31, 2021
Trade accounts payable	**466**	241
Accrued liabilities	**141**	50
	607	**291**

7. Long-Term Loan

	Interest Rate	Maturity	January 31, 2022	January 31, 2021
Canada Emergency Business Account	Interest-free	December 31, 2023	**40**	40

On April 29, 2020, the Corporation received a government loan under the Canada Emergency Response Benefit (“CERB”), part of Canada’s COVID-19 economic response plan. The loan bears no interest and has a maturity date of December 31, 2023. Upon repayment of the loan at or prior to its maturity on December 31, 2023, the Corporation would receive a grant of $10 to reduce the balance repayable.

8. Convertible Debentures

a) Host instrument

	January 31, 2022	**2021** *[Restated – note 2]*
Opening balance	**2,476**	1,670
Additions	**-**	758
Conversion of long-term loans	**-**	302
Fair value allocated to warrants	**-**	(124)
Fair value of conversion option allocated to equity	**-**	(135)
Accretion expense	**346**	331
Conversion of debentures into common shares	**(47)**	(326)
Remeasurement resulting from extension of convertible debentures’ maturities	**(388)**	-
Total	**2,387**	2,476
Current portion	**-**	1,848
Non-current portion	**2,387**	628
Total	**2,387**	2,476

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

The following table shows the nominal value of the convertible debentures with their maturity date:

		Nominal amounts outstanding as at	
Maturity Date	**Initial Amount**	**January 31, 2022**	January 31, 2021
May 1, 2023	**3,204**	**2,783**	2,833
Total	**3,204**	**2,783**	2,833
Current portion		**-**	2,079
Non-current portion		**2,783**	754
Total		**2,783**	2,833

<u>For the year ended January 31, 2022</u>:

On July 19, 2021, the Corporation amended its convertible debentures and related warrants agreements (the "Amendment"). Mainly, under the terms of the Amendment, the maturity date of all outstanding convertible debentures issued in October 2019, December 2019 and April 2020 with their related unexercised warrants were extended to May 1, 2023 and some conversion features were amended to include an anti-dilution protection feature in case the Corporation secures a cumulative minimum $3,000 equity financing at a price below the conversion price of $0.30 per share prior to the extended maturity date of May 1, 2023.

The Amendment was accounted for as an extinguishment of all outstanding debentures as the present value of the cash flows under the new terms discounted using the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, the Corporation recorded a loss on extinguishment of the original convertible debentures in the amount of $26 in the second quarter of fiscal year 2022.

At that date of the Amendment, the Corporation derecognized the carrying amount of the outstanding original convertible debentures of $2,651 and a new liability totaling $2,262 was recorded by using the discounted cash flows method assuming an effective interest determined on the estimated rate for a loan with similar terms, but without a conversion feature, from comparable companies. The Corporation utilized a Monte Carlo simulation model to determine the fair value of the conversion option. The difference between both amounts was recorded as a decrease of deficit $389. Resulting from the changes to the conversion option features, the Corporation determined that the conversion option was now considered as an embedded derivative to be classified as a liability instrument. Therefore, the Corporation derecognized the $460 carrying amount of the conversion option initially classified as an equity component and recorded it at the Amendment date at its fair value of $1,194 classified as a liability. The difference between both amounts was recorded as an increase of deficit of $734.

Accretion charges, included in financing expense on the statement of loss and comprehensive loss, attributable to the debentures for the year ended January 31, 2022 was $346. In addition, $281 of interest expense was recorded, of which $112 is included as Interest payable on debentures in the statement of financial position.

Finally, during the year ended January 31, 2022, debentures with a value of $47 ($326 for the year ended January 31, 2021) were converted into common shares of the Corporation.

