

Interim Condensed Financial Statements (Unaudited)

Ortho Regenerative Technologies Inc.

October 31, 2020

Third quarter, fiscal year 2021

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Corporation have been prepared by management and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review or an audit of these interim financial statements

Ortho Regenerative Technologies Inc.

Interim Condensed Statements of Financial Position

(Unaudited)

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

As at	Notes	October 31, 2020	January 31, 2020
ASSETS			
Current			
Cash		809	302
Sales tax and other receivables		47	14
Other receivables		72	-
Investment tax credits receivable		164	361
Prepayments and deposits		500	64
Total current assets		1,592	741
Investment tax credits receivable		69	-
Equipment	4	83	112
Right of use asset	5	23	38
Intangible assets	6	372	396
Total assets		2,139	1,287
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current			
Accounts payable and accrued liabilities	7	600	1,021
Interest payable on debentures		114	56
Lease liability	8	22	20
Investment tax credit loan	9	537	596
Total current liabilities		1,273	1,693
Lease liability	8	4	21
Long-term loans	12	40	302
Convertible debentures	13	2,679	1,670
Total liabilities		3,996	3,686
Shareholders' deficit			
Share Capital	14	7,190	5,418
Warrants	14	1,460	732
Equity component of convertible debentures		520	385
Contributed surplus		1,366	955
Deficit		(12,393)	(9,889)
Total shareholders' deficit		(1,857)	(2,399)
Total liabilities and shareholders' deficit		2,139	1,287

Going Concern Uncertainty (Note 1); Commitments (Note 23); Subsequent events (Note 24)

These unaudited interim condensed financial statements were approved and authorized for issuance by the Board of Directors on December 17, 2020.

"/s/ "Claude LeDuc" ", Director

"/s/ "Michael Atkin" ", Director

The notes are an integral part of these unaudited interim condensed financial statements.

Ortho Regenerative Technologies Inc.

Interim Condensed Statements of Loss and Comprehensive Loss

(Unaudited)

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

For the three months and nine months ended October 31,

		Three months ended October 31,		Nine months ended October 31,	
	Notes	2020	2019	2020	2019
Expenses					
Research and development	16	191	421	751	923
General and administrative	17	342	254	1,035	820
Share based compensation	14	101	36	170	90
Financing expense, net	18	179	49	548	179
Total Expenses		813	760	2,504	2,012
Net loss and comprehensive loss		813	760	2,504	2,012
Loss per share					
Weighted average number of common shares outstanding		31,025,327	24,752,424	26,852,952	24,752,424
Basic and diluted loss per common share		0.03	0.03	0.09	0.08

The number of shares held in escrow as at October 31, 2020, is nil (3,452,685 – January 31, 2020)

Going concern uncertainty (Note 1)

The notes are an integral part of these unaudited interim condensed financial statements.

Ortho Regenerative Technologies Inc.

Interim Condensed Statement of Changes in Shareholders' Deficit

(Unaudited)

In thousands of Canadian dollars

For the nine months ended October 31,

	Notes	Number of common shares	Share capital	Warrants	Equity component of convertible debenture	Contributed surplus	Deficit	Total
Balance, as at January 31, 2019		24,752,424	5,430	665	-	717	(7,400)	(588)
Expired warrants		-	-	(81)	-	81	-	-
Share based compensation		-	-	-	-	90	-	90
Adjustment for adoption of IFRS 16		-	-	-	-	-	(5)	(5)
Issuance of convertible debentures		-	-	109	-	-	-	109
Net loss for the period		-	-	-	-	-	(2,012)	(2,012)
Balance, as at October 31, 2019		24,752,424	5,430	693	-	888	(9,417)	(2,406)
Balance, as at January 31, 2020		24,752,424	5,418	732	385	955	(9,889)	(2,399)
Issuance of units		8,163,812	1,803	809	-	-	-	2,612
Unit issue costs		-	(131)	(57)	-	-	-	(189)
Share based compensation	14	-	-	-	-	170	-	170
Exercise of stock options	14	215,000	100	-	-	(77)	-	23
Issuance of convertible debentures	13	-	-	124	135	-	-	259
Finder's warrants	14	-	-	30	-	-	-	30
Expired warrants	14	-	-	(318)	-	318	-	-
Consulting fees		-	-	140	-	-	-	140
Net loss for the period		-	-	-	-	-	(2,504)	(2,504)
Balance, as at October 31, 2020		33,131,236	7,190	1,460	520	1,366	(12,393)	(1,857)

The notes are an integral part of these unaudited interim condensed financial statements.

