Lattice Biologics Inc.
Management's Discussion and Analysis
For the nine month period ending September 30, 2015,
and the year ended December 31, 2014

The following management discussion and analysis ("MD&A") is a review of operations, current financial position and outlook for Lattice Biologics Inc. (the "Company" or "Lattice") for the nine month period ended September 30, 2015 and the year ended December 31, 2014 and should be read in conjunction with the consolidated audited financial statements for the nine month period ended September 30, 2015 and year ended December 31, 2014. Amounts are reported in US dollars based upon the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Information contained herein is presented as at December 18, 2015. Certain information in this MD&A or incorporated by reference, and in other public announcements by the Company is forward–looking and is subject to important risks and uncertainties. Words such as "may", "will", "believe", "expect", "anticipate", "estimate" and similar expressions identify forward-looking statements. Forward-looking statements may be found in the General Development of the Business, Overview of Products, Operational Milestones, Outlook, Selected Financial Information, Results of Operations, Liquidity and Capital Resources and Overview sections of this MD&A. Forward-looking information includes information concerning the Company's future financial performance, business strategy, plans, goals and objectives. Forward–looking statements are necessarily based upon estimates and assumptions considered reasonable by management but which are subject to business, economic and competitive uncertainties. Results could differ materially from those projected in forward-looking statements.

Although the forward looking information contained herein is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward looking statements. Lattice has attempted to identify important factors that could cause actual results to differ materially from those contained in forward looking statements, however there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements. Lattice does not undertake to update any forward looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

All financial figures contained herein are denoted in USD unless otherwise notated.

Business Overview

Lattice Biologics Inc. was incorporated on July 18, 2013 pursuant to the Delaware Act. The head office of Lattice is located at 16701 North 90th St. Ste 101 Scottsdale, Arizona 85260. The registered office of Lattice is located at 1201 Orange Street, Suite 600, Wilmington, New Castle County, Delaware 19801.

In the fall of 2013, Lattice acquired IB of Scottsdale, AZ. Lattice's facility includes International Organization for Standardization ("ISO") Class 1000 and ISO Class 100 clean rooms, and specialized equipment capable of crafting traditional allografts and precision specialty allografts for various clinical applications. Lattice's staff is comprised of trained tissue bank specialists, surgical technicians, certified sterile processing and distribution technicians, and CNC operators maintains the highest standards of aseptic technique throughout each step of the manufacturing process. From donor acceptance to the final packaging and distribution of finished allografts, Lattice is committed to maintaining the highest standards of allograft quality, innovation, and customer service.

Lattice is engaged in the business of developing, manufacturing and marketing biologics products to domestic and international markets. Lattice is a personalized/precision medicine company in the field of cellular therapies and tissue engineering, with a focus on bone, skin, and cartilage regeneration. Lattice produces and distributes multiple allograft tissue products used by surgeons as a bone, skin and cartilage tissue void fillers. Objectives of allograft use include pain relief, aid in the regeneration of tissue, and to provide a scaffold for bone, skin, and cartilage regeneration in spinal, sports, and beast reconstruction. Lattice develops, manufactures and markets biologics products to domestic and international markets. Its products are used in a variety of applications including enhancing fusion in spine surgery, enhancing breast reconstruction post mastectomy, sports medicine indications including anterior cruciate ligament repair, promotion of bone growth in foot and ankle surgery, promotion of skull healing following neurosurgery and subchondral bone defect repair in knee and other joint surgeries.

Our Products

Lattice has developed and currently manufactures and sells several human tissue-based products, primarily allografts, into the medical marketplace.

Acellular Demineralized Bone Scaffold

Acellular demineralized bone scaffold ("**Acellular Demineralized Bone Scaffold")** is 100% human cortical bone demineralized through a proprietary process to make the graft flexible while maintaining allograft integrity. This product has various applications in orthopedic, neurological, trauma, oral/maxillofacial and reconstructive procedures. The product can wrap around non-union fractures to assist with fusion, can act as a biologic plate or can be used in conjunction with a hardware plate system. Additionally, this product provides the surgeon with superior handling characteristics as the allograft can be easily sized using surgical scissors or a scalpel, and will withhold sutures or staples for fixation. This product comprised 90% of Lattice's revenues for the period ended September 30, 2015, and 59.5% of Lattice's revenues for the year ended December 31, 2014.

ADM dermal scaffold

Acellular dermal matrix ("**ADM**") dermal scaffold is an extension of Lattice's core biologics technology and our second human acellular biological scaffold. ADM is an acellular matrix made from donated human dermal tissue that is used to replace a patient's damaged tissue. ADM provides a natural collagen tissue scaffold that promotes cellular ingrowth, tissue vascularization and

regeneration. The ADM scaffold tissue reabsorbs into the patient's dermal tissue for a biocompatible, natural repair. Lattice performed a soft launch of the ADM product line in March 2014. This product comprised 5.3% of Lattice's revenues for the period ended September 30, 2015 and 8.7% of Lattice's revenues for the year ended December 31, 2014.

DBM Putty

DBM putty ("**DBM Putty**"), an osteoinductive product used by surgeons as a bone void filler in the extremities and pelvis. In 2014, Lattice made the strategic decision to cease outsourcing the production of its DBM Putty from a third party, and elected to start the development process to make this an in-house developed product (in order to yield higher margins). Lattice completed the development of its DBM Putty in Q3 2015 and began its soft launch of production and distribution in Q4 2015. Lattice's DBM putty is engineered with the surgeon in mind. The product's handling characteristics, allow it to be easily molded into any shape and compressed into bony voids. Taking the design a step further, Lattice has validated a low-dose, low-temperature gamma sterilization process to provide maximum osteoinductive potential while still affording device level sterility. This product comprised 3.8% of Lattice's revenues for the period ended September 30, 2015 and 31% of Lattice's revenues for the year ended December 31, 2014.

