CHITOGENX

(Formerly Ortho Regeneration Technologies Inc.)

Annual Report

For the Fiscal Year ended on

January 31, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A") for ChitogenX Inc. (the "Corporation" or "ChitogenX") provides an overview of the Corporation's operations, performance and financial results for the fourth quarter and fiscal year ended on January 31, 2024, and compares those of the same period for fiscal year ended January 31,2023. This MD&A is the responsibility of management and has been reviewed and approved by its Board of Directors. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board of Directors and is comprised of financially literate directors. This report was reviewed by the Corporation's Audit Committee and approved by ChitogenX' Board of Directors on May 27, 2024.

This document should be read in conjunction with the audited consolidated financial statements and notes thereto for fiscal year ended on January 31, 2024, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Further information about ChitogenX, is available online on SEDAR at www.sedarplus.ca.

Unless otherwise noted, all amounts are presented in thousands of Canadian dollars, except for share and per share amounts.

Going concern

This MD&A has been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging liabilities in the normal course of business for the foreseeable future. As reflected in the audited consolidated financial statements, the Corporation is still a clinical stage R&D company. The Corporation has yet to generate revenue and has relied upon the issuance of debt and equity instruments to fund its operations. During the year ended January 31, 2024, the Corporation incurred a net loss of $1,554 ($6,230 - 2023) and used cash in operations of $1,010 ($3,197 – 2023). As at January 31, 2024 the Corporation had a negative working capital balance of $3,035 ($6,826 – 2023).

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. Management anticipates that the continued advancement of its lead Ortho-R program as well as other R&D initiatives leveraging its strong IP portfolio will facilitate securing additional funds from existing and new investors. 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.

Non-IFRS Financial Measures

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

Cautionary note regarding forward-looking statements

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

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

GLOSSARY TERMS

Calendar & Financial

CDU	Convertible Debenture Units
EBITDA (L)	EBITDA Loss
FVA	Fair Value Adjustment
FY	Fiscal Year
G&A	General and Administrative
IR	Investors Relations
ITC	Investment tax credits
NCDUs	Non-Convertible Debenture Units
Q4-24	Fourth quarter FY-24
Q3-24	Third quarter FY-24
Q2-24	Second quarter FY-24
Q1-24	First quarter FY-24
Q4-23	Fourth quarter FY-23
Q3-23	Third quarter FY-23
Q2-23	Second quarter FY-23
Q1-23	First quarter FY-23
SR&ED	Scientific Research and Experimental Development Expenses
R&D	Research and Development
YTD	Year to date
YE	Year-end
WA	Weighted Average
W/C	Working Capital, defined as short-term assets less short-term liabilities

Corporate & Operations

API	Active Pharmaceutical Ingredient
CEBA	Canadian Emergency Business Assistance
CHGX	ChitogenX Inc.
CMC	Chemistry Manufacturing and Controls
cGMP	current Good Manufacturing Practice
CMO	Contract Manufacturing Organization
CSE	Canadian Securities Exchange
FDA	US Food and Drug Administration
IND	Investigational New Drug application with the FDA
MCRA	MCRA, LLC, a US based orthopedic specialty CRO
MRI	Magnetic Resonance Imaging
MTA	Material Transfer Agreement
NSERC	Natural Sciences and Engineering Research Council of Canada
ORTHO-R	Proprietary biopolymer for Rotator cuff repair
OTCQB	US over-the-counter venture trading market
Polytechnique	Ecole Polytechnique de Montreal
PRP	Platelet-rich plasma
Pre-RFD	Pre-Request for Designation

OVERVIEW OF THE BUSINESS AND BUSINESS STRATEGY

ChitogenX is a clinical stage biotech company incorporated under the Canada Business Corporations Act. The Corporation's head office, principal address and registered office is located at 16667 Hymus Blvd., Kirkland, Quebec, Canada and its wholly owned US subsidiary, OR4102023 Inc. has been incorporated on April 20, 2023 and is located at 12 Penns Trail in Newtown, Pennsylvania, USA. The Corporation's shares are publicly traded on the CSE under the symbol "*CHGX*", as well as on the United States OTCQB market under the symbol "*CHNXF*".

Regenerative Medicine Overview

The concept of regenerative medicine is to provide solutions to return anatomy and physiology to a more normal appearance and behaviour. Although there are many definitions, of what constitutes regenerative medicine, the following is succinct:

Regenerative Medicine is an emerging interdisciplinary field of research and clinical applications focused on the repair, replacement or regeneration of cells, tissues or organs to restore impaired function resulting from any cause, including congenital defects, disease, trauma and aging. It uses a combination of several technological approaches that moves it beyond traditional transplantation and replacement therapies. These approaches may include, but are not limited to, the use of soluble molecules, gene therapy, stem cell transplantation, tissue engineering and the reprogramming of cell and tissue types.

Combinations of these approaches can 1) improve the natural healing process in areas of the body where it is most needed, 2) take over the function of a permanently damaged organ, 3) heal or repair a damaged organ or tissue, or 4) deliver healing "accelerators" chemicals that might inspire repair to specific damaged areas of the body.

Regenerative medicine is a relatively new and rapidly expanding field that brings together experts in biology, chemistry, materials and computer science, engineering, genetics, robotics, and other fields to find solutions to some of the most challenging medical problems faced by humankind. We believe ChitogenX is at the forefront of playing a critical role in enabling this rapidly expanding field of medicine.

The Global Regenerative Medicine Market was estimated at $US9B market in 2021 and is projected to grow at 22.8% CAGR through 2030. It is one of the most dynamic markets in medicine today. The musculoskeletal and wound healing segment accounted for about 60% share of the regenerative medicine market in 2021. Biological, cell and pharmaceutical therapies are used in the treatment of musculoskeletal damage to cartilage, tendon, and ligaments as well as skin and organ repair disease or damage. ChitogenX is well positioned to become the preferred regenerative medicine delivery system for this rapidly growing part of the industry.[1]

Regenerative medicine is applicable in cardiovascular, oncology, dermatology, musculoskeletal, wound healing, ophthalmology, neurology, and others. The musculoskeletal and wound healing application segment accounted for over 60% share of the market in 2021 and are expected to grow at a CAGR of 30%+during the forecast period (2023-2030) and is the are of focus for ChitogenX.

[1] Source: Precedence Research, Global Industry Analysis, Size, Share, Growth, Trends, Regional Outlook, and Forecast 2022 – 2030, published Jan 2022

Problem & Solution

The delivery of a tissue scaffold, cellular or molecular therapy or any combination thereof makes a fundamental assumption; that the substance(s) will stay where they were placed and function as desired; if they wander off-target, the desired enhanced healing might not occur and furthermore, the potential exists for off-target effects.

Providing a reliable, biologically safe delivery mechanism that would allow the targeted body system to receive the regenerative material to aid in body system repair is, therefore, a mission-critical goal and a problem that requires solving for the regenerative medicine market to meet its projected growth estimates.

ChitogenX has acquired such a solution from the Polytechnique at the University of Montreal. Our patented muco-adhesive CHITOSAN based scaffold is a versatile biopolymer scaffold that can help various regenerative medicine treatments to adhere to the targeted surgical site or wound.

PRODUCT POSITIONING:

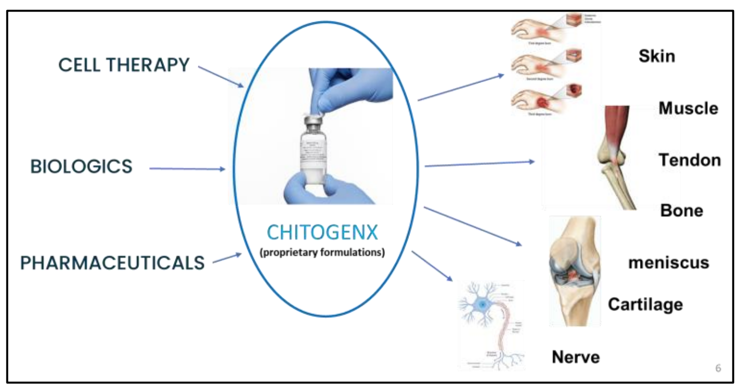
For the regenerative medicine market ChitogenX's chitosan-based biopolymer is an efficacious, safe and reliable regenerative medicine delivery mechanism to targeted body systems to aid in tissue and organ repair.

CHITOSAN-BASED BIOPOLYMER: Key points of differentiation

Our Chitosan-based Biopolymer is formulated and designed to be combined with products to improve the healing of body tissues.

Our Chitosan-based Biopolymer is a patent-protected freeze-dried, sticky biopolymer.

Unlike other natural biopolymer matrix such as Hyaluronic Acid (HA) or Collagen, the chitosan natural biopolymer molecules are positively charged and therefore electrostatically stick to the negatively charged soft tissues of the human body (skin, tendons, ligaments, meniscus). Our Chitosan-based Biopolymer's muco-adhesive feature offer the unique benefit of significantly increasing the in-situ residency time of cell, pharmaceutical, or biologic implants so that they may deliver their regenerative effects.



BUSINESS STRATEGY

1. Prioritize activities to secure commercial status and partnerships

Considering the industry significant unmet needs and interest expressed by several regenerative medicine companies, we intend to prioritize activities that will lead to faster commercial status, enabling us to leverage on our ability to provide potential licensees with a reliable source of cGMP sterile Chitosan-Based Polymer.

2. Leverage non-dilutive grants secured with Polytechnique's partnership to drive proof of concept in multiple indications for our Chitosan-Based Biopolymer

ChitogenX has and can continue to secure non-dilutive research grants through its partnership with Polytechnique.

Meniscus

A first $0.5 million grant has been secured to test the efficacy of our Chitosan-based Biopolymer/PRP Drug-Biologic Implant formulation, for meniscus repair. In a 22 large animal study, the Corporation successfully demonstrated protection from joint degeneration post meniscal repair surgery. The results showed that the ORTHO-R treated group retained better structure and much milder form of OA and, in some cases, appeared near normal. This study provides the first evidence that treatment with ChitogenX' proprietary chitosan-based biopolymer + PRP prevents structural changes to radially incised and sutured menisci in a large animal model, and most likely contributed to protecting the joints against OA development. Further proof of concept application was also successfully completed on soft tissue where the improved adherence of PRP was demonstrated.

Tissue Healing

In February 2023, ChitogenX and its scientific partner Polytechnique secured a $3.5 million grant (inclusive of ChitigenX' $0.9 million contribution) from NSERC and Prima Québec. The 4-year grant will be used to advance scientific development, expand the scope of indications, develop new biomaterials for regenerative medicine and accelerate the commercial readiness of the Corporation's flagship CBB technology platform.