<u>For the year ended January 31, 2021</u>:

On April 21, 2020, the Corporation completed a non-brokered private placement for $1,060 worth of unsecured convertible debentures at a price of $1 (one thousand) per debenture, on same terms as the unsecured convertible debentures issued on October 8, 2019, and December 30, 2019 for $1,644 and 500 respectively. The debentures bear interest at a rate of 10% per annum with an initial term of two years. 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 debentures and 2,000 share purchase warrants, each exercisable into one common share of the Corporation at $0.50 per share two 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. Long-term loans of $302 as at January 31, 2020 were converted as part of the closing of April 21, 2020 ($914 of loans payable were converted into convertible debenture units issued on October 8, 2019).

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

The Corporation valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 27.5%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear as at April 21, 2020. The initial equity component consists of the warrants and the conversion option. The values attributed to each was based on the relative fair value approach. On initial recognition, the liability component was valued at $801, the warrants at $124 and the conversion option at $135.

In connection with the issuance of convertible debenture units, 27,067 compensation warrants were issued. Each compensation warrant is exercisable into one common share of the Corporation at $0.50 per share 18 months from issuance.

Accretion charges, included in financing expense on the statement of loss and comprehensive loss, attributable to the debentures for the year ended January 31, 2021 was $331. In addition, $292 of interest expense was recorded, of which $122 is included as Interest payable on debentures in the statement of financial position.

b) Embedded Derivative

	January 31, 2022	January 31, 2021
Opening balance – July 19, 2021	**1,194**	-
Fair Value adjustment	**388**	-
Total	**1,582**	**-**

For the year ended January 31, 2022, following the Amendment of its convertible debentures, the Corporation recorded a loss on revaluation of their related conversion options or embedded derivative's fair value of $388 resulting from the increase in the Corporation's share price going up from $0.30/share on July 19, 2021 to $0.35/share as of January 31, 2022.

9. Non-convertible Debentures

	January 31, 2022	January 31, 2021
Opening balance	**2,099**	-
Additions	**-**	3,000
Fair value of warrants allocated to equity	**-**	(728)
Transaction costs	**-**	(209)
Accretion expense	**250**	36
Total	**2,349**	2,099
Short-term	**-**	-
Long-term	**2,349**	2,099
Total	**2,349**	2,099

The following table shows the nominal value of the non-convertible debentures with their maturity date:

		Nominal amounts outstanding as at	
Maturity Date	**Initial Amount**	**January 31, 2022**	January 31, 2021
November 30, 2023	**3,000**	**3,000**	3,000
Total	**3,000**	**3,000**	3,000
Short-term		**-**	-
Long-term		**3,000**	3,000
Total		**3,000**	3,000

<u>For the year ended January 31, 2022</u>:

Accretion expense included in financing expense on the statement of loss and comprehensive loss, attributable to the debentures for the year ended January 31, 2022 was $250 including $48 of amortization of transaction costs ($36 for the year ended January 31, 2021). In addition, $300 of interest expense was recorded ($50 for the year ended January 31, 2021), of which $50 is still accrued and included in accrued interest on debentures in the statement of financial position.

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

For the year ended January 31, 2021:

On November 30, 2020, the Corporation issued 3,000 secured non-convertible debenture units (the "Debenture Units") at a purchase price of $1 per Debenture Unit for gross proceeds of $3,000, of which an amount of $55 was in exchange of consultants' remuneration. These units are secured by a $4,000 hypothec against the universality of the Corporation's present and future assets. Each Unit consists of one 10% secured non-convertible debenture of the Corporation in the principal amount of $1 (each, a "Debenture") and 500 Class "A" share purchase warrants (each, a "Warrant") both maturing November 30, 2023 (the "Maturity Date"). Each Warrant entitles the holder thereof to purchase one Class "A" Share of the Corporation (each, a "Share") at an exercise price of $0.75 until the Maturity Date.