Other Products

In addition, Lattice makes and sells sports allografts which are processed specifically for anterior and posterior cruciate ligament repairs, anterior cruciate ligament reconstruction and meniscal repair, (ii) milled allografts which are comprised of cortical bone milled to desired shapes and dimensions, also called milled spinal allografts, and (iii) traditional allografts for multi-disciplinary applications including orthopedics, neurology, podiatry, oral/maxillofacial, genitourinary and plastic/reconstructive.

Future Products

Lattice's patent efforts have been, and will continue to be, primarily focused in two key areas:

The delivery of tissue engineering agents impregnated into allograft tissues which, when activated by bodily fluids, release the agent into the surrounding environment; and

Creating new ribonucleic acid ("**RNA**") "aptamers" that are selected and constructed in the laboratory. The finished aptamers are efficiently delivered into live cells of interest and "light up" in proportion to the concentrations of different metabolites targeted. The aptamers for the different metabolites are being developed to bind dyes of different colors, so that each metabolite of interest will have a distinct color signal. Current alternative measurements of metabolite levels require killing the cells, extracting the molecules of interest from them, and determining the amounts by a variety of analytical methods. In contrast, Lattice's method directly measures concentrations of target metabolites in live cells, based on the brightness of colors. Monitoring different colors allows determination of the ratios of the metabolites of interest. The ratios of metabolite concentrations Lattice has selected to measure, are extremely important variables in the cellular systems. The initial studies use conventional fluorescence microscopes to monitor two or three colors. The technology will be used to optimize the speed and efficiency of development human inducible pluripotent stem cells ("**iPSCs**".)

Market

The regenerative medicine field affects many lives each year across the globe. The ability to heal properly after bone, wound, or reconstruction surgery is critical to the success of the procedure and quality of life for the patient. The current standard of care for allograft transplantation is relatively low, making room for significant opportunity for product improvement in the marketplace.

The orthopedic biomaterials market consists of materials that are organic, inorganic or synthetic in nature. These materials are implanted or applied in or near the indicated bone to facilitate healing, encourage bone tissue augmentation, compensate in areas where bone tissue is depleted and restore structure to allow for repair. Orthopedic biomaterials are capable of producing specific biological action or regenerative responses that are beyond what is observed in normal healing. These materials are often used as substitutes to autograft materials, which are taken from a harvest site in the patient to patch or repair the wounded or unhealthy site.

Bone is a biologically active tissue and may or may not regenerate depending on the condition of the patient. The damage may be significant enough that a scaffold to help regenerate the surgical site may be necessary.

Lattice is primarily selling their products in the United States domestic national marketplace (over 90% of sales in 2014 and 2015). However, Lattice continues to grow its outreach over the past several quarters to expand its outreach while onboarding new hospitals and distributors in Canada, Australia, UK and other European markets.

Political and economic conditions have a large impact on the market as they could create downward pressure on reimbursement limits at the hospital levels, or alternatively, plans could be restructured to include superior products at higher price points. These are factors that Lattice continues to monitor as they distribute their existing products, but also in the considerations for future product development.

In order to continue gaining market acceptance, Lattice continues its efforts to obtain clinical data and white papers which result in easier acceptance into hospitals. With increased scrutiny within the industry, clinical data is becoming increasingly more common to be requested before products are accepted for use in various hospitals and clinical applications.

With respects to Lattice's current product offering, Lattice expects to maintain its competitive position by continuing to enforce best practices in the manufacturing and distribution of its products. With respects to future products, Lattice remains committed to its research and development efforts, as well as the continued efforts being exerted in forming partnerships with other related companies and doctors, who can assist Lattice to continue to innovate and develop its future product lines (as described below under the heading "*Future Developments*").

Lattice does not have any seasonality issues with respects to the sales and distribution of its products with the exception of national holidays and national medical conferences (which results in severe decreases in the amount of scheduled surgeries and tissue applications).

Marketing Plans and Strategies

Lattice is committed to building its direct sales channel into the primary method of distributing our products. Lattice has promoted personnel to national sales responsibility in the United States. As a result, this investment in the direct sales channel puts Lattice in a position to earn higher revenue in 2016, as well as profitability in 2016. No assurance can be given that these efforts will be successful.

Lattice also markets its products through independent and private label distributors who receive a discount off of the list price and then sell to their customer base. Since Lattice has experienced a decline in revenue from this sales channel, Lattice expects it will continue to represent a smaller portion of our overall revenue as our direct distribution channel grows.

For Lattice's future products, Lattice's marketing strategy is to develop product development alliances with multinational medical device companies at the same time as it develops its own new products in fields or applications outside of the rights of its collaborative partners. Lattice has implemented this strategy and is pursuing contract opportunities with other medical and/or stem cell based companies.

Lattice is continuously adding members to its SABs for each of its surgeon call points that consist of Key Opinion Leaders ("**KOL's**") in the field. Lattice expects that its SAB members will be referring its products to other surgeons and medical care providers, as well as presenting the technology in appropriate academic and industry conferences. Lattice has established procedures that are designed to prevent abuses involving these SAB members and others with whom they may have financial relationships and been advised by counsel that this program complies with the Stark Laws and applicable anti-kickback regulations. The "**Stark Laws**" are laws that were put in place to put a limitation on certain physician referrals. The Stark Laws prohibit physician referrals of designated health services ("**DHS**") for Medicare and Medicaid patients if the physician (or an immediate family member) has a financial relationship with that entity.

In addition to the establishment of its SAB, Lattice continues to attend various healthcare trade shows including national conferences where Lattice is able to market its current products as well as ongoing developments with its future products. Lattice also utilizes call centers to continuously grow its database to which Lattice sends out their newsletters which promotes ongoing business activities as well as product development updates. Lattice also works actively to develop its clinical data and white papers to which they use to promote the product and gain market acceptance. This involves compensating Surgeons to gather clinical data for each case in which they utilize a Lattice allograft (approximately US$3,000 a case).