3. Leverage IP portfolio and proof of concept data to attract partnership agreements.

We intend to leverage the various positive proof of concept data generated to date to capitalize on the growth potential of the regenerative medicine market by entering into partnerships. We are currently evaluating opportunities for fast-track regulatory programs with potential 510(k) pre-market submissions in the US and commercial readiness in other jurisdictions.
We expect to soon announce our plans to take full advantage of the broad clinical and commercial opportunities available to the company.

4. Leverage safety data from the Rotator Cuff Tear Repair U.S. phase I/II clinical trial

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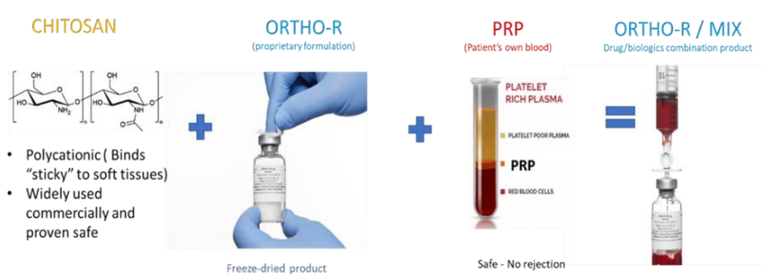
ChitogenX concluded enrolment of its U.S. Phase I/II rotator cuff tear repair clinical trial entitled: *A Blinded, Randomized Controlled Study Investigating the Safety of Ortho-R® for Rotator Cuff Repair Compared with Standard of Care: ORT-2020-01 (Ortho-R® Study)*. Study results are expected during the fall of 2024. The Company, and its clinical and regulatory advisors believe that concluding subject enrollment 20 subjects allows for key study objectives to be met.

ORTHO-R is formulated and designed to improve the healing of body tissues beginning with sports and occupation related injuries to tendons, meniscus, and ligaments.
ORTHO-R is a patent-protected freeze-dried formulation of a biopolymer, a lyo-protectant and a clot activator. ORTHO-R is solubilized in platelet-rich plasma ("PRP") to form an injectable combination of the chitosan scaffold and the PRP-biologic, and an FDA designated bioactive implant that coagulate and stick to tissue after implantation.



In vitro testing has allowed the Corporation to identify specific formulations that meet the following criteria for optimal commercial products:

- (i) rapid and complete solubilization in PRP;
- (ii) biopolymer-PRP mixtures having mucoadhesive paste-like handling properties desired by surgeons;
- (iii) biopolymer-PRP mixtures that coagulate rapidly to form soft tissue-adherent Drug-Biologics hybrid implants;
- (iv) biopolymer-PRP biologics implants that are mechanically stable and resist platelet-mediated clot retraction; and
- (v) dispersion of the biopolymer in the implants that is homogenous for optimal biodegradability.

The polymer-biologics hybrid mix, designated as drug/biologic combination product by the FDA, but may be considered a medical device by other regulatory jurisdictions, can be directly applied at the site of injury by a surgeon during a routine operative procedure without significantly extending the time of surgery and without further intervention.

The use of ORTHO-R as an adjunct to standard of care anchoring/suturing techniques produced promising histological findings in small and large animal experimental models, which is hoped to translate to faster and superior rotator cuff tear repair in humans. No adverse events were found in any of the above-mentioned animal studies nor in the 20 patients of the phase I/II ongoing clinical trial, which suggests a high level of safety.

ChitogenX Overall Value Proposition

- Chitosan-based biopolymer compatible with cells, PRP, biologics
- *In situ* gelling provides mechanical stability, extends residence time
- GMP compliant manufacturing supply
- Chemistry, Manufacturing and Controls (CMC) reviewed through IND
- Low cost of goods (COGS)
- Lyophilized, permitting room temperature storage
- Shelf-stable for up to 3 years
- Proof of concept data of improved tissue regeneration
- Skin tendons meniscus cartilage

Q4-24 CORPORATE HIGHLIGHTS ***(November 1, 2023 to January 31, 2024)***

- On November 7, 2023, ChitogenX announced that it had launched a new development program targeting significant unmet medical needs in the burn and skin repair market, currently valued at US $19B and growing at 5% + CAGR through 2032. Proof of concept studies have already been successfully completed and results will be the subject of news releases in the coming weeks. New patent issued both in US and Canada supports ChitogenX' proprietary chitosan-based biopolymer as ideal combination with cellular regeneration technologies. Both burn and skin repair program have the potential for streamlined regulatory process, and faster path to commercialization. Development work will be primarily funded by the recently awarded $3.4 M grant.
- On November 9, 2023, ChitogenX Inc. announced that ORTHO-R, its proprietary chitosan/PRP based biopolymer matrix successfully demonstrated protection from joint degeneration post meniscal repair surgery in a large animal study. These results demonstrated protection from knee joint degeneration and osteoarthritis development post meniscal repair surgery and provide further evidence that the Company's proprietary chitosan-based biopolymer, combined with PRP can potentially bring significant benefit to human tissue repair.
- On November 9, 2023, the Corporation granted an aggregate of 3,316,667 DSUs and 500,000 Options to Directors and Officers of the Company, in lieu of cash compensation.
- On November 30, 2023, the Corporation agreed with investors to convert $300 of accrued interests to the principal amount of its $3 million convertible debenture maturing February 1, 2025, with the same conditions. (*See "*Audited Consolidated *Financial Statements Note 8.a"*).
- On December 8, 2023, the Corporation agreed with certain investors to convert $30 of accrued interests into their principal totalling $300 and to amend certain terms (the "Amended Notes"). The Amended Notes bear interest at 12% and with a maturity date of February 1, 2025.

Events Subsequent to the end of the Fiscal year

a) On February 28, 2024, the Corporation announced that Philippe Deschamps, Chief Executive Officer, has decided to step down as CEO and has resigned from the Board of Directors, effective February 28, 2024. Mr. Pierre Laurin, previously Chairman of the Board of Directors, is now acting as Chaiman and CEO. Unvested Options and RSUs were cancelled on February 28, 2024, resulting in a reduction of the stock-based compensation expense of $253 during the first quarter of fiscal 2025.

b) On March 6, 2024 the Corporation secured a $75 unsecured note from a shareholder, bearing interest at 15% per annum and repayable on March 6, 2026.

c) On March 27, 2024, the Corporation received a grant of $53 which will be recognized as a reduction of the expenses on a systematic basis over the period in which the related development costs are incurred. The remaining balance of the grant of $22 will be received during fiscal year 2025.

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

SELECTED FINANCIAL DATA

The following table sets forth financial information relating to the periods indicated and should be read in conjunction with the January 31, 2024 audited consolidated financial statements.

	Q4-24	Q4-23	*Change*		**FY-24**	FY-23	*Change*	
	$	$	*$*	*%*	**$**	$	*$*	*%*
Expenses								
R&D	290	561	*(271)*	*-48%*	977	2 235	*(1 258)*	*-56%*
G&A	159	509	(350)	-69%	1 340	2 083	(741)	-36%
Share-based compensation	290	92	*198*	*215%*	419	391	*28*	*7%*
Financial	96	1 070	*(974)*	*-91%*	818	2 143	*(1 327)*	*-62%*
	835	2 232	*(1 397)*	*-63%*	3 554	6 852	*(3 298)*	*-48%*
FVA embedded derivative	(377)	-	*(377)*	*-100%*	(1 948)	(535)	*(1 413)*	*264%*
FVA on warrants	-	(72)	*72*	*-100%*	(52)	(87)	*35*	*-40%*
Net loss and Comprehensive loss	(458)	(2 160)	*1 702*	*-79%*	(1 554)	(6 230)	*4 676*	*-75%*
Loss per share								
WA # of shares outstanding	**83,129,520**	51,038,776	*32,090,744*	*63%*	**73,000,077**	48,261,822	*24,738,255*	*51%*
Loss per share	**0.01**	0.04	*0.03*	*-87%*	**0.02**	0.13	*0.11*	*--84%*

EBITDA(L) Reconciliation (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")
The following table provides a reconciliation of net loss to EBITDA(Loss) for the Q4-24 and FY-24 periods as compared to the prior year.

	Q4-24	Q4-23	*Change*		**FY-24**	FY-23	*Change*	
	$	$	*$*	*%*	**$**	$	*$*	*%*
Net loss	**(458)**	(2 160)	1 702	-79%	**(1 554)**	(6 230)	4 676	-75%
Add (deduct)								
Financial	**96**	1 070	(974)	-91%	**818**	2 143	(1 325)	-62%
FVA embedded derivative	**(377)**	-	(377)	-100%	**(1 948)**	(535)	(1 413)	264%
FVA on warrants	**-**	(72)	72	-100%	**(52)**	(87)	35	-40%
Depreciation – equipment	1	6	(5)	-83%	**10**	26	(16)	-62%
Amortization – intangible assets	8	8	-	-	**32**	33	(1)	-3%
EBITDA (L)	**(730)**	(1 148)	418	-36%	**(2 694)**	(4 650)	1 956	-42%

Selected items	**Q4-24 vs Q4-23 and FY-24 vs FY-23**
Revenues	• CHITOGENX is a clinical stage company. No revenues were generated during each of FY-24 and FY-23
R&D expenses	• R&D expenses include internal and external expenses. Internal expenses represent mostly salaries and consulting fees for our staff. External expenses include all development costs related to work performed under our Collaborative R&D contract with Polytechnique as well as specific manufacturing activities, regulatory, pre-clinical and clinical work to advance our pipeline. R&D expenses are presented net of R&D tax credits (ITCs) recoverable from the provincial government for Scientific Research and Experimental Development (SR&ED) programs, and net of government grants. • R&D expenses are also presented net of grants which are amortized over their respective term.
	• R&D expenses for Q4-24 and FY-24 were significantly lower than in the prior year periods. The respective decreases were 48% and 56%. • R&D expenses decreased due to the timing and nature of R&D activities, the conclusion of enrolment for the Corporation's Phase I/II rotator cuff trial, as well as the use of R&D grants which serve to fund a large portion of our R&D activities since the $2.6 million INSERC R&D grant was secured in Q1-24.
G&A expenses	• G&A expenses include salaries and consulting fees paid to non-R&D staff, professional fees, conferences, travel expenses, as well as investors relation activities.
	• G&A spending in Q4-24 was down compared to Q4-23 at $0.2 million compared to $0.5 million. G&A spending for the FY-24 period was down 36% compared to FY-23. • G&A in Q4-23, and FY-23 included a severance charge for the termination of our previous CEO. G&A in FY-24 included a special charge for salary deferral, as management opted to defer salaries for preserving cash to support R&D operations.