The Corporation valued the debt component of the non-convertible debentures by calculating the present value of the principal and interest payments, discounted at a rate of 25%, being management's best estimate of the rate that a non-convertible debenture without warrant coverage would bear as at November 30, 2020. On initial recognition, the liability components were $2,272, and the warrants were $728. In connection with the transaction, 170,850 broker's warrants were issued. Transaction costs of $209 were netted against the liability and will be amortized using the effective interest method over the period of the loan. A further $67 in transaction costs, related to the warrants, were capitalized to share issue costs.

10. Convertible notes

a) Host instrument

	January 31, 2022	January 31, 2021
Opening Balance	**-**	-
Additions	**1,075**	-
Fair value of warrants allocated to liability	**(170)**	-
Transaction costs	**(48)**	-
Accretion expense	**23**	-
Loss on debt issuance	**54**	-
Total	**934**	**-**
Short term portion	**934**	-
Long term portion	**-**	-
Total	**934**	-

The following table shows the nominal value of the convertible notes with their maturity date:

		Nominal amounts outstanding as at	
Maturity Date	**Initial Amount**	**January 31, 2022**	January 31, 2021
December 13, 2022	**1,075**	**1,075**	-
Total	**1,075**	**1,075**	-
Short-term	**1,075**	**1,075**	-
Long-term	**-**	**-**	-
Total	**1,075**	**1,075**	-

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

On December 13, 2021, the Corporation announced the closing of a non-brokered private placement offering (the "Private Placement") where it issued 1,075 unsecured Convertible Note Units at a price of $0.975 per Convertible Note Unit for total gross proceeds of $1,048. Each Convertible Note Unit consists of one (1) unsecured convertible note (each a "Note") of the Company in the principal amount of $1,000 and 1,000 Class "A" common share purchase warrants (each a "Warrant"). The Notes bear interest at a rate of 10% per annum from the date of issue, payable in cash, semi-annually in arrears and will mature (the "Maturity Date") on the earlier of (i) 12 months following the closing date of the Private Placement, or (ii) 20 days following the closing of a capital raise in the form of an equity or debt financing of at least $5,000 (the "Capital Raise"). Any unpaid interest payments will accrue and be added to the principal amount of the Notes. Should the Company complete a Capital Raise prior to the Maturity Date, the holder of a Note will have the option, but not the obligation, to convert the outstanding value of the Note and any accrued and unpaid Interest thereon, into the equity securities and/or debt instrument to be issued pursuant to the Capital Raise, at the same terms and conditions.

Each Warrant will entitle the holder thereof to purchase one Class "A" common share (each, a "Share") at an exercise price of $0.50 at any time up to 24 months following December 13, 2021. The Notes and the Warrants are subject to a statutory hold period under the applicable securities laws and in such case the certificates evidencing the Notes and the Warrants will bear a legend to that effect, as applicable. The Company has paid $21 in commissions and issued 21,700 finders' warrants in connection with the convertible note financing, in compliance with applicable securities laws. This leaves the Corporation with a total net proceeds of $1,027.

The Corporation valued the debt component of the Convertible notes by calculating the present value of the principal and interest payments, discounted at a rate of 24%, being management's best estimate of the rate that a Convertible note would bear as at December 13, 2021. On initial recognition, the host instrument was $958 and the warrants at $170. Since an anti-dilutive clause is attached to the warrants, the Corporation determined that the warrants were classified as financial liability. The Corporation utilized a Monte Carlo simulation model to determine the fair value of the warrants. Transaction costs were netted against the liability and will be amortized using the effective interest method over the period of the debt.

Accretion expense included in financing expense on the statement of loss and comprehensive loss, attributable to the Notes for the year ended January 31, 2022 was $24 (nil for the year ended January 31, 2021). In addition, $24 of accrued interest expense was recorded (nil for the year ended January 31, 2021).

b) Warrants

	January 31, 2022	January 31, 2021
Opening balance – December 13, 2021	**170**	-
Fair Value adjustment	**(31)**	-
Total	**139**	**-**

For the year ended January 31, 2022, the Corporation recorded a gain on revaluation of the warrants' fair value of $31.