Proprietary Protection

Provisional Patents

The following summarizes Lattice's current patent portfolio, including patents covering technology licensed by us for use or inclusion in certain of our products:

1. *Patent Application:* Method for assessing the effects of select nutrients in growth media on fitness of mesenchymal stromal cells for stem cell transplantation.

2. *Field of the Invention* This invention relates to the field of stem cells, particularly mesenchymal stromal cells, and their usage therapeutically in humans to heal and establish successful tissue graft transplantation. This invention further relates to the usage of nucleic acid aptamers as biosensors for intracellular metabolites. The method employed is the unique due to: 1) the choice of molecular targets of the aptamers, 2) their usage to quantitate concentrations of molecules simultaneously and rapidly in living cells, and 3) the application of this quantitation to developing optimal conditions in the surrounding growth media for nourishing transplantation-ready stem cells.

Lattice believes its current and proposed patent filings and patent positions will facilitate growth and enhance its proprietary core competencies, enabling us to protect and expand revenue growth in the future. Lattice expects that additional patent applications will be filed and prosecuted as inventions are discovered, technological improvements and processes are developed and specific applications are

identified. The status of individual patents and patent jurisdiction is maintained in Lattice's internal records. Lattice anticipates, however, that there may be instances in which it enters into collaborative research and development agreements with stem cell companies under such terms that the stem cell company may or will retain a right to make future patent filings arising from such cooperative development agreement. In such instances, Lattice will attempt to protect its overall patent use rights by agreements which limit the right of the collaborative party to an exclusive right only as it pertains to the field of use, as defined by the applicable project's scope of work. In this manner, Lattice anticipates that it will receive future benefit and use of such intellectual property outside the field of use, as defined by any given scope of work. There can be no assurance that it will be able to obtain final approval of any patents.

Operational Milestones Achieved

1. Restructuring of trade payable and debt in order to achieve financial stability in the short term. To date, the Company has been able to raise over $8.5M in debt funding, and over $1.5M in equity financings since the inception of the business. The Company continues to achieve success in this area as it progresses towards completing a merger with Blackstone to render it a Public Company in efforts to raise further equity financings in order to de-lever the Company's high debt to equity ratio.

2. The Company has been able to enter into over 16 distribution agreements with various medical product companies pursuant to which these distributors market, promote, distribute and support Lattice's products. Through the assistance of these distributors and through direct customer outreach, Lattice has been able to gain hospital approvals in over hundreds of hospitals across the US and in additional countries such as Canada, Korea, EU, and Mexico.

3. The hiring of the Company's Management team in 2014 and 2015 who have been able to bolster the Company's growth potential and who have since amended the Company's policies and standard operational procedures to achieve stronger practices which lead to stronger financial successes with respects to the Company's increasing gross margin.

4. The completion of ADM product line and nearing completion of clinical data trials/ white paper. The product entered into full production in 2015, sales are pending the completion of clinical trials and the endorsement of the SAB.

5. Development of modified extracellular matrix for enhanced stem cell homing and engraftment was performed and provisional patent was filed in Q3 2014.

6. Establishment of the Scientific Advisory Board (SAB) continues with over 5 key SAB members signed with several additional hospital approvals received through their assistance. The SAB are an instrumental partner in the recruitment of additional physicians, in gaining hospital approvals, and presenting the technology in appropriate academic and industry conferences.

7. Completion of the DBM Putty product line in Q4 2015 moving towards full production in Q1 2016. Lattice previously outsourced the conversion of bulk cortical into Putty using a third party vendor who private labeled for Lattice. By developing Lattice's in house product with an already proven customer base, Lattice has a strong and pre-existing sales channel with significant increases made to the gross margin achievable on the sale of DBM Putty.

Business Objectives & Future Outlook:

Lattice plans to achieve the following objectives over the upcoming fiscal years of operations:

1. To expand current operations by accepting a greater number of donors each month from approved and regulated recovery agencies, and in turn to process a greater number of donors each month. Based on the Company's forecasted expansion plan, the Company expects to be EBITDA positive in calendar Q1 2016, cash flow positive in calendar Q2 2016, and have a positive working capital by calendar Q4 2016.

2. In the calendar 2016 year, the Company desires to complete all additions to the Scientific Advisory Boards (SAB) formed by 10 key opinion leaders (KOLs) who are leaders in their fields and who can be instrumental partners in the recruitment of additional physicians, in gaining hospital approvals, and presenting the technology in appropriate academic and industry conferences. The Company desires to establish an SAB for the 2 newest product lines: DBM Putty and ADM scaffolds.

3. Through the partnerships formed with various laboratories, as well as the SAB, the Company aims to complete their clinical data of their ADM scaffold and their DBM Putty within calendar Q1 and Q2 2016. By doing so, the Company leverage the clinical data for future sales by achieving faster hospital approvals for acceptance of products.

4. To file the appropriate 510(k) applications with the regulatory bodies for the Company's ECM technologies. The Company desires to file the application for their Bone Matrix + ECM technology in 2016, Skin + ECM technologies in 2017, and Cartilage + ECM technologies in 2017 as well. After receiving approval notification, the Company would look to obtain their first commercial sale of the new technologies in the following year of each respective product launch

5. To identify and roll up distribution companies that will be able to distribute the products being manufactured by the Company. By doing so, the Company will be able to leverage non-cash incentives (such as stock based compensation) to compensate these distribution companies rather than maintain high selling costs payable by cash considerations.

6. In addition to partnering with distributors, the Company desires to continue developing and implementing a high-level, national effort to present the Company's products as a value proposition to hospital chains, insurers and other purchasing organizations. These direct relationships will lower the overall cost of healthcare by bypassing distributors.