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

Share-based compensation (SBC)	• Represents the expense related to issuing stock options to staff, consultants and board members. Variances for the comparative quarters include non-recurrent grant to a new Board member as well contractual vesting for members of management on options already outstanding. • SBC expenses in Q4-24 were up 215% compared to Q4-23 as new options and RSU were granted to management in lieu of salaries. The FY-24 SBC expenses were flat compared to FY-23.
Financial expenses	• Financial expenses include interest on loans, notes and convertible debentures, as well as effective interest on debentures and foreign exchange gain or loss. • Financial expenses were down 91% and 62% respectively for Q4-24 and FY-24 period compared to Q4-23, and FY-23. The reduction was due to one partial repayment of the Q4-22 bridge financing, as well as conversion of $2.3 million of CDUs into the May/June 2023 Private Placement.
Fair Value Adjustment ("FVA") of Embedded Derivative	• On January 19, 2023, the Corporation announced the amendment of three series of CDUs to extend their respective maturity dates. • An Embedded derivative comprised of the conversion options classified as liability was created following the amendment of the CDUs during FY-22. Starting Q4-22, any change in the Fair Value of the Conversion Option of the CDUs ("FVCO") has been recorded as a financial expense. • During the Q4-24 and Q4-23 periods, the change in the FVCO, led to a Fair Value Adjustment ("FVA") of the conversion option representing a $0.4 million and nil gain. Such gain was $1.9 million and $0.5 million respectively for the FY-24 and FY-23 periods.
Fair Value Adjustment ("Fair Value Adjustment") on warrants	• The terms of the warrants issued as part of the December 2023 Bridge financing led to the creation of a warrant liability. • During each of Q4-24 and Q4-23, as well as FY-24 and FY-23 the revaluations of the Warrants' fair value were nominal.
Net loss for the period	• Due to the significant reduction in expenses as well as the gain on re-evaluating the Fair Value of the Conversion Option on the debentures, the Corporation net loss decreased significantly during the FY-24 periods compared to the corresponding periods in FY-23. • Net loss in Q4-24 was $0.5 million, down 79% compared to Q4-23, while net loss for the FY-24 was down 75% compared to FY-23.
EBITDA (L)	• After eliminating the impact of the financial expenses, as well as depreciation and amortization, but also after eliminating the impact of the combined gain on revaluation of the CDU embedded derivative and warrant liability, our EBITDA loss during Q4-24 was $0.7 million compared to $1.1 million for Q4-23, representing a 36% decrease, and reflecting the overall decrease in expenses described above. • The reduction in EBITDA loss for the FY-24 period was $2.0 million, or 42% decrease compared to FY-23.

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

SELECTED BALANCE SHEET HIGHLIGHTS

The following table sets forth the financial information related to the Corporation's consolidated statements of financial position for the years indicated and should be read in conjunction with the audited consolidated financial statements for year ended January 31, 2024.

As at,	January 31, 2024	January 31, 2023	Change	
	$	$	$	%
Cash	**35**	**108**	*-73*	*-68%*
Prepaids expenses and deposits	**110**	**122**	*-12*	*-10%*
Intangible Assets	**267**	**299**	*-32*	*-11%*
Total assets	**534**	**738**	*-204*	*-28%*
Accounts payable and accrued liabilities	**2 456**	**1 793**	*663*	*37%*
Notes – Short term	**180**	**480**	*-300*	*-63%*
Convertible Debentures - Short term	**416**	**2 681**	*-2 265*	*-84%*
Convertible Debentures - Long term	**2 909**	**2 363**	*546*	*23%*
Conversion options - Short term	**-**	**1 098**	*-1 098*	*-100%*
Total liabilities	**6 712**	**10 581**	*-3 869*	*-37%*
Common shares	**14 201**	**10 357**	*3 844*	*37%*
Warrants	**2 325**	**2 406**	*-81*	*-3%*
Contributed surplus	**4 007**	**2 551**	*1 456*	*57%*
Deficit	**(26 711)**	**(25 157)**	*-1 554*	*6%*

Selected items	YE-24 vs YE-23
Cash	• Cash at the end of YE-24 was $35 compared to $0.1 million at the start of the fiscal year.
Total Assets	• Total assets decreased slightly between YE-23 and Q4-24 with a $0.2 million reduction reflecting the small decrease in Cash as well as the decrease in R&D tax credits which show the impact of the reduced R&D expenses.
Trade AP and accrued liabilities	• Trade accounts payables and accrued liabilities increased by $0.7 million during FY-24. The main increase compared to YE-23 relates to an increase in amounts due to management as no salaries/fees were paid during the FY-24 period.
Notes	• Notes were issued as part of the December 2021 bridge financing which matured in December 2023. They continue to bear interest until full repayment.
Convertible debentures (Short-term)	• During FY-20 and FY-21, the Corporation issued $3.2 million of CDUs to fund its operations. • The $2.3 Million decrease during the FY-24 period relates to the net impact of the CDU and interest being converted into the May/June 2023 private placements.
Convertible debentures (Long-term)	• During Q4-23 the Corporation secured a $3.0 million NCDU financing to fund its activities. During Q4-23, an agreement has been reached with 100% of the NCDU Debenture holders to extend the term of the debenture to February 1, 2025, and add a conversion features. Following this amendment, the debentures previously referred as NCDUs are now presented as CDUs.
Embedded derivative	• Represents the conversion option liability for CDU maturing in February 2025. • The change in value of the conversion option for these CDUs led to a $1.1 million reduction since YE-23.
Total Liabilities	• Total liabilities have decreased significantly between YE-23 and YE-24. Following conversion of debentures into the May/June 2023 Private Placements, as well as the elimination/reduction of the conversion options on the debentures. Total liabilities decreased by $3,9 million during FY-24.
Common Shares	• The increase takes into account the closing of the FY-24 Private placements.
Warrants	• Warrants increased during the FY-24 period due to the issuance of warrants as part of the May/June 2023 Private placements.
Contributed Surplus	• The contributed surplus increased by $1,5 million because of share-based compensation expense and the expiry of warrants.
Deficit	• The increase reflects the performance of the Corporation during FY-24. (See "Statement of Loss" commentaries)

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

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table sets out the Corporation's selected unaudited quarterly financial information for the eight quarters ended January 31, 2024. This information is derived from unaudited quarterly financial statements prepared by management in accordance with IFRS. The following quarterly information is presented on the same basis as the audited consolidated financial statements and should be read in conjunction with those statements and their accompanying notes.

	Q4-24	Q3-24	Q2-24	Q1-24	**Q4-23**	Q3-23	Q2-23	Q1-23
R&D Expenses (Net)	**290**	74	195	418	**561**	567	444	663
G&A expenses	**157**	254	345	584	**509**	523	484	567
Share-based compensation	**290**	29	44	56	**92**	95	162	42
Financial expenses	**98**	257	124	339	**1 070**	373	349	351
FVA embedded derivative	**(377)**	171	(299)	(1 443)	**-**	277	78)	(734)
FVA on warrants	**-**	(1)	-	(51)	**(72)**	22	2	(39)
Net loss	**(458)**	(784)	(409)	97	**(2 160)**	(1 857)	(1 363)	(850)
EBITDA (Loss)	**(728)**	(346)	(573)	(1 047)	**(1 149)**	(1 171)	(1 076)	(1 254)

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

Notes	**Valuable information**
R&D expenses	• R&D expenses fluctuate based on the timing of R&D activities. R&D expenses in Q4-24 are up slightly compared to prior quarter when compared to the prior quarters, do show the impact of the reduction of R&D activities which followed the conclusion of enrollment into the Phase I/II rotator cuff study, as well as the use of R&D grants which serve to fund a large portion of our R&D activities.
G&A expenses	• G&A expenses have fluctuated due to the impact of senior management changes that took place during the various periods. G&A expenses were the same as the prior quarter but decreased after Q2-24 due to reduction of compensation to senior management.
Share-Based Compensation	• Share-based compensation fluctuates as a results of staff changes, and due to the timing of expense recognition associated with the vesting of the options issued.
Financial expenses	• Financial expenses have increased significantly over the last few quarters. Interest charges have decreased since Q3-24 following conversion in May and June 2023 of a significant portion of the outstanding debentures into the Private Placements. Financial expenses increased by \$0.7 million between Q3-23 and Q4-23 due to the non-recurrent loss on extinguishment of the NCDU debt.
FVA of embedded derivative	• The changes to the terms of the conversion price of convertible debentures as well as the variation in share price during the last quarters has led to quarterly adjustments to the FVCO of the debentures representing respective decreases (gains) or increases (losses) since the embedded derivative were created.
FVA on warrants	• There have been nominal quarterly variations (adjustments) to the fair value of the warrants issued as part of the December 2021 bridge financing. Warrants have expired in Q1-24.
Net loss	• Over the last 2 years, fluctuations in net income or loss have been mainly impacted by the FVA of the derivative liability related to the CDUs as well as to a lesser extent to the fluctuations of the R&D, G&A and SBC expenses. • Net income in Q1-24 is due to the \$1.4 million positive FVA of the derivative liability.
EBITDA (Loss)	• EBITDA (Loss) (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures") eliminates the impact of the FVA on the CDU, NCDU, ITC and other financings which reflect the Corporation's financing strategy adopted to attract the required capital to fund its operations. • After eliminating such expenses, the EBITDA (Loss) in Q4-24 increased compared to the prior quarter due to a small increase in R&D activities, as well as non-recurrent share-based-compensation expenses. Fluctuations over prior quarter were directly related to variations in R&D and G&A spendings described above.