Ortho Regenerative Technologies Inc.
Interim Condensed Statements of Cash Flows
(Unaudited)

In thousands of Canadian dollars

For the nine months ended October 31,

	Notes	2020	2019
Operating activities:			
Net loss from operations		(2,504)	(2,012)
Add items not affecting cash:			
Share-based compensation	14	170	90
Consulting fees paid by issuance of equity instruments		228	-
Consulting fees paid by issuance of convertible debenture	13	395	-
Depreciation of right of use asset		15	15
Depreciation of property and equipment and amortization		55	71
Amortization of financial charges		44	28
Gain on debt settlement		-	(63)
Unrealized (gain) loss on foreign exchange		(2)	(7)
Payment of interest on short term debt and debentures		(194)	(9)
Financial charges		515	161
Net change in non-cash working capital items	15	(714)	376
Cash used in operating activities		(1,992)	(1,350)
Investing activities:			
Acquisition of equipment		(2)	-
Cash used in investing activities		(2)	-
Financing activities:			
Repayment of short-term debt	9	(193)	(187)
Proceeds from short-term debt		-	390
Proceeds from issuance of long-term debt	12	40	-
Proceeds from exercised options		22	-
Proceeds from issuance of units	14	2,395	-
Payment of debt issue costs		(3)	(33)
Payment of unit issue costs		(97)	-
Issuance of convertible debenture units		355	672
Payment of lease obligation	8	(18)	(18)
Cash provided by financing activities		2,501	824
Increase (Decrease) in cash		507	(526)
Cash, beginning of period		302	524
Cash, end of period		809	(2)

See Note 15 for Supplemental Cash Flow Information

The notes are an integral part of these unaudited interim condensed financial statements.

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

(Unaudited)

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

1. Presentation of Financial Statements

Description of the Business

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

Statement of Compliance

These unaudited interim condensed financial statements of the Corporation have been prepared for the three and nine months ended October 31, 2020 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited interim condensed financial statements have been prepared in accordance with those IFRS standards and interpretations of the International Financial Reporting Interpretations Committee issued and effective or issued and early adopted as at the time of preparing these statements. These unaudited interim condensed financial statements do not include all the information required for full disclosure in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended January 31, 2020 as they follow the same accounting policies and methods of application.

These unaudited interim condensed financial statements were approved and authorized for issuance by the Board of Directors on December 17, 2020.

Going Concern

These unaudited interim condensed 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 nine months ended October 31, 2020, the Corporation incurred a net loss of \$2,504 and used cash in operations of \$1,992. As at October 31, 2020 the Corporation had working capital of \$319.

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

Failure to obtain such additional financing could result in delay or indefinite postponement of the Corporation's strategic goals. These unaudited interim condensed 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.

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.

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

(Unaudited)

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

2. Summary of Significant Accounting Policies

Basis of measurement

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

Functional and presentation currency

These unaudited interim condensed 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 Corporation's functional currency 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.

	October 31, 2020	January 31, 2020
End of period exchange rate – USD	1.3318	1.3233
Period average exchange rate - USD	1.3223	1.3252

3. Use of Estimates and Judgment

The preparation of the unaudited interim condensed financial statements requires management to undertake several judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgements and estimates. These estimates and judgements are based on management's best knowledge of the events or circumstances and actions the Corporation may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 of the Corporation's 2020 annual financial statements and are still applicable for the three and nine months ended October 31, 2020.