Selected Financial Information and Management's Discussion and Analysis

General Financial Information as at September 30, 2015

	September 30, 2015	**December 31, 2014**
Inventory	$2,955,642	$3,344,158
Current Assets	3,801,990	4,450,927
Total Assets	6,002,810	6,964,201
Current Liabilities	(5,184,210)	(4,717,121)
Total Liabilities	(9,895,571)	(7,070,390)
Working Capital Deficiency	(1,382,220)	(266,194)
Accumulated Deficit	(4,806,606)	(1,536,189)

Inventory	Sept 30, 2015	Dec 31, 2014
Unprocessed goods	$ 1,614,864	$ 1,323,823
Finished goods	1,340,778	2,144,226
Expiring inventory reserve	-	(123,891)
	$ 2,955,642	$ 3,344,158

Total Assets

As at September 30, 2015, total assets were down $961,391 from December 31, 2014, largely in part due to the use of cash ($217,805) to service the Company's working capital deficiency which was generated in large part due to the Company's net loss sustained (see *Company Operational Performance, below*), the use of inventory ($388,516) for ongoing sales as well as depreciation taken on the Company's property, equipment and intangible assets ($353,880).

Total Liabilities

The Company undertook various financing efforts during the period ending September 30, 2015, which included (but is not limited to) the following:

In January 2015, Lattice raised aggregate gross proceeds of $1,050,000 by issuing 24% convertible notes having a maturity date of February 1, 2018 to four individuals. Pursuant to the terms of the Convertible Notes, note holders held the right to demand repayment of full amount owing under the note in the event of an initial public offering by Lattice. These note holders held the right to convert the aggregate note amount into common stock of the Lattice (and then ultimately into shares of Lattice) at a 70% discount of the stock price offered to the public.

On March 1, 2015 an Officer of the Company loaned the Company $150,000. This loan bears interest at 20% per annum and has a maturity date of August 1, 2017. This loan is secured by all assets of the Company. Currently, the Company is making monthly payments of interest only, which result in $2,500 per month.

On May 8, 2015, Grenville elected to purchase an additional royalty from the Company which resulted in the aggregate installment amount being increased from $2,000,000 to $3,000,000. The Minimum monthly payment increased as a result of the additional investment to $62,500.

On June 26, 2015, the Company secured a note from Redwood Fund, LP, a non-related Company in the amount of $250,000. This note bears security over all assets held by the Company. In accordance with the terms of the note, the Company is currently making monthly interest only payments at the stated coupon rate of 4.80%. The loan has an effective interest rate of 21.30% and has a maturity date of June 26, 2016, at which point a principal value of $288,527 will be due. This note also has an acceleration clause in the event of a Public Offering, which would cause the principal value to become due and payable within five business days of the completion of any such Public Offering.

On July 31, 2015, the Company secured a note from Grenville Royalty Corp ("Grenville", a non-related Company) in the amount of $700,000 and bears interest of 12.50% however no payments of principal or interest is due until July 31, 2016. This note is secured by all the assets of the Company pursuant to a General Security Agreement dated July 31, 2015 between the Company and Grenville. At any time on or after July 31, 2016, the outstanding debt may be converted into additional royalty interests

The Company also entered into a factoring arrangement of up to $1.0 million (up to 85% of the face value of the accounts receivable assigned to be factored). The credit facility is secured by a general assignment of accounts covering substantially all of the Company's present and future assets. As at September 30, 2015, the amounts advanced under this facility were $268,614.

These financing efforts were performed to service the Company's working capital deficiency ($1,382,220 as at September 30, 2015) but it was also used for the repayment of debt ($778,477), repayment of investor loans ($307,903) and the repurchase of outstanding shares ($735,613).

Merger Agreement

On August 3, 2015 (as amended September 3, 2015), the Company entered into a letter of intent to engage in an acquisition that would have Blackstone Ventures Inc. ("Blackstone"), an arm's-length Public Corporation, registered in British Columbia, Canada and trading on the TSXV, acquire all of the issued and outstanding securities of the Company. This acquisition will constitute as a Reverse Takeover as the shareholders are expected to receive 38,905,353 (7,529,705 common shares, 31,375,648 restricted shares) of the 51,722,512 post-consolidated shares of the combined Entity, on a fully diluted basis. In connection with the financing, Blackstone completed an equity financing of 5,234,000 subscription receipts for gross proceeds of $1,570,200 CDN. Each subscription receipt will comprise of one common share of the combined Entity, and one half of a common share warrant. Each common share warrant entitles the holder to purchase one additional common share of the combined Entity at a price of $0.60 CDN per share for a period of 12 months from the date of issuance of the warrant, subject to acceleration.

Operational Performance

Summary of Quarterly Results

The following table sets out selected unaudited financial information, prepared in accordance with IFRS. The information contained herein is drawn from interim financial statements of the Company for each of the aforementioned quarters:

	July- Sept 2015	**April- June 2015**	**Jan- March 2015**	**Oct- Dec 2014**	**July- Sept 2014**
Revenue	$1,037,040	$914,556	$1,065,920	$1,170,622	$1,383,418
Cost of Sales	782,257	724,888	877,810	965,628	1,173,558
Gross Profit	254,783	189,669	188,110	204,994	$209,860
Gross Margin	25%	21%	18%	18%	15%
Operating Costs(1)	809,430	722,889	726,709	746,569	744,951
EBITDA(2)	(554,647)	(533,220)	(538,599)	(541,575)	(535,091)

Note:

(1) Operating Costs are defined as all General & Administrative costs, Professional fees, rent, salaries and benefits, sales and marketing, and utilities expenditures.

(2) EBITDA is defined as Gross Profit less operating costs (as defined above).

The following table sets out selected annual financial information, prepared in accordance with IFRS.