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

11. Share Capital and other equity instruments

(a) Share capital

The Authorized Share Capital is composed of

i. Unlimited number of Class "A" common shares, with no par value
ii. Unlimited number of Class "AA" preferred shares, non-voting, non-cumulative dividends at the discretion of the directors, no par value
iii. Unlimited number of Class "B" preferred shares, redeemable, non-voting, non-cumulative dividends of 1%, no par value

Class "A" common shares	#	$
Balance as at January 31, 2020	24,752,424	5,418
Units issued	8,163,812	1,803
Share issue costs	-	(80)
Stock options exercised	215,000	99
Warrants exercised	134,000	89
Conversion of debentures into common shares	1,302,364	377
Balance as at January 31, 2021	34,567,600	7,706
Common shares issued	**115,480**	**56**
Share issue costs	**-**	**-**
Stock options exercised	**-**	**-**
Warrants exercised	**100,000**	**73**
Conversion of debentures into common shares	**173,013**	**56**
Balance as at January 31, 2022	**34,956,093**	**7,891**

For the year ended January 31, 2021:

On August 24, 2020 and September 2, 2020, Ortho RTI announced the closing of two non-brokered private placements of units (the "Units Offering"). In connection with the Units Offering, the Corporation issued 8,163,812 units (the "Units") at a

purchase price of $0.32 per Unit for total gross proceeds of $2,612, of which $87 was in exchange of employee remuneration and of which $803 was allocated to the fair value of warrants. Each Unit consisted of one (1) class A common 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. The Corporation paid $58 in finder's fees and issued 232,619 finder's warrants. Each finder's warrant entitles the holder to purchase one share at a purchase price of $0.50 for a period of 18 months from the date of issuance of the finder's warrants.

(b) Share based compensation

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

The stock option plan is administered by the Board of Directors of the Corporation and it has full and final authority with respect to the granting of all options thereunder. The exercise price of any options granted under the stock option plan shall be determined by the Board of Directors, subject to any applicable regulations or policies. The term and vesting of any options granted under the stock option plan shall be determined by the Board of Directors at the time of grant, and vary from one grant to another, however, subject to earlier termination in the event of dismissal for cause, termination other than for cause or in the event of death, the term of any options granted under the stock option plan may not exceed 8 years.

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

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

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

For the years ended January 31, 2022 and 2021, the Corporation recorded compensation expense of $237 and $282, respectively, with corresponding credits to contributed surplus related to the issuance of stock options. The weighted average fair value of the options granted during the year, estimated by using the Black-Scholes option pricing model, was $0.38 ($0.41 for the year ended January 31, 2021).

The fair value of the options was estimated on the date of grant based on the following weighted average assumptions:

	January 31, 2022	January 31, 2021
Weighted average exercise price	**0.47**	0.54
Weighted average risk-free rate	**1.04%**	0.42%
Weighted average volatility factor *(i)*	**91.0%**	82.7%
Weighted average expected life (years)	**8.0**	6.7

(i) Volatility was determined using the historical share price of the Corporation.

The following table presents the common shares issuable on exercise of the share-based payment transaction granted during the year ended:

	Number of Shares	**January 31, 2022 Weighted Average Exercise Price**	**Number of Shares**	**January 31, 2021 Weighted Average Exercise Price**
Options outstanding, beginning of year	**2,746,000**	**$0.47**	2,125,000	$,0.39
Granted during the period	**350,000**	**$0.47**	881,000	$0.54
Options forfeited	**-**	**-**	-	-
Options cancelled/expired	**(150,000)**	**$0.47**	(45,000)	$0.10
Options exercised	**-**	**-**	(215,000)	$0.10
Options outstanding, end of period	**2,946,000**	**$0.47**	2,746,000	$0.47

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

During the year ended January 31, 2022, the following options were granted:

Number	**Notes**	**Date of grant**	**Expiry date**	**Exercise price**	**Fair value**
100,000	(i)	February 23, 2021	February 23, 2029	0.70	0.57
50,000	(i)	March 23, 2021	March 23, 2029	0.47	0.38
100,000	(i)	June 15, 2021	June 15, 2029	0.36	0.29
100,000	(i)	June 15, 2021	June 15, 2029	0.36	0.29
350,000					

(i) 25% vesting at the date of the grant and then 25% every six months.