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

LIQUIDITIES AND CAPITAL RESSOURCES

For the year ended	31-Jan-24	31-Jan-23	*Change* $	%
Operating activities:				
Net loss from operations	**(1 554)**	(6 230)	*4 676*	*-75%*
Other items not affecting cash	**(1 168)**	**1 575**	*(2 743)*	*-174%*
Changes in non-cash working capital	**1 7313**	1 458	*255*	*17%*
Cash used in operations	**(1 009)**	(3 197)	*2 188*	*-68%*
Investing activities:				
Cash used in investing activities	**-**	-	*-*	*-%*
Financing activities:				
Cash provided by financing activities	**937**	2 945	*(2 008)*	*-68%*
Cash, beginning of year	**108**	313	*(205)*	*-65%*
Decrease in cash	**(72)**	(252)	*180*	*-71%*
Effect of foreign exchange on cash	**(1)**	47	*(48)*	*-102%*
Cash, end of year	**35**	108	*(73)*	*-68%*

Selected items	FY-24 vs FY-23
Cash used in operations	• Cash used in operations represents the cash flows from operations, excluding income and expenses not affecting cash plus changes in non-cash working capital items. • Cash used in operations was $1.0 million for FY-24 period as compared to $3,2 million for FY-23 period, representing a $2.2 million decrease. The decrease results from the $4.7 million decrease in net loss, and a $0.3 million increase in non-cash working capital which were offset by $2.7 million from items not affecting cash which captured the combined $2.0 million gains on fair value adjustments to the CDU embedded derivative and warrant liability.
Cash used in investing activities	• No investments during FY-24, and FY-23.
Cash provided by financing activities	• Financing activities in FY-24 generated $0.9 million from several private placement financings completed during the year compared to $2.9 million in FY-23 representing the net impact of the April 2023 PIPE, and notes secured before YE-23, later converted into the April/May 2023 PIPE.
Cash, End of the year	• The Corporation ended FY-24 with cash of $35 compared to $0.1 million at the end at the end of FY-23.

Cash, and Working Capital

As at,	YE-24 $	YE-23 $	*Change* $	%
Cash	**35**	108	*(73)*	*-68%*
Total current assets	**234**	396	*(162)*	*-41%*
Accounts payables and accrued liabilities	**2 456**	1 793	*663*	*37%*
Convertible debentures – Short-term	**416**	2 681	*(2 265)*	*-84%*
Notes – Short term	**180**	480	*(300)*	*100%*
Current portion of long-term loan	**-**	40	*(40)*	*100%*
Warrants presented as a liability	**-**	52	*(52)*	*100%*
Total current liabilities	**3 269**	7 222	*(3 953)*	*-55%*
Working Capital	**(3 035)**	(6 826)	*3 791*	*-56%*

Cash at YE-24 was $35 as compared to $0.1 million at the end of YE-23 representing no change. Cash raised during FY-24 was used to fund operations. Despite the nominal cash position, the working capital deficit has improved significantly between YE-23 and YE-24 following the maturity and conversion of the CDU maturing in May 2023. Working Capital at the end of YE-24 showed a $3.0 million deficit compared to a $6.8 million deficit as at YE-23, a $3.8 million or 56% improvement.

During prior periods, the Corporation has raised the necessary capital to support its operations. However, there is no assurance that the Corporation will be able to secure the necessary financing to fund it various development programs. Management has continued to implement IR and financing initiatives to attract the required capital to fund its operations and deliver R&D and corporate milestones over the next fiscal year. (See "Overview of the Business" and "Going concern").

The Corporation's use of available funds over the coming year is of utmost concern to the Board. Since the extent and timing of warrant exercise as a source of financing are uncertain, management continues to look for alternative sources of financing to secure the required capital necessary to fund its operations and development projects. Management's focus is on securing equity-based financings from Canadian and US based institutional and/or accredited investors. The Corporation is also actively promoting its technologies to strategic partners.

Discussion of operating cash requirements

All programs in the Corporation's current portfolio will require additional financial commitments to increase their market value (through, for example, clinical trials) or to attract a strategic partner.

Soft Tissue / Rotator Cuff Repair program

After having concluded enrolment on the Phase I/II rotator cuff program, we estimate that $0.5 million will be required to complete the study and position ChitogenX for Phase II readiness on this program.

Burn healing and Skin Repair program.

In order to leverage the recently announced notice of allowance providing protection for the use of our proprietary chitosan scaffold on its own and in combination with a wide variety of therapeutic agents, ChitogenX has launched 2 new R&D programs focusing on burn healing and skin repair. Development of the new programs will be covered by the 3-year NSERC grant and will provide for accelerated timelines compared to soft-tissue program development.

We wish to make best use of our financial resources and leverage out strong intellectual properties. The notice of allowance on new patents ("See Q4-highlights") provides for:

- proprietary chitosan scaffold on its own and in combination with a wide variety of therapeutic agents,
- protects for the use of ChitogenX' proprietary scaffold in combination with biologics in addition to existing PRP and blood products applications,
- provides huge boost to the Company's attractiveness as a regenerative medicine with a proprietary scaffold and positioned the Corporation to leverage opportunities for commercial readiness and fast-tracking regulatory programs with potential 510(k) pre-market submissions in the US.

We are now in a unique position to secure co-development agreements using our Ortho-R (Chitosan-PRP), as well as our new Chitosan based IP. Co-development agreements represent the best approach to create value while leveraging 3rd party funding. In order to successfully advance its current R&D programs, ChitogenX entered into a Collaborative R&D Agreement with Polytechnique to ensure access to Polytechnique's staff, expertise, and laboratories. The agreement expired on August 14, 2024. R&D activities at Polytechnique are now funded by the Corporation and since February 2023, from a new $3.5 million (gross) grant from NSERC and Prima Québec (inclusive of the Corporation $0.9M contribution) in partnership with Polytechnique Montréal. The 3-year grant will be used to advance the scientific development, expand the scope of indications, develop new biomaterials for regenerative medicine and accelerate the commercial readiness of the Company's flagship ORTHO-R technology platform.

The Corporation's cash burn has significantly reduced over the last year, as evidenced by 1) the steep reduction in overall R&D expenses following the conclusion of the Phase I/II rotator cuff trial enrolment, 2) the securing of the $3.5 million (gross) NSERC grant, 3) management's decision to significantly reduce and defer the majority of payment on its compensation, and 4) the conversion of a significant portion of the debt leading to reduced financial costs. Management is actively pursuing strategic initiatives and R&D partnering to attract/secure non-dilutive financing while continuing to seek financing via traditional financing means.

Statement of Compliance

These audited consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board ("IASB")* as well as with those standards and interpretations as issued by the *International Financial Reporting Interpretations Committee ("IFRIC")* issued and effective or issued and early adopted as at the time of preparing these consolidated financial statements.

Use of Estimates and Judgements

Reference should be made to the Corporation's audited consolidated financial statements for the year ended January 31, 2023, *note 3 – use of estimates and judgment*, for an extended description of the information concerning the Corporation's significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses.

ChitogenX Inc.

Consolidated financial statements
January 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of CHITOGENX INC.,

Opinion

We have audited the accompanying consolidated financial statements of CHITOGENX INC. and its subsidiary (together, the Corporation), which comprise the consolidated statements of financial position as at January 31, 2024 and January 31, 2023, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in deficiency and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at January 31, 2024 and 2023, and its consolidated financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRS) as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Audacie Inc.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended January 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Accounting and valuation of convertible financial instruments, valued at fair value through profit and loss ("FVTPL"). We draw attention to notes 8 to the consolidated financial statements. As at January 31, 2024, the Corporation has convertible debentures, for which the conversion options are classified as an embedded derivative valued at FVTPL. The fair value is considered level 3 for which quoted prices or observable inputs were not available. For each financial instrument, management uses valuation techniques that require significant non-observable inputs, requiring management's estimation and judgement. The fair value measurement was a key audit matter as the valuation required the application of significant judgment in assessing the non-observable inputs used, including significant valuation adjustments. Changes to these estimates may affect the carrying value of the host debt instrument and embedded derivatives within the convertible debentures.	Our approach to addressing the matter included the following procedures, among others: • Evaluating the methodologies and significant inputs used by the Corporation; • Performing a valuation approach, assisted by a valuation specialist, to assess the modelling assumptions and significant inputs used to estimate the fair value, which involved corroboration of certain inputs and assumptions as applied by management.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statement, including the disclosures, and whether the consolidated financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Audacie [1] inc.

Chartered Professional Accountant Corporation

Brossard (Quebec)
May 27, 2024

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[1] CPA auditor, public accountancy permit No. A135158

ChitogenX Inc.

Consolidated Statements of Financial Position

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
For the years ended January 31, 2024 and 2023

As at January 31,	*Notes*	**2024**	2023
ASSETS			
Current			
Cash		**35**	108
Sales tax and other receivables		**16**	39
Investment tax credits receivable		**73**	127
Prepaid expenses and deposits		**110**	122
Total current assets		**234**	396
Equipment	*4*	**33**	43
Intangible assets	*5*	**267**	299
Total assets		**534**	738
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current			
Accounts payable and accrued liabilities	*6*	**2,456**	1,793
Accrued interest on debentures and notes	*8, 10*	**217**	328
Advance from a shareholder	*12*	**-**	750
Current portion of long-term loan	*7*	**-**	40
Notes	*10*	**180**	480
Convertible debentures	*8*	**416**	2,681
Conversion options	*8*	**-**	1,098
Warrants	*10*	**-**	52
Total current liabilities		**3,269**	7,222
Long-term loan	*7*	**40**	-
Notes	*10*	**330**	-
Convertible debentures	*8*	**2,909**	2,363
Conversion options	*8*	**164**	996
Total liabilities		**6,712**	10,581
SHAREHOLDERS' DEFICIT			
Common shares	*11*	**14,201**	10,357
Warrants		**2,325**	2,406
Contributed surplus		**4,007**	2,551
Deficit		**(26,711)**	(25,157)
Total shareholders' deficit		**(6,178)**	(9,843)
Total liabilities and shareholders' deficit		**534**	738

Going Concern Uncertainty (Note 1); Commitments (Note 22); Subsequent Events (Note 23).

"/s/ "Tim Cunningham" ", Director   *"/s/ "Pierre Laurin" "*, Director

The accompanying notes are an integral part of these consolidated financial statements.

ChitogenX Inc.

Consolidated Statements of Loss and Comprehensive Loss

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

For the years ended January 31, 2024 and 2023

	Notes	**2024**	2023
Expenses			
Research and development	*15*	**977**	2,235
General and administrative	*16*	**1,340**	2,083
Share-based compensation	*11*	**419**	391
Financial	*17*	**818**	2,143
Total Expenses		**3,554**	6,852
Other items			
Fair Value adjustment on embedded derivative	*8b)*	**(1,948)**	(535)
Fair Value adjustment on warrants	*10b)*	**(52)**	(87)
Net loss and comprehensive loss		**1,554**	6,230
Loss per share			
Weighted average number of common shares outstanding	*13*	**73,000,077**	48,261,822
Loss per common share	*13*	**0.02**	0.13

The accompanying notes are an integral part of these consolidated financial statements.

ChitogenX Inc.