	Jan 1, 2015- Sept 30, 2015	Jan 1, 2014- Dec 31, 2014
Revenue	$3,017,516	$6,113,792
Cost of sales	2,384,954	4,737,234
Gross Profit	632,562	1,376,558
Operating Costs	2,259,028	2,200,387
EBITDA	(1,626,466)	(823,829)
Net Loss	(3,190,511)	(1,498,630)
Basic and diluted loss per common share	(221.21)	(96.90)
Basic and diluted weighted average number of common shares	14,423	15,465

Revenue

Sales Details	July- Sept 2015	April- June 2015	Jan- March 2015	Oct- Dec 2014	July- Sept 2014
ADM Dermis	92,659	53,544	15,110	89,040	128,000
DBM Putty	21,175	8,984	84,392	287,050	368,897
Bone Scaffold	918,983	840,033	956,592	786,422	866,763
Other	4,223	11,995	9,826	8,110	19,758
Total Sales	1,037,040	914,556	1,065,920	1,170,622	1,383,418
Bone Scaffold Donors Processed	30	27	50	47	42
Bone Scaffold Sales/ Donor	30,633	31,112	19,132	16,732	20,637

1. Acellular Demineralized Bone Scaffold: This product line has been in full launch since the acquisition of International Biologics Inc. Lattice Biologics has been adding further distributors and direct hospital relationships since the acquisition but has been restricted by working capital deficiencies in 2015 that prohibited the Company from increasing their levels of production (as seen above by the number of donors processed from April- Sept 2015). Lattice has been averaging producing only 10 donors a month since March 2015 but will increase these levels of productions to 30 donors a month in 2016 with a sufficient working capital infusion (in order to purchase further raw materials, Lattice already has the labor and facilities needed to absorb such high growth). Lattice has been generating (on average over the past 2 quarters) $30,000/ donor with an inventory turnover of 60 days from being medically cleared.

2. ADM Dermal scaffold: Lattice launched this product in a soft launch in Q3 2015. Lattice is making their way through the process of establishing their Scientific Advisory Board (SAB- 10 doctors signed on thus far). These doctors are key opinion leaders in their industry who assist Lattice in gaining hospital approvals as well as using and recommending the product to fellow colleagues. Lattice only had one key Doctor in 2014 who was able to generate monthly revenues for Lattice of $100,000 (through 5 months). Once Lattice completes the clinical data and white papers for the product (expected in Q1 2016) to gain mass hospital approvals, Lattice expects similar throughput with their SAB consisting of more Doctors who possess a stronger outreach.

3. DBM Putty: Lattice launched this product in a soft launch in Q4 2015. Lattice already has the user/ customer base for this product given they had been selling the product since the acquisition of International Biologics Inc. The key difference is that in 2015, Lattice was able to bring the production and development of the product in house (previously, had been outsourcing the production). This was done in an effort to increase gross margin on sales.

Gross Margin

Lattice has been able to increase their margins on their products being sold by hiring a more experienced Quality Control (management) team who have been able to implement stronger controls and standards of procedures resulting in fewer donor discards. This Quality Control team has also refined the donor eligibility criteria for donors being accepted resulting in higher yields per donor (as seen above). Also, extensive efforts have been taken to re-negotiate more favorable contracts for production costs being incurred with the processing of donors.

Both ADM Dermal scaffolds and DBM Putty possess higher margins than the traditional Acellular Demineralized Bone Scaffold and as such, Lattice expects future years' revenues to move towards a more balanced sales mix between all three product lines, in an effort to increase gross margins and overall profitability.

Operating Costs

	Jan 1, 2015- Sept 30, 2015	% of revenue	Jan 1, 2014- Dec 31, 2014	% of revenue
General and admin	338,145	11%	501,425	8%
Professional fees	433,144	14%	180,776	3%
Rent	124,927	4%	196,745	3%
Salaries and benefits	896,162	30%	940,381	15%
Sales and marketing	408,109	14%	291,834	5%
Utilities	58,541	2%	89,226	1%
Total Operating Expenditures	2,259,028	75%	2,200,387	36%

Professional Fees

In the nine months ended September 30, 2015, the Company undertook various efforts in order to prepare the Company for a public offering and the merger with Blackstone. This included performing audits for three different financial periods, consulting fees to put the necessary controls and reporting structure in place, as well as legal fees also related to the merger. Management estimates there were approximately $298,846 expenses incurred in the 2015 period that are non-recurring costs, related to the Blackstone merger.

Salaries and Benefits

In the last quarter of fiscal 2014, the Company bolstered the Company's management team and hired Executives leaders such as the COO (to lead all operational activities), CFO (To lead all finance activities), Director of Product Development (To least all R&D activities) and also made efforts to bolster the Company's Quality function. These efforts were undertaken in order to create the necessary infrastructure for the Company's aggressive growth plans. The benefits of this revamped management team has already demonstrated their high purpose through improving the Company's discard ratios and resultant margins,

by improving the Company's financial controls and reporting processes (necessary for the Blackstone Merger), by launching additional product lines (i.e. DBM Putty), etc.

Sales and Marketing
In the nine months ended September 30, 2015, the Company sustained significantly higher sales expenditures as the Company was able to onboard a large distributor who assists the Company to sell their products at significantly higher margins but in return, the Company pays the distributor 30% of all related sales. The Company has determined that margins inclusive of the selling costs are comparable with the Company's ordinary built in the Company's sales price. In the nine months ended September 30, 2015, the Company incurred sales costs in relation to this distributor in the amount of $72,692.

In addition to the above, the Company began working with an agency to assist the Company identify desirable distributors that the Company may potentially be interested in acquiring (*see business objectives #5*). In the nine months ended September 30, 2015, the Company incurred costs of $24,000 in relation to this agency for their billings (sustained on an hourly basis, no contract in place).

Other
Rent and Utilities expenditures incurred in the nine months ended September 30, 2015 are consistent with the previous period on an annualized basis.