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

The following options were outstanding as at January 31, 2022:

Outstanding	Exercisable	Exercise price	Remaining contractual life (years)
75,000	75,000	$0.60	6.75
1,015,000	940,000	$0.50	1.00
950,000	800,000	$0.36	3.43
100,000	75,000	$0.30	3.38
65,000	16,250	$0.58	6.65
245,000	183,750	$0.37	3.47
220,000	55,000	$0.72	6.76
126,000	63,000	$0.71	6.88
100,000	25,000	$0.70	7.15
50,000	12,500	$0.47	7.15
2,946,000	**2,245,500**		

The fair values of the options issued during the last fiscal year were estimated using the Black-Scholes option pricing model, with the following assumptions:

Exercise price	**$0.36 – $0.70**
Risk-free rate	**0.85% – 1.20%**
Volatility factor (i)	**90.7% – 91.4%**
Expected life (years)	**8**

(i) Volatility was determined using the historical share price of comparable companies as the Corporation has insufficient historical data.

(c) Warrants

The following tables present the common shares issuable on exercise of full warrants issued during the year ended:

	January 31, 2022		January 31, 2021	
	Number of Shares	Weighted Average Exercise Price	**Number of Shares**	Weighted Average Exercise Price
Balance beginning of the year	19,348,948	$0.54	7,306,100	$0.58
Granted during the year	1,096,700	$0.50	14,214,348	$0.53
Expired during the year	(2,937,667)	$0.22	(2,037,500)	$0.70
Exercised during the year	(100,000)	$0.60	(134,000)	$0.53
Balance end of the year	**17,407,981**	**$0.55**	**19,348,948**	**$0.54**

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

As at January 31, 2022, the Corporation had outstanding warrants as follows:

Number of warrants	Exercise price	Fair value of warrants	Remaining contractual life
1,670,850	$0.75	$0.49	1.83 years
15,737,131	$0.50	$0.03 – $0.17	0.05 – 1.87 years
17,407,981			

On July 19, 2021, the Corporation amended some of its warrant agreements expiring on the same date as the convertible debentures. Under the terms of the amendment, the maturity date was extended to May 1, 2023. The Corporation also extended to January 31, 2022 the maturity of warrants expiring on July 31, 2021. No significant impact resulted from the warrants extended to May 1, 2023, while a $20 revaluation loss resulted from the warrants extended to January 31, 2022 and was recorded as a financial expense.

12. Loss per share

Basic

Basic loss per share is calculated by dividing net loss by the weighted average number of commons shares outstanding during the period.

	January 31, 2022	January 31, 2021
Net Loss for the year	**4,921**	3,772
Weighted average number of common shares outstanding	**34,897,265**	28,748,551
Basic loss per share	**$0.14**	$0.13

The effect of dilution from stock options, warrants and convertible debentures was excluded from the calculation of weighted average number of shares outstanding for diluted loss per share for the year ended January 31, 2022 and 2021 as they are anti-dilutive.