Consolidated Statements of Changes in Shareholders' Deficit

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
For the years ended January 31, 2024 and 2023

	Notes	**Number of common shares**	**Share capital**	**Warrants**	**Contributed surplus**	**Deficit**	**Total**
Balance as at January 31, 2022		**34,956,093**	**7,891**	**1,828**	**2,104**	**(18,927)**	**(7,104)**
Units issued	*11*	16,082,683	2,575	657	-	-	3,232
Units issue costs	*11*	-	(109)	(23)	-	-	(132)
Share-based compensation	*11*	-	-	-	391	-	391
Expired warrants	*11*	-	-	(56)	56	-	-
Net loss		-	-	-	-	(6,230)	(6,230)
Balance as at January 31, 2023		**51,038,776**	**10,357**	**2,406**	**2,551**	**(25,157)**	**(9,843)**
Units issued	*11*	**32,090,744**	**3,844**	**983**	**(27)**	**-**	**4,800**
Share-based compensation	*11*	**-**	**-**	**-**	**419**	**-**	**419**
Expired warrants	*11*	**-**	**-**	**(1,064)**	**1,064**	**-**	**-**
Net loss		**-**	**-**	**-**	**-**	**(1,554)**	**(1,554)**
Balance as at January 31, 2024		**83,129,520**	**14,201**	**2,325**	**4,007**	**(26,711)**	**(6,178)**

The accompanying notes are an integral part of these consolidated financial statements.

ChitogenX Inc.

Consolidated Statements of Cash Flows

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
For the years ended January 31, 2024 and 2023

	Notes	**2024**	2023
Operating activities:			
Net loss		**(1,554)**	(6,230)
Adjustments for:			
Share-based compensation	*11*	**419**	391
Consulting fees and other payable settled through the issuance of shares or warrants		**17**	311
Depreciation and amortization	*4,5*	**42**	59
Amortization – financial charges	*17*	**-**	98
Loss on debt extinguishment	*9*	**-**	768
Unrealized gain on foreign exchange		**(12)**	(48)
Interest on loans and debentures	*17*	**389**	630
Fair Value adjustment – embedded derivative	*8b)*	**(1,948)**	(535)
Fair Value adjustment – warrants liability	*10b)*	**(52)**	(87)
Government grant amortization	*15*	**-**	(12)
Gain on issuance of debt	*8*	**(23)**	-
Net change in non-cash operating working capital	*14*	**1,713**	1,458
Cash used in operating activities		**(1,009)**	(3,197)
Financing activities:			
Repayment of convertible note	*10*	**-**	(375)
Advance from a shareholder	*12*	**-**	750
Proceeds from issuance of units	*11*	**937**	2,702
Payment of units issue costs		**-**	(132)
Cash provided by financing activities		**937**	2,945
Effect of foreign exchange on cash		**(1)**	47
Cash, beginning of year		**108**	313
Decrease in cash		**(72)**	(252)
Cash, end of year		**35**	108

The accompanying notes are an integral part of these consolidated financial statements.

1. Reporting entity and going concern

ChitogenX Inc. ("the Corporation", or "ChitogenX"), 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 and its wholly owned US subsidiary, OR4102022 Inc. has been incorporated on April 20, 2022 and is located at 12 Penns Trail in Newtown, Pennsylvania, USA. Since September 12, 2022, the Corporation's shares are listed on the Canadian Securities Exchange ("CSE"), under the symbol "CHGX" and on the United States OTCQB ("OTCQB") market, under the symbol "CHNXF".

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, ChitogenX continues to assess its potential for therapeutic uses outside of the soft tissue repair market.

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

The Corporation has yet to generate revenue and has relied upon the issuance of debt and equity instruments to fund its operations. During the year ended January 31, 2024, the Corporation incurred a net loss of $1,554 ($6,230 - 2023) and used cash in operations of $1,009 ($3,197 – 2023). As at January 31, 2024 the Corporation had a negative working capital balance of $3,035 ($6,826 – 2023).

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 consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 27, 2024.

2. Summary of Material Accounting Policies

Basis of measurement

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

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

Functional and presentation currency

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

	January 31, 2024	January 31, 2023
End of period exchange rate – USD	**1.3397**	1.3350
Period average exchange rate – USD	**1.3495**	1.3085

Statement of Compliance

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

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

Consolidation

Subsidiaries are all entities over which the Corporation has control. The Corporation controls an entity when the Corporation is exposed to, or has rights to, variable returns from its involvement in the entity and could affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealized gains on transactions between the Corporation's subsidiaries are eliminated. Unrealized gains or losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Corporation's accounting policies.

Corporation	Nature of Services	January 31, 2024	January 31, 2023
OR41002023 Inc.	US cost center	**100%**	100%

Intangible assets

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

Equipment

Equipment is recorded at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the equipment. Gains and losses on disposal of an equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognized in the consolidated statement of loss and comprehensive loss. Depreciation is based on the cost of an asset less its residual value and is recognized in the consolidated statement of loss and comprehensive loss over the estimated useful life which is from three to five years for equipment. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Research and development costs

Development expenditures are capitalized only if research and development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the product. No development costs have been capitalized to date. Research, development costs and costs for new patents and patent applications are charged to operations in the year in which they are incurred, net of related investment tax credits.

Impairment of non-financial assets

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

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

Financial instruments

Financial assets

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

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

Financial liabilities

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

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

The following summarizes the Corporation's classification and measurement of financial assets and liabilities as at January 31, 2024 and 2023:

	Measurement
Financial asset:	
Cash	Amortized cost
Other receivables	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Accrued Interest on debentures and notes	Amortized cost
Advance from a shareholder	Amortized cost
Long-term loan	Amortized cost
Convertible debentures	Amortized cost
Notes	Amortized cost
Conversion option classified as liability	FVTPL
Warrants classified as liability	FVTPL

The initial carrying amount of a compound financial instrument, i.e., an instrument that comprises a liability and an equity component, is allocated using the residual value method. Under the residual value method, the Corporation first determines the fair value of the liability component and allocates the residual value to the equity component. Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

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

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

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2: Fair value is based on inputs other than quoted prices included within Level 1 that are not observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs.

The fair value of a financial instrument is approximated by the consideration that would be agreed to in an arm's length transaction between willing parties and through appropriate valuation methods, but considerable judgement is required for the Corporation to determine the value. The actual amount that could be realized in a current market exchange could be different than the estimated value. In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy at the lowest level input that is significant to the entire measurement.

The following valuation assumptions and/or methods were used to estimate the fair value of financial instruments:

- The fair values of cash, other receivables, accounts payable and accrued liabilities, accrued interest on debentures and notes are approximately equal to their carrying values due to their short-term maturities;
- The fair value of long-term loan, advance from a shareholder, notes and convertible debentures are determined based on the discounted cash flow method and calculated using current interest rates for instruments with similar terms and remaining maturities that the Corporation could have obtained on the market at the measurement date; and

- The fair value of conversion options and warrants classified as liabilities are determined using valuation techniques. Assumptions are based on market conditions prevailing on the reporting date. The conversion options and warrants classified as liabilities reflect the estimated amounts that the Corporation would receive or pay to transfer the contracts in an orderly transaction between market participants at each reporting date.

Income taxes

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

Current tax

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

Deferred tax

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

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

Sales tax

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

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

Segment reporting

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

Share capital

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

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

Share-based compensation

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

The Corporation grants Restricted Stock Units ("RSUs") to certain employees. RSUs will be settled by the issuance of shares at the vesting date and their fair value is determined by using the quoted share price of the trading date immediately before the date of grant and recognized in compensation expense over the service period, or upon the achievement of a performance condition and remaining in the entity's employ until that performance condition is satisfied, which corresponds to the vesting period. When the length of the vesting period varies depending on when that performance condition is satisfied, the Corporation presume that the services to be rendered by the employee as consideration for the RSUs will be received in the future, over the expected vesting period.

The Corporation grants Deferred Stock Units ("DSUs") to certain directors, officers, consultants and employees. DSUs will be settled by the issuance of shares at the vesting date and their fair value is determined by using the quoted share price of the trading date immediately before the date of grant and recognized in compensation expense at the date of grant, which corresponds to the date of vesting.

Government assistance

Government assistance consists of investment tax credits and or grants. Grant is recognized when there is reasonable assurance that the Corporation will comply with the requirements of the approved grant and the Corporation, based on management's judgment, is reasonably certain that the grant will be received. Government assistance related to research & development expenditures is recorded as a reduction of such expenses in the statement of loss and comprehensive loss.

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

Changes to accounting standards

The Corporation adopted the following amendments to accounting standards:

- Amendments to IAS 1, Presentation of financial statements (applicable for annual reporting beginning on or after January 1, 2023): Disclosure of accounting policies, to require entities to disclose material accounting policies information rather than significant accounting policies;
- Amendments to IAS 8, Accounting policies (applicable for annual reporting beginning on or after January 1, 2023): Changes in accounting estimates and errors, to clarify the definition of the terms "accounting policy" and "accounting estimate";
- Amendments to IAS 12, Income Taxes (applicable for annual reporting beginning on or after January 1, 2023): Deferred income taxes related to assets and liabilities arising from a single transaction, to restrict the scope of the exemption related to the recognition of deferred income taxes.

The adoption of these amendments to accounting policies had no material impact on the consolidated financial statements.

New accounting standards pronouncements not yet effective includes the following:

- Amendments to IAS 1, Presentation of financial statements (applicable for annual reporting beginning on or after January 1, 2024):

  On January 23, 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements: Clarifies the classification of liabilities as current or non-current. On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1), to improve the information a company provides about long-term debt with covenants.

For the purpose of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period.

The Amendments reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which a company must comply after the reporting date do not affect a liability's classification at that date.

The amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The amendments state that:

i) settlement of a liability includes transferring a company's own equity instruments to the counterparty, and
ii) when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity.

The amendments are effective for annual periods beginning on or after January 1, 2024. Management is still assessing the impact, if any, of the adoption of this standard.

- Amendments to IAS 7, Statement of Cashflow and IFRS 7, Financial Instruments (applicable for annual reporting beginning on or after January 1, 2024): Additional disclosures and clarifies existing disclosure requirements requiring qualitative and quantitative information to be provided on supplier finance arrangements.
- Introduction of IFRS 18 - Presentation and Disclosure in Financial Statements (applicable for annual reporting beginning on or after January 1, 2027):

On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged.

The new Accounting Standard introduces significant changes to the structure of a company's income statement, more discipline and transparency in presentation of management's own performance measures (commonly referred to as 'non-GAAP measures,') and less aggregation of items into large, single numbers.

The main impacts of the new Accounting Standard include:

i) introducing a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company's main business activities (i.e. operating, investing and financing);
ii) requiring disclosure about management performance measures (MPMs); and
iii) adding new principles for aggregation and disaggregation of information.

IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The extent of the impact of adoption of this new IFRS has not yet been determined and the Company has not determined if it would adopt by anticipation.

The Corporation does not anticipate that these amendments will have a material impact on its consolidated financial statements.

3. Use of Estimates and Judgment

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

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

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

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

The following areas require management's critical estimates:

Valuation of share-based compensation and warrants

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

Valuation of convertible and non-convertible financial instruments

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

The calculation of the fair value of the debt component of debentures requires using an interest rate that the Corporation would have had to pay had the loan been obtained without a conversion feature. Such interest rate requires management's estimates by reference to loan interest paid by comparable companies in the similar sector. The Corporation used the same reasonable interest rate to estimate the impact from the maturity extension and the addition of a conversion option on the non-convertible debentures during fiscal 2024 and the maturity extension on certain convertible debentures during fiscal 2023. Details of the assumptions used are included in Note 8, 9 and 10. Changes to these estimates may affect the carrying value of the host debt instrument, warrants classified as equity or liability and embedded derivatives within the convertible and non-convertible debentures or notes.

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

Going concern

The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

The following area require management's judgment:

Investment tax credits

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

4. Equipment

	Cost	Accumulated depreciation	Carrying Value
Balance as at January 31, 2022	271	(202)	69
Additions	-	(26)	(26)
Balance as at January 31, 2023	271	(228)	43
Additions	**-**	**(10)**	**(10)**
Balance as at January 31, 2024	**271**	**(238)**	**33**

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

5. Intangible Assets

	Cost	Accumulated amortization	Carrying Value
Balance as at January 31, 2022	485	(153)	332
Additions	-	(33)	(33)
Balance as at January 31, 2023	485	(186)	299
Additions	**-**	**(32)**	**(32)**
Balance as at January 31, 2024	**485**	**(218)**	**267**

6. Accounts Payable and Accrued Liabilities

Balance as at	January 31, 2024	January 31, 2023
Trade accounts payable	**2,191**	1,484
Accrued liabilities	**265**	309
Total	**2,456**	1,793

7. Long-Term Loan

	Interest Rate	Maturity	January 31, 2024	January 31, 2023
Canada Emergency Business Account	5 %	December 31, 2026	**40**	40

The Corporation secured a Canadian Emergency Business Account ("CEBA") loan from the Canadian Federal government in 2021, as financial support program during COVID. The loan was bearing 0% interest up to December 31, 2023. Effective January 19, 2024, an interest rate of 5% per annum will apply to any outstanding unpaid balance on the loan, payable or capitalized monthly. The CEBA loan will become due on December 31, 2026.

8. Convertible Debentures

a) Host instrument

	January 31, 2024	January 31, 2023
Opening balance	**5,044**	2,387
Additions	**259**	3,389
Conversion of debentures into units	**(2,367)**	-
Fair value of conversion option allocated to liability	**-**	(1,047)
Accretion expense	**389**	315
Total	**3,325**	5,044
Current portion	**416**	2,681
Non-current portion	**2,909**	2,363
Total	**3,325**	5,044

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

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

		Nominal amounts outstanding as at	
Maturity Date	**Initial Amount**	**January 31, 2024**	January 31, 2023
May 1, 2023	**3,204**	**416**	2,783
February 1, 2025[i]	**3,000**	**3,300**	3,000
Total	**6,204**	**3,716**	5,783
Current portion		**416**	2,783
Non-current portion		**3,300**	3,000
Total		**3,716**	5,783

[i] The repayment of principal and interest of these convertible debentures, for an aggregate amount of $3,355 as at January 31, 2024, is secured by a first ranking hypothec on the universality of the Corporation's present and future movable and personal property. As at January 31, 2024, the universality of the Corporation's present and future movable and personal property corresponds to the carrying amount of the total assets presented on the Consolidated Statement of Financial Position.

<u>For the year ended January 31, 2024</u>:

During the year, the Corporation completed a non-brokered private placement of units and settled certain debts and interests outstanding representing $2,367 and $221 respectively (see Note 11).

On November 30, 2023, the Corporation capitalized $300 of accrued interests to the principal amount of the debenture with the same conditions. The carrying amount was recorded by using the discounted cash flows method assuming an effective interest of 24.6% determined on the estimated rate for a loan with similar terms from comparable companies. The Corporation utilized a Monte Carlo simulation model to determine the fair value of the conversion option. The conversion option of $18 is considered as an embedded derivative to be classified as a liability instrument because of its anti-dilution feature. The total value of the host instrument and conversion option is $277. The difference between the total value and the interests capitalized was recorded as a gain on debt issuance of $23.

Accretion charges, included in financing expense on the consolidated statement of loss and comprehensive loss, attributable to the convertible debentures for the year ended January 31, 2024 was $389. In addition, $405 of interest expense was recorded, of which $184 is included as Interest payable on convertible debentures in the consolidated statement of financial position.

During the twelve months ended January 31, 2024, debentures totaling $2,367 were converted into common shares of the Corporation (nil during the year ended January 31, 2023).

<u>For the year ended January 31, 2023</u>:

On December 12, 2022, the Corporation amended its non-convertible debentures and related warrants agreements (the "Amendment"). Mainly, under the terms of the Amendment, the maturity date of the outstanding non-convertible debentures and related warrants were extended to February 1, 2025, as well as introducing a conversion option, with an anti-dilution protection feature, at a maximum conversion price of $0.35 per share or warrant exercise price in a Private Placement financing, whichever is lower.

The Amendment was accounted for as an extinguishment of all outstanding debentures as the present value of the cash flows under the new terms discounted using the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

At the date of the Amendment, the Corporation derecognized the carrying amount of the outstanding original debentures of $2,621 and a new liability totaling $2,342 was recorded by using the discounted cash flows method assuming an effective interest of 24.6% determined on the estimated rate for a loan with similar terms from comparable companies. The Corporation utilized a Monte Carlo simulation model to determine the fair value of the conversion option. The conversion option of $1,047 is considered as an embedded derivative to be classified as a liability instrument because of its anti-dilution feature. The total value of the new host instrument and conversion option is $3,389. The difference between the total value and the carrying amount derecognized of the outstanding original debentures was recorded as a loss on debt extinguishment of $768.

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

Accretion charges, included in financing expense on the consolidated statement of loss and comprehensive loss, attributable to the convertible debentures for the year ended January 31, 2023 was $315. In addition, $317 of interest expense was recorded, of which $289 is included as Interest payable on convertible debentures in the consolidated statement of financial position.

b) Embedded Derivative

	January 31, 2024	January 31, 2023
Opening balance	**2,094**	1,582
Additions	**18**	1,047
Fair Value adjustment	**(1,948)**	(535)
Total	**164**	2,094
Current portion	**-**	1,098
Non-current portion	**164**	996
Total	**164**	2,094

For the year ended January 31, 2024, the Corporation recorded a positive adjustment on revaluation of their related conversion options or embedded derivative's fair value of $1,948 ($535 for the year ended January 31, 2023) resulting from the decrease in the Corporation's share price going down from $0.26/share as of January 31, 2023 to $0.09/share as of January 31, 2024 (from $0.35/share as of January 31, 2022 to $0.26/share as of January 31, 2023).

9. Non-convertible Debentures

	Notes	**January 31, 2024**	January 31, 2023
Opening balance		**-**	2,349
Accretion expense		**-**	272
Loss on debt extinguishment	*8*	**-**	768
Debenture derecognition	*8*	**-**	(3,389)
Total		**-**	-

For the year ended January 31, 2024:

Accretion expense included in financing expense on the consolidated statement of loss and comprehensive loss, attributable to the debentures for the year ended January 31, 2024 was nil.

For the year ended January 31, 2023:

Accretion expense included in financing expense on the consolidated statement of loss and comprehensive loss, attributable to the debentures for the year ended January 31, 2023 was $272 including $60 of amortization of transaction costs. In addition, $260 of interest expense was recorded, of which $10 is included as Interest payable on debentures and notes in the consolidated statement of financial position.

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

10. Notes

a) Host instrument

	January 31, 2024	January 31, 2023
Opening Balance	**480**	934
Additions	**30**	-
Accretion expense	**-**	141
Conversion of notes	**-**	(220)
Repayment of notes	**-**	(375)
Total	**510**	480
Current portion	**180**	480
Non-current portion	**330**	-
Total	**510**	480

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

		Nominal amounts outstanding as at	
Maturity Date	**Initial Amount**	**January 31, 2024**	January 31, 2023
December 13, 2022	**775**	**180**	480
February 1, 2025	**330**	**330**	-
Total	**1,105**	**510**	480
Current portion		**180**	480
Non-current portion		**330**	-
Total		**510**	480

<u>For the year ended January 31, 2024</u>:

On December 8, 2023, the Corporation agreed with certain investors to convert $30 of accrued interests into their principal totalling $300 and to amend certain terms (the "Amended Notes"). The Amended Notes bear interest at 12% and with a maturity date of February 1, 2025 and are convertible, at the option of the holder, should the Corporation complete a capital raise. The Amended Notes would then be convertible at the same terms and conditions of the capital raise . The remaining notes of $180 that were not part of the amendment are currently expired and still bear interest at 10%.

Accretion expense included in financing expense on the consolidated statement of loss and comprehensive loss, attributable to the Notes for the year ended January 31, 2024 was nil. In addition, $48 of accrued interest expense was recorded of which $33 is still accrued and included in accrued interest on debentures and notes in the consolidated statement of financial position.

<u>For the year ended January 31, 2023</u>:

On April 5, 2022, the Corporation agreed with certain investors to transfer their current investments in a non-brokered private placement of units and issued $220 as a replacement to notes issued in December 2021. In December 2022, the Corporation partially reimbursed the principal balance due at maturity and agreed with the remaining investors to defer payment.

Accretion expense included in financing expense on the consolidated statement of loss and comprehensive loss, attributable to the Notes for the year ended January 31, 2023 was $141. In addition, $100 of accrued interest expense was recorded of which $29 is still accrued and included in accrued interest on debentures and notes in the consolidated statement of financial position.

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

b) Warrants

	January 31, 2024	January 31, 2023
Opening balance	**52**	139
Fair Value adjustment	**(52)**	(87)
Total	**-**	52

For the year ended January 31, 2024, the Corporation recorded a positive adjustment on revaluation of the warrants' fair value of $52 ($87 for the year ended January 31, 2023).