4. Equipment

	Cost	Accumulated amortization	Carrying Value
Balance as at January 31, 2020	235	(123)	112
Additions	2	(31)	(29)
Balance as at October 31, 2020	237	(154)	83

5. Right of Use Asset

	Cost	Accumulated amortization	Carrying Value
Balance as at January 31, 2020	58	(20)	38
Additions	-	(15)	(15)
Balance as at October 31, 2020	58	(35)	23

6. Intangible Assets

	Cost	Accumulated amortization	Carrying Value
Balance as at January 31, 2020	485	(89)	396
Additions	-	(24)	(24)
Balance as at October 31, 2020	485	(113)	372

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

(Unaudited)

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

7. Accounts Payable and Accrued Liabilities

Balance as at	October 31, 2020	January 31, 2020
Trade accounts payable	600	998
Accrued liabilities	-	23
	600	1,021

8. Lease Liability

Balance at January 31, 2020	41
Interest expense	3
Lease payments	(18)
Balance as at October 31, 2020	26
Which consists of	
Current lease liability	22
Non-current lease liability	4

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

The following table presents the minimum obligation over remaining term:

Year ending January 31,	Occupancy costs
2021	6
2022	22
	28

9. Investment Tax Credit Loan

	Nine months ended October 31, 2020	Year ended January 31, 2020
Opening balance	596	364
Additions	133	468
Repayment	(193)	(218)
Transaction costs	(43)	(63)
Amortization of transaction costs	44	45
	537	596

On August 22, 2020, the Corporation renewed the short-term loan to finance its 2020 investment tax credits. In connection with the loan renewal, transaction costs of \$43 were incurred and netted against the loan. The transaction costs are amortized over the term of the loan and presented as a financing expense.

On August 20, 2019, the Corporation signed a short-term loan agreement to finance its fiscal year 2020 investment tax credits. The loan is secured by a first-rank moveable hypothec on all assets and bears interest at a fixed rate of 1.5% per month. The amounts are due upon receiving the refunds from the respective governments. Transaction costs of \$34 were incurred on issuance of the loan and were netted against the loan. The transaction costs are amortized over the term of the loan and presented as a financing expense.

On December 21, 2019, the Corporation renewed its agreement to finance the balance of its fiscal year 2017, 2018 and 2019 investment tax credits. The loan is secured by a first-rank moveable hypothec on all assets and bears interest at a fixed rate of 1.5% per month. The amounts are due upon receiving the refunds from the respective governments. Transactions costs of \$30 were capitalized to the loan balance. The transaction costs are amortized over the term of the loan and presented as a financing expense.

Subsequent to quarter end, the corporation repaid the balance of the Investment tax credit loan (see subsequent events).

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

(Unaudited)

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

10. Note Payable

	Nine months ended October 31, 2020	Year ended January 31, 2020
Opening balance	-	139
Interest accrued	-	11
Conversion into convertible debenture units	-	(150)
	-	-

11. Convertible Loan

	Nine months ended October 31, 2020	Year ended January 31, 2020
Opening balance	-	652
Fair value of conversion option allocated to liability	-	63
Gain on revaluation of derivative liability	-	(55)
Loss on settlement of debt	-	8
Accretion expense	-	96
Conversion into convertible debenture units	-	(764)
	-	-

12. Long-Term Loans

	Interest Rate	Maturity	October 31, 2020	January 31, 2020
Loan advanced on convertible debenture	10% per annum	April 21, 2022	-	302
Canada Emergency Business Account	Interest-free	December 31, 2022	40	-

On April 21, 2020, the advance on convertible debenture plus accrued interest was converted into convertible debenture units (Note 13).

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, 2022. Upon repayment of the loan at or prior to its maturity on December 31, 2022, the Corporation would receive a grant of \$10 to reduce the balance repayable.