Interest and Finance Charges
For the nine months ended September 30, 2015, the Company's interest and finance charges amounted to $658,966 (year ended December 31, 2014- $444,093) as the Company's total liabilities increased to $9,895,571 (December 31, 2014- $7,070,390). See *General Financial Information as at September 30, 2015 (above)* for greater certainty with respects to the increase in interest and finance charges, and liabilities in the 2015 period.

Royalty Costs
As per *General Financial Information as at September 30, 2015 (above)*, the Company received an additional royalty based financing from Grenville which resulted in the aggregate royalty based financing increasing from $2,000,000 (obtained in the year ended to December 31, 2014) to $3,000,000. The resultant impact was an increase in the minimum monthly payment from $41,667 to $62,500. For the nine months ended September 30, 2015, the Company incurred and paid $412,824 in royalty expenses (year ended December 31, 2014- $145,835).

Off Balance sheet Arrangements
As at September 30, 2015 the Company had no off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

Contingencies
In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, vendors and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

Commitments

The Company is committed to leases of its premises and equipment. Minimum lease payments for successive years are as follows:

Item	2016	2017	2018	2019	2020	Thereafter	Total
Equipment	$ 22,836	$ 22,836	$ 22,836	$ 3,806	$ -	$ -	$ 72,314
Premises	264,221	270,439	276,765	264,171	266,914	470,625	1,813,135
Consulting Fees	180,000	-	-	-	-	-	180,000

The Company's Investor Loans, Notes Payable, Convertible Notes and Royalty undiscounted funding obligations are due as follows:

	2016	2017	2018	2019	2020	Thereafter
		$	$	$		$
Note Payable	$1,252,084	250,000	-	-	$ -	-
Investor loans	210,000	1,199,421	-	-	-	-
Convertible Notes	252,690	252,690	1,112,827	-	-	-
Accounts payable and accrued liabilities	2,633,314	-	-	-	-	-
Factoring advances	268,614	-	-	-	-	-
Finance lease	71,280	16,422	-	-	-	-
Royalty*	437,500	750,000	750,000	750,000	750,000	750,000 per annum to perpetuity

*** Based on minimum royalty payments**

Related Party Transactions

In the nine month period ended September 30, 2015, salaries paid to the CEO, CFO and COO of the Company were $241,628 (year ended December 31, 2014 - $113,754). As at September 30, 2015, amounts payable to Officers and Directors of the Company were $72,958 (December 31, 2014 – NIL).

An Officer of the Company provided a loan to the Company, which had a carrying value as at September 30, 2015 of $874,243. This loan bears interest at 20% per annum and has a maturity date of August 1, 2017. This loan is secured by all assets of the Company.

Another Officer of the Company provided a loan to the Company, which had a carrying value as at September 30, 2015 of $157,976. This loan bears interest at 20% per annum and has a maturity date of August 1, 2017. This loan is secured by all assets of the Company. See subsequent events noted below.

Subsequent Events taking place after September 30, 2015

On October 1, 2015 the Company reduced its share capital by 1,987 shares, on a pro-rata basis, amongst its current stockholders.

On October 1, 2015, the Company granted 1,897 shares to employees of the Company.

On October 5, 2015, Blackstone provided the Company with a working capital loan of $550,000 CDN. If the merger between Blackstone and the Company is terminated for any reason, the Company would pay interest on the unpaid principal balance at the rate of 8% per annum (from the date the loan was facilitated), and both the principal and any accrued interest will be deemed payable, 90 days from the date that the transaction is terminated ("Maturity Date"). At any time after the maturity date, Blackstone may convert the outstanding balance in whole or in part, into shares at a conversion rate of US $48.000 per share, subject to a maximum of 11,458 shares.

On November 6, 2015, an Officer of the Company who had loaned the Company $150,000 prior to September 30, 2015, loaned the Company an additional $175,000 resulting in a combined principal amount outstanding of $325,000. The additional amounts loaned were facilitated under the same terms of the original note.

On November 20, 2015, the terms for the Grenville warrants to be issued upon a business combination between the Company and Blackstone were amended to change the expiry terms from 24 months, to 12 months following the date of completion of the business combination, subject to acceleration in the event that the closing price of the Blackstone's post-Business Combination shares on the Exchange is more than $0.75 for five consecutive trading days.

On November 30, 2015, the Company changed its year-end date from December 31, to September 30.

On December 15, 2015, one of the holders of the convertible notes exercised their right to convert their note into shares of Blackstone upon closing of the acquisition of Blackstone. The face value of the note was $500,000 will be converted into 3,174,603 Blackstone shares.

On December 16, 2015, the remaining four holders of convertible notes with a combined face value of $550,000 relinquished their conversion rights to the notes. The relinquishment of these rights will take place upon closing of the acquisition of Blackstone. All other terms of the note remain in effect.

Shares of Common Stock

Lattice's authorized share capital consists of 100,000 shares of common voting stock with a par value of $0.001. The holders of shares of Lattice's common stock are entitled to receive notice of and to attend at all meetings of the holders of Lattice's common stock and each stockholder is entitled to one vote for each share of the capital stock having voting power held by such stockholder. The holders of Lattice's common stock are entitled to receive dividends as and when declared by the Lattice Board. Before payment of any dividend, the Lattice Board may set aside a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of Lattice, or for such other purpose as the directors shall think conducive to the interest of Lattice, and the directors may modify or abolish any such reserve.

Capitalization

The following table outlines the capitalization of Lattice.

Designation of Security	Amount Authorized	Amount outstanding as of September 30, 2015	Amount outstanding as of the date of this MD&A
Common Stock	100,000	14,699	16,005

Legal Proceedings

Other than as disclosed below, there are no claims, actions, proceedings or investigations pending against Lattice or, to the knowledge of Lattice, threatened against Lattice that, individually or in the aggregate, are material to Lattice or would prevent or materially delay the consummation of the Transaction. Neither Lattice nor its assets and properties is subject to any outstanding judgment, order, writ, injunction or decree that has had or would be reasonably expected to have a material adverse effect on Lattice or that would prevent or materially delay consummation of the Transaction.