11. Share Capital and other equity instruments

(a) Share capital

The Authorized Share Capital is composed of

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

Class "A" common shares	**#**	$
Balance as at January 31, 2022	34,956,093	7,891
Common shares issued	16,082,683	2,575
Share issue costs	-	(109)
Balance as at January 31, 2023	51,038,776	10,357
Common shares issued	**32,090,744**	**3,844**
Balance as at January 31, 2024	**83,129,520**	**14,201**

For the year ended January 31, 2024:

On May 5, 2023, the Corporation completed the first closing of a non-brokered private placement (the "Private Placement") of 25,708,988 units for $3,856, consisting of gross cash proceed of $1,267, consulting fees of $496, outstanding debentures and interest accrued of $2,093, settled through the issuance of units. Each Unit consists of one (1) Class "A" common share of the Company (each, a "share") and one share purchase warrant (each a "Warrant"). Each Warrant will entitle the holder to purchase one Share of the Corporation ("Warrant Share") at a price of $0.35 per Warrant Share for a period of 36 months from closing (the "Closing Date"), subject to adjustment in certain events. If, at any time following the Closing Date, the daily volume weighted average trading price of the Shares on the Canadian Securities Exchange is greater than $0.50 per Share for the preceding 10 consecutive trading days, the Corporation shall have the right to accelerate the expiry date of the Warrants to a date that is at least 30 days following the date of such notice to holders of Warrants.

On June 5, 2023, the Corporation completed the second closing of the Private Placement of 1,922,608 units for $288, consisting of gross cash proceed of $41 and outstanding debentures and interest accrued totalling $247, settled through the issuance of units.

On September 29, 2023, the Corporation completed the third closing of the Private Placement of 4,255,138 units for $639, consisting of gross cash proceed of $390 and outstanding debentures and interest accrued totalling $249, settled through the issuance of units.

The same conditions as the first closing applies to the second and third closing.

Shares and warrants were valued based on their relative fair values. The fair value of the shares was determined by the closing price on the date of the transaction and the fair value of the warrants was determined based on a Monte Carlo simulation model. The Private Placement's gross proceeds of $4,783 was allocated between common shares and warrants for $3,800 and $983 respectively. The remaining of the common shares issued during the year arise from a settlement with a supplier of $17 and RSUs issuance of $27.

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

For the year ended January 31, 2023:

On April 5, 2022, the Corporation completed a non-brokered private placement of units and issued 16,000,000 units at a price of $0.20 per Unit for total gross proceeds of 3,200. Each Unit consists of one (1) Class "A" common share of the Company (each, a "share") and one share purchase warrant (each a "Warrant"). Shares and warrants were valued based on their relative fair values. The fair value of the shares was determined by the closing price on the date of the transaction and the fair value of the warrants was determined based on a Monte Carlo simulation model. The remaining of the common shares issued during the year arise from a settlement with a supplier.

(b) Share based compensation

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

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

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

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

For the years ended January 31, 2024 and 2023, the Corporation recorded compensation expense of $75 and $331, respectively, with corresponding credits to contributed surplus related to the issuance of stock options. The weighted average fair value of the options granted during the year, estimated by using the Black-Scholes option pricing model, was $0.07 ($0.18 for the year ended January 31, 2023).

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

	January 31, 2024	January 31, 2023
Weighted average exercise price	**0.18**	0.21
Weighted average risk-free rate	**3.83%**	2.73%
Weighted average volatility factor (i)	**89.08%**	106.12%
Weighted average expected life (years)	**8.0**	8.0

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

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

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

	Number of Shares	January 31, 2024 Weighted Average Exercise Price	Number of Shares	January 31, 2023 Weighted Average Exercise Price
Options outstanding, beginning of year	**4,776,000**	**0.32**	2,946,000	0.47
Granted during the year	**500,000**	**0.18**	2,500,000	0.21
Options cancelled/expired	**(1,454,250)**	**0.42**	(670,000)	0.57
Options outstanding, end of year	**3,821,750**	**0.27**	4,776,000	0.32

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

During the year ended January 31, 2024, the following options were granted:

Number	Notes	Date of grant	Expiry date	Exercise price	Fair value
500,000	(i)	November 9, 2023	November 9, 2031	0.18	0. 07

(i) 33% vesting at the date of the grant, 33% vesting on November 9, 2024 and the balance on November 9, 2025.

The following options were outstanding as at January 31, 2024:

Outstanding	Exercisable	Exercise price	Remaining contractual life (years)
75,000	75,000	$0.60	4.75
450,000	450,000	$0.36	[0.38-5.38]
100,000	100,000	$0.70	5.15
65,000	65,000	$0.58	4.65
81,750	81,750	$0.71	4.88
50,000	50,000	$0.47	5.15
2,000,000	483,333	$0.20	6.19
500,000	500,000	$0.26	6.39
500,000	166,667	$0.18	7.78
3,821,750	**1,971,750**		

(c) Restricted Stock Units

On April 8, 2022 (the "Date of Grant") the Corporation granted 551,938 Restricted Stock Units ("RSU") to its CEO, Philippe Deschamps. Half of the RSU's will vest annually and equally over the first 3 years following the date of grant. The balance will vest based on achievements of predetermined operational and corporate milestones. Fair value of RSUs equals the market price of the shares on the date of grant.

The following tables present the movement in outstanding RSUs during the current period:

	Year ended January 31, 2024	Year ended January 31, 2023
	Number of RSUs	Number of RSUs
Units outstanding, beginning of year	**551,938**	-
Granted during the year	**(133,385)**	551,938
Units outstanding, end of year	**418,553**	551,938

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

133,385 RSUs were vested during the year ended January 31, 2024 (2023 – nil). No RSUs were redeemable as at January 31, 2024 (2023 – nil). The total share-based compensation for the year ended January 31, 2024 was $29 (2023 - $60) recognized in contributed surplus on the consolidated statement of changes in shareholders' equity and in share-based compensation expenses on the consolidated statement of loss.

(d) Deferred Stock Units

The Corporation implemented a DSU equity incentive plan to allow for certain discretionary bonuses and similar awards as an incentive and reward for selected directors, officers, employees and consultants ("Recipient"). DSUs are acquired at the date of grant and are redeemed by the issuance of shares at a date to be determined by the Recipient, provided that such date must occur between (a) the date of Separation from Service and (b) December 31 of the calendar year commencing after the Separation from Service. "Separation from Service" occurs upon (i) termination or resignation (ii) retirement or (iii) death, of the Recipient. Fair value of DSUs equals the market price of the shares on the date of grant.

On November 9, 2023 (the "Date of Grant") the Corporation granted 3,316,667 Deferred Stock Units ("DSUs") to its Board of Directors members and its senior executives. The DSUs vests on the date of grant.

The following tables present the movement in outstanding DSUs during the current period:

	Year ended January 31, 2024	**Year ended January 31, 2023**
	Number of DSUs	**Number of DSUs**
Units outstanding, beginning of year	**-**	-
Granted during the year	**3,316,667**	-
Units outstanding, end of year	**3,316,667**	-

During the year ended January 31, 2024, the following DSUs were granted:

Number	**Notes**	**Date of grant**	**Vesting terms**	**Fair value**
3,316,667		November 9, 2023	100% on grant date	0. 09

The total share-based compensation for the year ended January 31, 2024 was $315 (2023 - nil) recognized in contributed surplus on the consolidated statement of changes in shareholders' equity and in share-based compensation expenses on the consolidated statement of loss.

(e) Warrants

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

		January 31, 2024		January 31, 2023	
	Notes	**Number of Shares**	**Weighted Average Exercise Price**	Number of Shares	Weighted Average Exercise Price
Balance beginning of year		**34,325,312**	**$0.42**	17,407,981	$0.55
Granted during the year	*11 (a)*	**31,886,734**	**$0.35**	17,157,650	$0.35
Expired during the year		**(16,654,462)**	**$0.48**	(240,319)	$0.45
Exercised during the year		**-**	**-**	-	-
Balance end of year		**49,557,584**	**$0.36**	34,325,312	$0.42

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

As at January 31, 2024, the Corporation had outstanding warrants as follows:

Number of warrants	Exercise price	Fair value of warrants	Remaining contractual life
1,670,850	$0.75	$0.49	1.01 years
47,886,734	$0.35	$0.03 – $0.04	0.18 – 2.66 years
49,557,584			

For the year ended January 31, 2024:

During the year, the Corporation completed a non-brokered private placement of units and issued 31,886,734 units. Details of the transactions are presented in Note 11 (a). The initial value of the warrants expired during the year ended January 31, 2024, totaling $1,064, was reclassified in Contributed surplus, in respect of the Corporation accounting standards.

For the year ended January 31, 2023:

On December 12, 2022, the Corporation amended some of its warrant agreements expiring on the same date as the non-convertible debentures. Under the terms of the amendment, the maturity date was extended to February 1, 2025. No significant impact resulted from the warrants' extension. The initial value of the warrants expired during the year ended January 31, 2023, totaling $56, was reclassified in Contributed surplus, in respect of the Corporation accounting standards.

12. Advance from a shareholder

During the year ended January 31, 2023, the Corporation received a $750 advance from a shareholder, which is not-interest bearing. The Corporation settled this advance by the issuance of Units in the non-brokered private placement detailed in Note 11.

13. Loss per share

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

	January 31, 2024	January 31, 2023
Net loss for the year	**1,554**	6,230
Weighted average number of common shares outstanding	**73,000,077**	48,261,822
Loss per share	**$0.02**	$0.13

For the year ended January 31, 2024 and 2023, there were no dilutive items.

14. Supplemental Cash Flow Information

	January 31, 2024	January 31, 2023
Net change in non-cash operating working capital items		
Sales tax receivable and other receivables	**35**	(4)
Prepaid expenses and deposits	**12**	(2)
Investment tax credits receivable	**54**	127
Accounts payable and accrued liabilities	**1,612**	1,337
Total	**1,713**	1,458

For the year ended January 31, 2024 and 2023, the Corporation paid in cash interests of $16 and $444 respectively.

Non-cash financing items specific to the Private Placement includes conversions of $2,588 in debt and accrued interest, $750 in advance payable and $497 in consulting fees (in lieu of salary).

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

15. Research and Development Expenses

	January 31, 2024	January 31, 2023
Development costs	**976**	2,271
Patent costs	**53**	88
Depreciation – equipment	**10**	26
Amortization – intangible assets	**32**	33
	1,071	2,418
Investment tax credit	**(94)**	(171)
Government grants	**-**	(12)
Total	**977**	2,235

16. General and Administrative Expenses, by nature

	January 31, 2024	January 31, 2023
Office and administrative (i)	**1,096**	1,749
Professional and investor's relations fees	**244**	334
Total	**1,340**	2,083

(i) Includes consulting fees paid to management in lieu of salary.