13. Convertible Debentures

	Nine months ended October 31, 2020	Year ended January 31, 2020
Opening balance	1,670	-
Additions	758	1,230
Fair value allocated to warrants	(124)	(140)
Fair value of conversion option allocated to equity	(135)	(385)
Accretion expense	208	51
Conversion of long-term loan	302	914
	2,679	1,670

Period ended October 31, 2020:

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, of which \$395 was in exchange of employee remuneration which represented the totality of the staff and management remuneration for the first quarter of 2021 and the balance of severance payable to a former CEO. 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 years from issuance.

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

(Unaudited)

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

13. Convertible Debentures – cont'd

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 (Note 12) were converted on the closing of April 21, 2020.

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 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 components were \$801, the warrants were \$124 and the conversion options were \$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 nine months ended October 31, 2020 was \$152. In addition, \$274 of accrued interest expense related to these debentures was recorded, of which \$114 is included as Interest payable on debentures in the Statement of Financial Position.

Year ended January 31, 2020

On October 8, 2019 and December 31, 2019, the Corporation issued unsecured convertible debenture units for a total principal amount of \$2,144, including the conversion of the note payable, convertible loan and accrued interest thereon of \$914. The convertible debentures mature on October 8, 2021 and December 31, 2021, respectively and bear interest at an annual rate of 10% per annum. 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 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 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 October and December 2019. The 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 components were \$1,619, the warrants were \$140, and the conversion options were \$385.

Total finders' fee incurred on the issuance of the convertible debenture units consisted of \$12 and 5,600 compensation warrants. Each compensation warrant is exercisable into one common share of the Corporation at \$0.50 per share 18 months from issuance.

14. 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
Exercise of stock options	215,000	100
Units issued in connection with unit offering	8,163,812	1,803
Unit issue costs	-	(131)
Balance as at October 31, 2020	33,131,236	7,190

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

(Unaudited)

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

14. Share Capital and other equity instruments – cont'd

On August 24, 2020 and September 2, 2020, Ortho RTI announced the closing of two non-brokered private placements of units (the "Private Placement" or "Unit Offering"). In connection with these offerings, the Company 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. Each Unit consists 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. 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 Shares and the Warrants issued under the Private Placement are subject to a statutory 4-months hold period under the applicable securities laws and in such case the certificates evidencing the Shares and the Warrants will bear a legend to that effect, as applicable. The Company 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. 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. No broker or agent was involved in the transaction.

(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, 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. 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 nine months ended October 31, 2020 and 2019, the Corporation recorded compensation expense of \$170 and \$90, 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 nine months ended October 31, 2020, estimated by using the Black-Scholes option pricing model, was \$0.42 (year ended January 31, 2020 – \$0.36).

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

	Nine months ended October 31, 2020		Year ended January 31, 2020	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	2,125,000	\$0.39	2,225,000	\$0.44
Granted during the period	535,000	\$0.42	750,000	\$0.36
Options forfeited	-	-	(75,000)	\$0.53
Options cancelled/expired	(45,000)	\$0.10	(775,000)	\$0.50
Options exercised	(215,000)	\$0.10	-	-
Options outstanding, end of period	2,400,000	\$0.44	2,125,000	\$0.39
Options exercisable end of period	1,477,500	\$0.45	1,327,000	\$0.39

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

(Unaudited)

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

14. Share Capital and other equity instruments – cont'd

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

The following options were outstanding as at October 31, 2020:

Outstanding	Exercisable	Exercise price	Remaining contractual life (years)
75,000	75,000	\$0.60	8.00
65,000	16,250	\$0.58	7.90
1,115,000	850,000	\$0.50	0.64 to 2.88
50,000	12,500	\$0.40	4.58
245,000	61,250	\$0.37	4.72
750,000	437,500	\$0.36	3.64
100,000	25,000	\$0.30	4.63
2,400,000	1,477,500		

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

Exercise price	\$0.30 - \$0.63
Risk-free rate	0.35 - 2.28%
Volatility factor (i)	74.7 - 118.0%
Expected life (years)	5.0 - 8.0

(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 current period:

	Number of Shares	Weighted Average Exercise Price
Balance as at January 31, 2020	7,306,100	0.58
Granted during the period	12,543,498	0.50
Expired during the period	(1,510,000)	0.70
Balance as at October 31, 2020	18,339,598	0.52