13. Supplemental Cash Flow Information

	January 31, 2022	January 31, 2021
Net change in non-cash operating working capital items		
Sales tax receivable and other receivables	**25**	(46)
Prepaid expenses and deposits	**138**	(194)
Investment tax credits receivable	**(111)**	218
Accounts payable and accrued liabilities	**316**	(730)
Total	**368**	(752)
Non-cash transactions		
Settlement of convertible debenture by issuance of shares	**-**	**326**

14. Research and Development Expenses

	January 31, 2022	January 31, 2021
Development costs	**1,649**	1,119
Patent costs	**85**	78
Depreciation – equipment	**37**	32
Amortization – intangible assets	**32**	42
	1,803	1,271
Investment tax credit	**(191)**	(130)
Government grants (i)	**(63)**	-
Total	**1,549**	1,141

(i) Government grants are recognized as a reduction of the expenses on a systematic basis over the period in which the related development costs are incurred. During the year ended January 31, 2022, the Corporation received a grant of $75, of which $63 was recognized in the income statement as a reduction of the related R&D expenses and $12 remain recorded on the statement of financial position as government grants as of January 31, 2022.

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

15. General and Administrative Expenses

	January 31, 2022	January 31, 2021
Consulting fees (i)	**843**	898
Professional and investors' relations fees	**381**	428
Office and administrative	**247**	166
Other amortization charge	**-**	15
Total	**1,471**	1,507

(i) Consulting fees include fees paid to management in lieu of salary.

16. Financial Expense

	January 31, 2022	January 31, 2021
Interest coupon on debentures	**596**	343
Difference between effective interest and coupon on debentures	**536**	340
Amortization - financing cost	**58**	14
Loss on debt issuance	**54**	-
Loss on debt extinguishment	**26**	20
Fair value adjustment - warrant extension	**20**	-
Loss/(Gain) on foreign exchange	**17**	(11)
Interest on short-term loans	**-**	136
Interest on leases	**-**	3
Gain on extinguishment of lease liability	**-**	(3)
Total	**1,307**	842

17. Income Taxes

a. The reconciliation of income taxes, computed at the Canadian statutory rates, to income tax expense was as follows, for fiscal years:

	January 31, 2022	**January 31, 2021**
	$	$
Loss before income taxes	**(4,921)**	(3,772)
Basic income tax rate	**26.50%**	26.50%
Computed income tax recovery	**(1,304)**	(1,000)
Permanent differences	**63**	75
True-up and other items	**(9)**	25
Change in deferred tax assets not recognized	**1,250**	900
	1,304	1,000
Provision for income taxes	-	-

b. The unrecognized deferred tax assets relate to the following temporary differences and unused tax losses are as follows:

<u>Deferred tax asset/(liability) against P&L</u>

	January 31, 2022	**January 31, 2021**
	$	$
Non-capital losses carried forward	**2,814**	2,031
R&D pool	**1,291**	1,113
Intangible and tangible assets	**50**	48
Convertible debenture	**105**	-
Financial and equity issue costs	**50**	35
	4,310	3,227
Unrecognized deferred tax assets	**(4,310)**	(3,227)
	-	-

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

Deferred tax asset/(liability) against Equity

	January 31, 2022	January 31, 2021
	$	$
Financial and equity issue costs	**177**	177
Convertible debenture	-	(167)
	177	10
Unrecognized deferred tax assets	**(177)**	(10)
	-	-

The corporation has non-capital losses carried forward amounted to $10,644 as at January 31, 2022 ($7,703 for 2021). Non-capital losses can be carried forward over 20 years in Canada and can only be used against future taxable income. The corporation also has scientific research & experimental development expenses of $4,900 as at January 31, 2022 ($4,248 for 2021) which have no expiration date. In addition, the Corporation has $455 of unused investment tax credits ($383 for 2021), which can be carried forward for 20 years in Canada. Deferred tax assets have not been recognized in respect of these amounts as they may not be used to offset taxable profits and there are no other tax planning opportunities or other evidence of recoverability in the near future.