17. Financial Expenses

	January 31, 2024	January 31, 2023
Interest coupon on debentures	**453**	678
Difference between effective interest and coupon on debentures	**389**	630
Gain on debt issuance	**(23)**	-
Loss on debt extinguishment	**-**	768
Amortization - financing cost	**-**	98
Gain on foreign exchange	**(1)**	(31)
Total	**818**	2,143

18. Income Taxes

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

	January 31, 2024	January 31, 2023
Loss before income taxes	**(1,554)**	(6,230)
Basic income tax rate	**26.50%**	26.50%
Computed income tax recovery	**(412)**	(1,651)
Permanent differences	**109**	104
True-up and other items	**(218)**	77
Change in deferred tax assets not recognized	**521**	1,470
	412	1,651
Provision for income taxes	**-**	-

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

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

Deferred tax asset/(liability) against P&L

	January 31, 2024	January 31, 2023
Non-capital losses carried forward	**4,634**	3,981
R&D pool	**1,566**	1,462
Intangible and tangible assets	**26**	40
Convertible debenture	**4**	221
Financial and equity issue costs	**77**	66
	6, 307	5,770
Unrecognized deferred tax assets	**(6,307)**	(5,770)
	-	-

Deferred tax asset/(liability) against Equity

	January 31, 2024	January 31, 2023
Financial and equity issue costs	**31**	48
Convertible debenture	**-**	-
	31	48
Unrecognized deferred tax assets	**(31)**	(48)
	-	-

The corporation has non-capital losses carried forward amounted to $17,507 as at January 31, 2024 ($15,044 for 2023). Non-capital losses can be carried forward over 20 years in Canada and can only be used against future taxable income. The corporation also has scientific research & experimental development expenses of $5,952 as at January 31, 2024 ($5,555 for 2023) which have no expiration date. In addition, the Corporation has $574 of unused investment tax credits ($527 for 2023), which can be carried forward for 20 years in Canada. Deferred tax assets have not been recognized in respect of these amounts as they may not be used to offset taxable profits and there are no other tax planning opportunities or other evidence of recoverability in the near future.

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

c. As at January 31, 2024, 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	1,310	1,390
2041	2,349	2,386
2042	2,950	2,982
2043	4,373	4,328
2044	2,482	2,481
	17,507	17,458

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

19. Financial Instruments

For the year ended January 31, 2024, the convertible debentures conversion options and the warrants issued as part of the notes in December 2021 are still being carried at faire value through profit and loss ("FVTPL"). For the year ended January 31, 2023, the convertible debentures conversion options were revaluated and reclassified from equity to liabilities and carried at FVTPL. The Corporation has no financial instruments carried at fair value through other comprehensive income ("FVTOCI") for both fiscal years.

As at January 31, 2024:	**FVTPL**	**Amortized cost**
Financial asset:		
Cash	**-**	**35**
Financial liabilities:		
Accounts payable and accrued liabilities	**-**	**2,456**
Accrued interest on debentures and notes	**-**	**217**
Notes	**-**	**510**
Long-term loan	**-**	**40**
Convertible debentures	**-**	**3,325**
Conversion options classified as liability	**164**	**-**

As at January 31, 2023:	**FVTPL**	**Amortized cost**
Financial asset:		
Cash	-	108
Financial liabilities:		
Accounts payable and accrued liabilities	-	1,793
Accrued interest on debentures and notes	-	328
Advance from a shareholder		750
Notes	-	480
Long-term loan	-	40
Convertible debentures	-	5,044
Conversion options classified as liability	2,094	-
Warrants classified as liability	52	-

During the year ended January 31, 2024, all financial instruments at fair value of the Corporation were considered a Level 2, except for the embedded derivative which is a Level 3. The Corporation's policy is to recognize transfers between the different hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No financial instruments were transferred between levels 1, 2 and 3.

The carrying value of all of the Corporation's financial instruments approximates their fair value as at January 31, 2024.

20. 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. As at January 31, 2024, the Corporation's maximum exposure to credit risk corresponds to the carrying amount of the cash and the other receivables presented on the Consolidated Statement of Financial Position.

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

(b) Market risk

(i) Cash flow and fair value interest rate risk

The Corporation is exposed to fair value interest rate risk due to its short-term debt and convertible debenture negotiated at a fixed rate.

(ii) Currency risk

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

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

	January 31, 2024		January 31, 2023	
	Foreign Currency	**CAD equivalent**	Foreign Currency	CAD equivalent
Cash – USD	**11**	**14**	(6)	(7)
Accounts payable and accrued liabilities – USD	**1,172**	**1,570**	975	1,301
Accounts payable and accrued liabilities – EUR	**10**	**15**	8	12

A plus or minus 5% variation in exchange rate, all else being held equal, would result in a foreign exchange gain or loss of $80 for the year ended January 31, 2024 ($65 for the year ended January 31, 2023).

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities calculated based on contractual undiscounted cash flows including interest coupons (if applicable):

As at January 31, 2024:	***Carrying value*** $	***Contractual cash flows*** $	***Less than 12 months*** $	***Between 12 months and 36 months*** $
Financial liabilities				
Accounts payable and accrued liabilities	**2,456**	**2,456**	**2,456**	-
Accrued interest on debentures and notes	**217**	**217**	**217**	-
Long-term loan	**40**	**40**	**40**	-
Convertible debentures	**3,325**	**4,272**	**914**	**3,358**
Notes	**510**	**602**	**268**	**333**
Total	**6,548**	**7,587**	**3,896**	**3,691**

As at January 31, 2023:	***Carrying value*** $	***Contractual cash flows*** $	***Less than 12 months*** $	***Between 12 months and 36 months*** $
Financial liabilities				
Accounts payable and accrued liabilities	1,793	1,793	1,793	-
Accrued interest on debentures and notes	328	328	328	-
Long-term loan	40	40	40	-
Convertible debentures	750	750	750	-
Non-convertible debentures	5,044	6,515	3,165	3,350
Notes	480	486	486	-
Total	8,435	9,912	6,562	3,350

In thousands of Canadian dollars except for share, unit, warrant and per share amounts

(d) Capital risk management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation's definition of capital includes equity, comprised of issued common shares, warrants and contributed surplus. The Corporation's primary objective with respect to its capital management is to ensure that it has enough financial resources to meet its financial obligations. To secure the additional capital necessary to carry out these plans, the Corporation will attempt to raise additional funds through the issuance of debt, equity or by securing funds from strategic partners. The Corporation is not subject to any externally imposed capital requirements. The Corporation's overall strategy with respect to capital risk management remains unchanged since the year ended January 31, 2023.

21. Related Party Transactions

The following table presents the related party transactions presented in the consolidated statement of loss and comprehensive for the years ended:

	January 31, 2024	January 31, 2023
Transactions with key management and members of the Board of Directors:		
Share-based compensation	**452**	363
Consulting fees	**759**	1,218
Interest earned on debentures	**76**	289
Interest earned on debentures by Manitex, a company controlled by a member of the Board of Directors	**58**	217
Severance payable to a former Officer	**125**	120

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

	January 31, 2024 **$**	January 31, 2023 $
Key management and directors:		
Accounts payable and accrued liabilities	**793**	500
Debentures and notes	**155**	1,214
Conversion options classified as embedded derivatives	**9**	348
Warrants classified as liability	**-**	29
Accrued interest on debentures and notes	**42**	50
Manitex Capital, a shareholder of the Corporation:		
Debentures and notes	**-**	931
Conversion options classified as liability	**-**	63
Warrants classified as liability	**-**	10
Accrued interest on debentures and notes	**-**	76

22. Commitments

a) Polytechnique contract

In June 2015, the Corporation entered into collaborative research agreement with École Polytechnique ("Poly") which stipulated that when the Corporation's products are commercialized, it must make non-refundable payments to Polyvalor, a shareholder of the Corporation, equal to 1.5% of net sales. The agreement has been extended until August 14, 2024 and subsequently replaced by the NSERC funding (see note 22 d)).

b) Platelet-rich plasma Project

In April 2021, the Corporation entered into a collaborative research agreement with École Polytechnique and two industrial partners to delineate the Platelet-rich plasma (PRP) components, the distinct impact of each component and their collective action towards tissue repair. The Corporation committed to contribution to the PRP project totals $240 over 2 years including of in-kind contributions. During the year ended January 31, 2024, the project was extended to March 2024. The Corporation received a $53 grant after year-end (See Note 23 c).

c) Axelys Project

In May 2022, the Corporation entered into a research and financing agreement with Axelys and École Polytechnique whereby Axelys, a non-for-profit organization, agreed to grant a sum of $524 to advance the development of its second technology platform indication, ORTHO-M, for meniscus repair (the “Axelys Project”). The Corporation’s contribution to the Axelys Project totals $139 over 2 years, of which $111 was disbursed as of January 31, 2024 ($69 as of January 31, 2023). The project commenced on August 1, 2022.

d) NSERC

On February 16, 2023, the Corporation secured a $2,604 4-year grant from The Natural Sciences and Engineering Research Council of Canada (“NSERC”) and Prima Québec in partnership with Poly. The 4-year grant will be received and used on a linear basis to advance the scientific development, expand the scope of indications, develop new biomaterials for regenerative medicine and accelerate the commercial readiness of the Company’s flagship ORTHO-R technology platform. The Corporation’s contribution to the NSERC Project totals $940 over 4 years but eliminates any contractual obligations under the Poly contract (see 22.a).

23. Subsequent Events

a) On February 28, 2024, the Corporation announced that Philippe Deschamps, Chief Executive Officer, has decided to step down as CEO and has resigned from the Board of Directors, effective February 28, 2024. Mr. Pierre Laurin, previously Chairman of the Board of Directors, is now acting as Chaiman and CEO. Unvested Options and RSUs were cancelled on February 28, 2024, resulting in a reduction of the stock-based compensation expense of $253 during the first quarter of fiscal 2025.

b) On March 6, 2024, the Corporation borrowed from a shareholder, an amount of $75 bearing interest at 15% per annum, repayable on March 6, 2026.

c) On March 27, 2024, the Corporation received a grant of $53 which will be recognized as a reduction of the expenses on a systematic basis over the period in which the related development costs are incurred. The remaining balance of the grant of $22 will be received during fiscal year 2025.

24. Comparative figures

In Note 16, comparative figures for the year ended January 31, 2023 have been reclassed to conform to the presentation adopted for the year ended January 31, 2024.