As at October 31, 2020, the Corporation had outstanding warrants as follows:

Number	Exercise price	Fair value	Remaining contractual life (years)
1,502,500	\$0.70	\$0.11 - \$0.27	0.16 - 0.49
16,837,098	\$0.50	\$0.02 - \$0.17	0.44 - 2.83
18,339,598			1.78

15. Supplemental Cash Flow Information

	Nine months ended October 31,	
	2020	2019
Net change in non-cash operating working capital items		
Sales tax receivable and prepaid expenses	(423)	48
Investment tax credits receivable	128	30
Accounts payable and accrued liabilities	(419)	312
Total	(714)	390
Non-cash transactions		
Settlement of long-term loans by issuance of convertible debentures	302	-

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

(Unaudited)

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

16. Research and Development Expenses

	Three months ended,		Nine months ended,	
	October 31, 2020	October 31, 2019	October 31, 2020	October 31, 2019
Development costs	175	373	722	911
Patent costs	12	23	43	92
Depreciation – equipment	10	17	31	50
Amortization – intangible asset	8	8	24	24
Investment tax credit	(14)	-	(69)	(154)
Total	191	421	751	923

17. General and Administrative Expenses

	Three months ended,		Nine months ended,	
	October 31, 2020	October 31, 2019	October 31, 2020	October 31, 2019
Consulting fees (i)	86	133	254	360
Consulting fee adjustments (ii)	-	-	267	-
Professional and IR fees	181	72	371	208
Office and administrative	70	45	128	120
Severance paid to the former CEO	-	-	-	120
Depreciation – right of use asset	5	4	15	12
Total	342	254	1,035	820

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

(ii) These fees were converted into convertible debenture units on April 21, 2020.

18. Financing Expense

	Three months ended,		Nine months ended,	
	October 31, 2020	October 31, 2019	October 31, 2020	October 31, 2019
Interest (income) expense	(3)	12	14	17
Interest on short-term loans	28	30	117	82
Interest on convertible debentures	161	22	426	22
Interest on convertible loan	-	44	-	112
(Gain)/loss on foreign exchange	(8)	2	(12)	2
(Gain) on debt extinguishment	-	(63)	-	(63)
Interest on leases	1	2	3	7
Total	179	49	548	179

19. Income Taxes

As at October 31, 2020, 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
	5,354	5,228

As at October 31, 2020, the Corporation had investment tax credits totalling \$308 (2019 – \$144), which are available to reduce income taxes for future years. The Corporation has not recognized the above tax benefits and will recognize them when future profits are probable the respective jurisdictions.

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

(Unaudited)

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

20. Financial Instruments

For the nine months ended October 31, 2020 and year ended January 31, 2020, the Corporation had no financial instruments carried at fair value through profit and loss ("FVTPL") or at fair value through other comprehensive income("FVTOCI").

As at October 31, 2020:	Amortized cost
Financial asset:	
Cash	809
Other receivables	72
Financial liabilities:	
Accounts payable and accrued liabilities	600
Investment tax credit loan	537
Lease liability	26
Interest payable on debentures	114
Long-term loan	40
Convertible debentures	2,679

As at January 31, 2020:	Amortized cost
Financial asset:	
Cash	302
Financial liabilities:	
Accounts payable and accrued liabilities	1,021
Investment tax credit loan	596
Lease liability	41
Interest payable on debenture	56
Long-term loan	302
Convertible debentures	1,670

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. quoted 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 approximate their carrying values due to their short-term nature.

21. 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.

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

(Unaudited)

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

21. Financial Risk Factors – cont'd

(ii) Currency risk

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

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

	October 31, 2020		January 31, 2020	
	Foreign Currency	CAD equivalent	Foreign Currency	CAD equivalent
Cash – USD	93	124	-	1
Accounts payable and accrued liabilities – USD	76	101	56	74
Accounts payable and accrued liabilities – EUR	-	-	6	9
Accounts payable and accrued liabilities – JPY	-	-	161	2

A plus or minus 5% variation in exchange rate, all else being held equal, would result in a foreign exchange gain or loss of \$11.