Based upon the level of historical taxable income, projections for future taxable income and prudent tax planning strategies, management believes it is not probable the Corporation will realize the benefits of these deductible differences and operating tax losses carried forward in a near future. See Note 3 – Use of estimates and judgment for more information on how the Corporation determines the extent to which deferred income tax assets are recognized.

c. As at January 31, 2022, the Corporation had accumulated non-capital losses for income tax purposes, which are available to be applied against future taxable income

	Federal	Provincial
2036	**663**	657
2037	**1,242**	1,261
2038	**865**	607
2039	**1,273**	1,312
2040	**1,311**	1,391
2041	**2,349**	2,385
2042	**2,941**	2,973
	10,644	10,586

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

18. Financial Instruments

For the year ended January 31, 2022, the convertible debentures conversion options were revaluated and reclassified from equity to liabilities and carried at fair value through profit and loss ("FVTPL"). Also, the warrants issued as part of the Convertible notes in December 2021 are also being carried at FVTPL. For the year ended January 31, 2021, the Corporation had no financial instruments carried at FVTPL or at fair value through other comprehensive income("FVTOCI").

As at January 31, 2022:	FVTPL	Amortized cost
Financial asset:		
Cash	-	**313**
Financial liabilities:		
Accounts payable and accrued liabilities	-	**607**
Accrued interest on debentures	-	**177**
Convertible notes	-	**934**
Long-term loans	-	**40**
Convertible debentures	-	**2,387**
Non-convertible debentures	-	**2,349**
Conversion options classified as liability	**1,582**	-
Warrants classified as liability	**139**	-

As at January 31, 2021:	Amortized cost
Financial asset:	
Cash	2,379
Financial liabilities:	
Accounts payable and accrued liabilities	291
Accrued interest on debenture	172
Long-term loan	40
Convertible debentures	2,476
Non-convertible debentures	2,099

19. 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 its 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 short-term debt and convertible debenture negotiated at a fixed rate.

(ii) Currency risk

The Corporation has cash and accounts payable and accrued liabilities denominated in USD, and EUR. The Corporation does not hold financial derivatives to manage fluctuation in these risks.

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

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

	January 31, 2022		January 31, 2021	
	Foreign Currency	**CAD equivalent**	Foreign Currency	CAD equivalent
Cash – USD	**100**	**128**	810	1,035
Accounts payable and accrued liabilities – USD	**294**	**374**	51	65
Accounts payable and accrued liabilities – EUR	**6**	**8**	1	1

A plus or minus 5% variation in exchange rate, all else being held equal, would result in a foreign exchange gain or loss of $25 ($55 in fiscal 2021).

(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 calculated based on contractual undiscounted cash flows including interest coupons (if applicable):

As at January 31, 2022:	***Carrying value*** **$**	***Contractual cash flows*** **$**	***Less than 12 months*** **$**	***Greater than 12 months*** **$**
Financial liabilities				
Accounts payable and accrued liabilities	**607**	**607**	**607**	**-**
Interest payable on debentures	**177**	**177**	**177**	**-**
Long-term loan	**40**	**40**	**-**	**40**
Convertible debentures	**2,387**	**3,141**	**278**	**2,863**
Non-convertible debentures	**2,349**	**3,550**	**300**	**3,250**
Convertible notes	**934**	**1,168**	**1,168**	**-**
Total	**6,494**	**8,683**	**2,530**	**6,153**

As at January 31, 2021:	***Carrying value*** **$**	***Contractual cash flows*** **$**	***Less than 12 months*** **$**	***Greater than 12 months*** **$**
Financial liabilities				
Accounts payable and accrued liabilities	291	291	291	-
Accrued interest on debentures	172	172	172	-
Long-term loan	40	40	-	40
Convertible debentures	2,476	3,134	2,354	780
Non-convertible debentures	2,099	3,850	300	3,550
Total	5,078	7,487	3,117	4,370

(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 enough 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 debt, equity or by securing funds from strategic partners. The Corporation is not subject to any externally imposed capital requirements.