On September 17, 2015, DCI Donor Services, Inc. ("**DCIDS**") filed a complaint against Lattice in the Superior Court of the State of Arizona in and for the county of Maricopa. DCIDS alleges that Lattice owes DCIDS. $187,800 for services previously provided by DCIDS in connection with the procurement of tissue. Lattice filed a response to this claim on November 13, 2015.

Liquidity

Lattice will continue to make investments to support the growth of the business and may require additional funds to respond to business challenges, including the need to develop new services or enhance existing services, enhance operating infrastructure and acquire complementary businesses and technologies. Accordingly, Lattice may need to engage in equity or debt financings to secure additional funds. As at September 30, 2015, the Company has current liabilities of $5,184,210 (December 31, 2014 - $4,717,121) due within 12 months and has cash of $50,293 (December 31, 2014 - $268,098) to meet its current obligations. As at September 30, 2015, the Company has a working capital deficiency of $1,382,220 (December 31, 2014 - $266,194) and accordingly, the Company is subject to liquidity risk. Management will continue to raise capital to develop, market and promote its products and technology to maintain its ongoing operations.

Lattice has incurred losses in recent periods, including net losses of $3,190,511 in the nine month period ending September 30, 2015, and $1,498,630 in the financial year ended December 31, 2014. Lattice may not be able to achieve or maintain profitability and may continue to incur losses in the future. In addition, it is expected that Lattice will continue to increase operating expenses as it implements initiatives to continue to grow its business.

Financial Instruments

(i) Fair Value

The carrying amount of cash, accounts receivables, accounts payable and accrued liabilities, due to related parties and other payables approximate their fair values due to the short-term maturities of these instruments. The long-term portion of finance lease obligation, investor loans, notes payable, and royalty funding has been discounted at a rate that approximates current market rates and therefore, approximates fair value. See note 13 for disclosures on the fair value of convertible debt.

(ii) Financial risk management

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), fair value risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Market Risk

(i) Currency risk:

The Company's revenues, expenses and financing are primarily denominated in US dollars. There is minimal exposure to currency risk.

(ii) Interest rate risk:

Interest rate risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's debt is at fixed rates and due in the short term. Accordingly, there is limited exposure to cash flow or price interest rate risk. For the period ending September 30, 2015, sensitivity to an increase of 1% to interest rates would result in an increase to the interest expense of $8,108 (year ended December 31, 2014 - $14,302). A decrease of 1% to interest rates would result in a decrease to the interest expense of $7,924 (year ended December 31, 2014 - $14,193).

(b) Credit Risk

The Company has 2 customers (2014- 3 customers) that account for more than 10% of sales. The Company mitigates this risk by evaluating the outstanding balances on a regular basis and abiding by the credit limit that is dictated by the customer's credit rating. As at September 30, 2015, the Company has $271,023 (December 31, 2014 - $358,689) receivables past due.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at September 30, 2015, the Company has current liabilities of $5,184,210 (December 31, 2014 - $4,717,121) due within 12 months and has cash of $50,293 (December 31, 2014 - $268,098) to meet its current obligations. As at September 30, 2015, the Company has a working capital deficiency of $1,382,220 (December 31, 2014 - $266,194) and accordingly, the Company is subject to liquidity risk. Management will continue to raise capital to develop, market and promote its products and technology to maintain its ongoing operations.

(d) Capital management

The Company's objective is to develop a strong capital base to sustain future development and growth of the business. The Company manages its capital by maintaining a flexible capital structure which optimizes the cost of capital at an acceptable level of risk and makes adjustments on it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company's capital base is currently represented by shareholders' equity, investor loans, notes payable, convertible notes and royalty funding. Management reviews the Company's business plans as part of its strategic initiatives in conjunction with its financial forecast. There has been no change in the capital management of the Company during the year, other than the issuance of new convertible notes.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

Accounting Estimates and Judgements

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the amortization of and measurement of impairment of property and equipment and other assets, and deferred income taxes. The judgments notably relate to the determination of the resultant purchase price allocation of the International Biologics, LLC acquisition, and assessment of going concern uncertainties. The most significant estimates and judgements are described below:

i) Identifying and measuring intangible assets acquired in the business combination
The Company is required under IFRS 3 to identify any acquired intangible assets arising from the purchase of International Biologics LLC. Management recognizes these assets when they arise from contractual or other legal rights and can be separated from the acquired business and sold. The Company identified two intangible assets: customers list and acquired intellectual property and licenses. These two intangibles were valued with valuation techniques which relied on observable and unobservable inputs.

ii) Inventory costing technique
The Company uses a specific identification approach to capture the costs of raw materials and overhead to bring the inventory to its present salable condition. This specific identification approach best reflects the physical inputs of raw materials, direct labor and direct overhead.

iii) Determination of Cash Generating Unit and review of impairment
The Company has determined that it presently operates as one cash generating unit and has allocated all its goodwill to that cash generating unit. The Company is required to test all indefinite life intangible assets at least annually.

iv) Accounting for Royalty Funding
The Company's royalty funding agreement has been accounted for as a financial liability and measured at fair value at initial recognition. The Company made this determination after reviewing the substance of the agreement and determining that the cash received was not payments in advance for any future sales. The Company has valued the royalty agreement at fair value when it became party to the arrangement using the prevailing discount rate at the time.

v) Accounting for Convertible Notes
The Company's convertible notes agreements have been accounted for as a financial liability and measured at fair value at initial recognition. As the conversion option is impacted by the public offering pricing, it fails the fixed for fixed criteria. Management has also designated the entire instrument as FVTPL. Accordingly, the entire instrument has been recorded at fair value.