(c) Liquidity risk

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

As at October 31, 2020	Carrying value \$	Contractual cash flows \$	Less than 12 months \$	Greater than 12 months \$
Financial liabilities				
Accounts payable and accrued liabilities	600	600	600	-
Investment tax credit loan (i)	537	605	605	-
Long-term loans	40	40	-	40
Interest payable on debentures	114	114	114	-
Convertible debenture (i)	2,679	3,572	280	3,292
	3,970	4,931	1,599	3,332

(i) Contractual cash flows include interest payments to be made at the contractual rate.

As at January 31, 2020:	Carrying value \$	Contractual cash flows \$	Less than 12 months \$	Greater than 12 months \$
Financial liabilities				
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
Interest payable on debentures	56	56	56	-
Convertible debenture (i)	1,670	2,517	-	2,517
	3,645	4,619	1,800	2,819

(i) Contractual cash flows include interest payments to be made at the contractual rate.

(d) Capital risk management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation's definition of capital includes equity, comprised of issued common shares, warrants and contributed surplus. The Corporation's primary objective with respect to its capital management is to ensure that it has 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 equity or by securing strategic partners. The Corporation is not subject to any externally imposed capital requirements.

Ortho Regenerative Technologies Inc.

Notes to Financial Statements

(Unaudited)

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

22. Related Party Transactions

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

	Three months ended		Nine months ended	
	October 31, 2020	October 31, 2019	October 31, 2020	October 31, 2019
<i>Transactions with key management and members of the Board of Directors:</i>				
Share-based compensation to employees and directors	115	37	175	90
Consulting fees charged by the CEO and CFO	55	70	363	175
Interest earned on debentures by directors, CEO and CFO	47	6	124	6
Termination benefits paid to a former CEO	-	-	-	120
Interest earned on debentures by Manitek, a shareholder of the Corporation	49	65	146	115
Consulting fees and rental expense charged by Valeo Pharma Inc.	24	25	95	90
R&D expenses incurred with École Polytechnique, a partner of Polyvalor	57	74	204	221

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

	October 31, 2020	January 31, 2020
	\$	\$
Accounts payable and accrued liabilities due to directors, CEO and CFO	86	100
Accounts payable due to École Polytechnique, a partner of Polyvalor	74	74
Accounts payable due to Valeo Pharma Inc. for consulting fees and rent	82	54
Accrued interest on debenture due to Manitek, a shareholder of the corporation	12	5
Accrued interest on debenture due to directors, CEO and CFO	66	2
Convertible debenture due to a director, CEO and CFO	776	516
Convertible debenture due to Manitek, a shareholder of the Corporation	827	783

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

23. Commitments

On June 19, 2015, the Corporation entered into three long-term research service agreements with École Polytechnique which states that when the Corporation's product is commercialized, it must make non-refundable payments to Polyvalor, a shareholder of the Corporation, 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.

24. Subsequent Events

- The Company issued 3,000 secured non-convertible debenture units (the 'Debenture Units') at a price of \$1,000 per Debenture Unit for total gross proceeds of \$3.0 million. Each Debenture Unit consists of one 3-year, 10% secured non-convertible debenture of the Company in the principal amount of \$1,000 (each a "Debenture") and 500 Class "A" share purchase warrants (each a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Class "A" of the Company (each a "Share") at an exercise price of \$0.75 at any time up to 36 months following the closing date of the Offering (the "Closing Date"). The Debenture Units will be subject to a statutory hold period under the applicable securities laws and in such case the certificates evidencing the securities will bear a legend to that effect, as applicable. The Company has paid \$127,500 in commissions and issued 170,850 broker warrants in connection with the Offering, in compliance with applicable securities laws.
- On December 3, 2020, the Corporation repaid the balance owing on its investment tax credit loans. A total of \$444 including accrued interest and fees was repaid.