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

20. Related Party Transactions

The following table presents the related party transactions presented in the statement of loss:

	January 31, 2022	January 31, 2021
Transactions with key management and members of the Board of Directors:		
Share-based compensation	**113**	211
Consulting fees	**630**	713
Interest earned on debentures	**246**	188
Interest earned on debentures by Manitex, a shareholder of the Corporation	**215**	203
R&D expenses incurred with École Polytechnique, a partner of Polyvalor, a shareholder of the Corporation	**433**	277

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

	January 31, 2022 **$**	January 31, 2021 $
Key management and directors:		
Accounts payable and accrued liabilities	**143**	**62**
Debentures and notes	**1,199**	**1,018**
Conversion options classified as embedded derivatives	**501**	**-**
Warrants classified as liability	**31**	**-**
Accrued interest on debentures and notes	**42**	**50**
Manitex Capital, a shareholder of the Corporation:		
Debentures and notes	**915**	**861**
Conversion options classified as liability	**548**	**-**
Warrants classified as liability	**13**	**-**
Accrued interest on debentures and notes	**30**	**29**
Polyvalor, a shareholder of the Corporation:		
Accounts payable due to École Polytechnique, a partner of Polyvalor	**4**	**74**

21. Commitments

In June 2015, the Corporation entered into collaborative research agreement with École Polytechnique which stipulated that when the Corporation's products are commercialized, it must make non-refundable payments to Polyvalor, a shareholder of the Corporation, equal to 1.5% of net sales. On September 21, 2021, the Corporation extended its ongoing Collaborative Research Agreement with Ecole Polytechnique until August 2022.

22. Subsequent Event

a) On April 5, 2022, the Corporation completed a non-brokered private placement of units and issued 16,000,000 units at a price of $0.20 per Unit for total gross proceeds of $3,200 (the "April 2022 Private Placement") of which an amount $2,702 was received in cash, an amount of $220 was issued as a replacement to convertible notes issued in December 2021 and the balance in compensation for accounts payable and accrued liabilities. Each Unit consists of one (1) Class "A" common share of the Company (each, a "share") and one share purchase warrant (each a "Warrant"). Each Warrant will be exercisable into one (1) Share in the capital of the Company at the price of $0.35 per Warrant Share for a period of 24 months from closing (the "Warrant Maturity Date"). Until the Warrant Maturity Date, should the closing price of the Shares be greater or equal to $0.50 for ten (10) consecutive trading days, the Company may give notice to the Warrant holder, at any time after the statutory 4-month hold period, 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 Company has paid $129 in commission fees and issued 647,150 finders' warrants in connection with the Private placement, in compliance with applicable securities laws.

As a result of the closing of the April 2022 Private Placement, the Corporation had an obligation to amend the terms of certain of its previously issued securities based on anti-dilution provisions governing these securities. Therefore, the Convertible Debentures bearing interest of 10% per annum and maturing on May 1, 2023 were amended such that their conversion price was reduced from $0.30 to $0.20 to match the purchase price of units issued under this April 2022 Private Placement. In addition, the exercise price of the 1,075,000 warrants and the 20,625 Finder's warrants issued on December 13, 2021 issued in connection with the Convertible notes financing were reduced from $0.50 to $0.35 to match the exercise price of the Warrants comprised in the Units sold under this Private Placement.

b) On April 8, 2022 (the "Date of Grant") the Corporation granted 2,000,000 stock purchase options (the "Options") and 551,938 Restricted Stock Units ("RSU") to its newly hired CEO, Philippe Deschamps. Half of the Options and RSU's will vest annually and equally over the first 3 years following the Date of Grant. The balance of the Options and RSU's will vest based on achievements of predetermined operational and corporate milestones.

c) On April 20, 2022, the Corporation created a wholly owned subsidiary in the United States called OR4102022 Inc. This subsidiary was created in the State of Delaware and was also registered in Pennsylvania (PA). The new subsidiary also became the sponsor of the Ortho R/ PRP Combination Phase I/II clinical trial being performed in the US.

d) On May 19, 2022, the Corporation issued 500,000 warrants with an exercise price of $0.35 per Common Share and expiring April 30, 2023 as compensation to non-related parties providing social media support and other corporate services.