Risk Factors and Risk Management

Lattice will be highly dependent on its ability to obtain donor cadavers as the raw material for many of its products. The availability of acceptable donors is relatively limited and Lattice will compete with many other companies for this limited availability. The availability of donors is also impacted by regulatory changes, general public opinion of the donor process and Lattice's reputation for its handling of the donor process. In addition, due to seasonal changes in the mortality rates, some scarce tissues are at times in short supply. Any disruption in the supply of this crucial raw material could have significant consequences for Lattice's revenue, operating results and continued operations.

Pre-processing and post-processing quality assurance and quality control reviews are performed on all donated tissues. Each donor is approved by Lattice's Medical Director to ensure compliance with donor acceptance criteria prior to release. Lattice's policies and procedures for donor tracking, documentation, tissue processing, allograft packaging, and distribution activities are designed and executed in compliance with current FDA regulations and AATB standards, ensuring safe, high-quality allograft for transplantation. Any failure to identify and discard contaminated tissues could result in adverse effects including litigation in the event of an allograft being implanted that did not follow Lattice's standard operating procedures designed to ensure FDA compliance.

Lattice may not be able to manage future growth efficiently or profitably. Lattice's business is unproven on a large scale and actual revenue and operating margins, or revenue and margin growth, may be less than expected. If unable to scale production capabilities efficiently, Lattice may fail to achieve expected operating margins, which would have a material and adverse effect on operating results. Growth may also stress Lattice's ability to adequately manage its operations, quality of products, safety and regulatory compliance. If growth significantly decreases its reserves, it may be required to obtain additional financing, which may increase indebtedness or result in dilution to stockholders. Further, there can be no assurance that Lattice would be able to obtain any additional financing.

As a manufacturer and marketer of medical devices in the United States, Lattice is subject to extensive regulation by the FDA and the Center for Medicare Services of the U.S. Department of Health and Human Services and other federal governmental agencies and, in some jurisdictions, by state and foreign governmental authorities. These regulations govern the introduction of new medical devices, the observance of certain standards with respect to the design, manufacture, testing, labeling, promotion and sales of the devices, the maintenance of certain records, the ability to track devices, the reporting of potential product defects, the import and export of devices and other matters. The industry is facing an increasing amount of scrutiny and compliance costs as more states are implementing regulations governing medical devices, pharmaceuticals and/or biologics which affect many of Lattice's products.

Lattice is currently in the process of developing sales channels for its products but there can be no assurance that these channels can be developed or that Lattice will be successful in selling its products. Lattice's immediate operations contemplate selling its products through direct sales by employees and indirectly through distributor relationships. Lattice anticipates engaging in a major initiative to build and further expand its direct sales force. This effort will have significant costs that will be incurred prior to the generation of revenue sufficient to cover these costs. The costs incurred for these efforts may impact operating results and there can be no assurance of their effectiveness. Many of Lattice's competitors have well-developed sales channels and it may be difficult for the Company to break through these competitors to take market share. If Lattice is unable to develop these sales channels, Lattice may not be able to grow revenue or maintain the current level of revenue generation.

Lattice's success will depend, to a large extent, on its ability to successfully obtain and maintain patents, prevent misappropriation or infringement of intellectual property, maintain trade secret protection, and conduct operations without violating or infringing on the intellectual property rights of third parties. There can be no assurance that Lattice's patented and patent-pending technologies will provide a competitive advantage, that it will be able to develop or acquire additional technology that is patentable, or that third parties will not develop and offer similar technologies. Lattice currently has no patents and cannot provide assurance that confidentiality agreements, trade secrecy agreements or similar agreements intended to protect unpatented technology will provide the intended protection. Intellectual property litigation is extremely expensive and time-consuming, and it is often difficult, if not impossible, to predict the outcome of such litigation. A failure by Lattice to protect its intellectual property could have a materially adverse effect on its business and operating results and its ability to successfully compete in this industry.

Clinical trials may be required to develop products, gain market acceptance and obtain 510(k) certifications from the FDA and similar certifications in other jurisdictions. Lattice has several clinical trials planned and will likely undertake future trials. These trials often take two years to execute and are subject to factors within and outside of Lattice's control. The outcome of these trials is uncertain and may have a significant impact on the success of current and future products and future profits.

The manufacturing and marketing of biologic products, medical devices and coating technologies involves an inherent risk that Lattice's products may prove to be defective. In that event, Lattice may voluntarily implement a recall or market withdrawal or may be required to do so by a regulatory authority. A recall of one of its products, or a similar product manufactured by another manufacturer, could impair sales of the products Lattice markets as a result of confusion concerning the scope of the recall or as a result of the damage to Lattice's reputation for quality and safety.

Media reports or other negative publicity concerning both improper methods of tissue recovery from donors and disease transmission from donated tissue may limit widespread acceptance of Lattice's allografts. Unfavorable reports of improper or illegal tissue recovery practices, both in the United States and internationally, as well as incidents of improperly processed tissue leading to transmission of disease, may broadly affect the rate of future tissue donation and market acceptance of allograft technologies. Potential patients may not be able to distinguish Lattice's allografts, technologies and the tissue recovery and the processing procedures from those of competitors or others engaged in tissue recovery. In addition, families of potential donors may become reluctant to agree to donate tissue to for-profit tissue processors.

The markets for Lattice's products and services are characterized by rapid technological change, frequent new introductions, changes in customers' demands and evolving industry standards. Accordingly, Lattice will need to continue to innovate and develop additional products. These efforts can be costly, subject to long development and regulatory delays and may not result in products approved for sale. These costs may hurt operating results and may require additional capital. If additional capital is not available, Lattice may be forced to curtail development activities. In addition, any failure to react to changing market conditions could create an opportunity for other market participants to capture a critical share of the market within a short period of time.

The MD&A was authorized for issue by the Board of Directors on December 18, 2015.