CHITOGENX

(Formerly Ortho Regeneration Technologies Inc.)

Annual Report

For the Fiscal Year ended on

January 31, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A") for ChitogenX Inc. (previously Ortho Regenerative Technologies Inc., the "Corporation" or "ChitogenX") provides an overview of the Corporation's consolidated operations, performance and financial results for the fourth quarter and fiscal year ended on January 31, 2023 and compares those of the same period for the fiscal year ended January 31, 2022. 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 31, 2023.

This document should be read in conjunction with the audited consolidated financial statements and notes thereto for = fiscal year ended on January 31, 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Further information about ChitogenX, is available online on SEDAR at www.sedar.com.

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

Going concern uncertainty

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 for the year ended January 31, 2023, the Corporation is still a clinical stage R&D company and has not yet achieved profitability. During the 12-month period ended on January 31, 2023, the Corporation incurred a net loss of $6.230 million, and used cash in operations of $3.197 million. As at the end of the fiscal year 2023, the Corporation had a negative working capital balance of $6.826 million. Consequently, the Company's performance raises significant doubt about the Company's ability to continue as a going concern.

Accordingly, the ability of the Corporation to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing and ultimately on generating future profitable operations. Management anticipates that the continued advancement of its lead Ortho-R program, and the implementation of strategic initiatives will facilitate securing additional funds from existing and new investors. There is no assurance that any fund-raising initiatives will be successful. Factors within and outside the Corporation's control could have a significant bearing on its ability to obtain additional financing. The audited consolidated financial statements for the fiscal year ended January 31, 2023, do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern.

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

CDUs	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
Q4-23	Fourth quarter FY-23
Q3-23	Third quarter FY-23
Q2-23	Second quarter FY-23
Q1-23	First quarter FY-23
Q4-22	Fourth quarter FY-22
Q3-22	Third quarter FY-22
Q2-22	Second quarter FY-22
Q1-21	First quarter FY-22
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
CHGX	ChitogenX Inc. *(Previously Ortho Regenerative Technologies 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-C	Proprietary biopolymer for Articular Cartilage repair
ORTHO-M	Proprietary biopolymer for Proprietary Biopolymer for Meniscus repair
ORTHO-R	Proprietary biopolymer for Rotator cuff repair
ORTHO-V	Proprietary biopolymer for Osteoarthritis healing
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, OR4102022 Inc. has been incorporated on April 20, 2022 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*".

On September 7, 2022, The Corporation changed its corporate name from Ortho Regenerative Technologies Inc. to ChitogenX Inc. to better reflect the Company's expanded clinical and commercial opportunities, mission, values, and core competencies. The Corporation product ORTHO R is positioned to provide an efficacious, safe and reliable regenerative medicine delivery mechanism to targeted body systems to aid in tissue and organ repair.

Regenerative Medicine Overview

The concept of regenerative medicine is to provide us with tools 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. Cell therapies are used in the treatment of musculoskeletal diseases such as bone tissue replacement, cartilage, tendon, and ligament repair and replacement. ChitogenX is well positioned to become the preferred regenerative medicine delivery system for this rapidly growing part of the industry.

Regenerative medicine is applicable in cardiovascular, oncology, dermatology, musculoskeletal, wound healing, ophthalmology, neurology, and others. The musculoskeletal application segment accounted for the largest share of the market in 2021, whereas cardiovascular is expected to be the fastest-growing segment, registering a CAGR of 24.3% during the forecast period (2022-2030).

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 **Drug/ Biologic/ Combination** technology platform, is a muco-adhesive CHITOSAN based biopolymer matrix, specifically designed to be combined with biologics such as Platelet-Rich Plasma (PRP), Bone Marrow Aspirate Concentrate (BMAC), or other regenerative medicine treatments to enhance healing, augment and accelerate the regeneration of new tissue in various potential indications.

For the regenerative medicine market ORTHO-R (Regenerative) is an efficacious, safe and reliable regenerative medicine delivery mechanism to targeted body systems to aid in tissue and organ repair.

BUSINESS STRATEGY

1. Leverage our proprietary platform beyond orthopedic applications by seeking R&D and/or development partners for each high potential application.

Considering the significant bioactivity and potential to drive residency of our proprietary biopolymer – PRP implants, ChitogenX continues to assess its potential for therapeutic uses outside of the orthopedic repair market. The functionality of the chitosan framework could potentially be used in numerous other applications which could potentially address high unmet needs with profound clinical consequences.

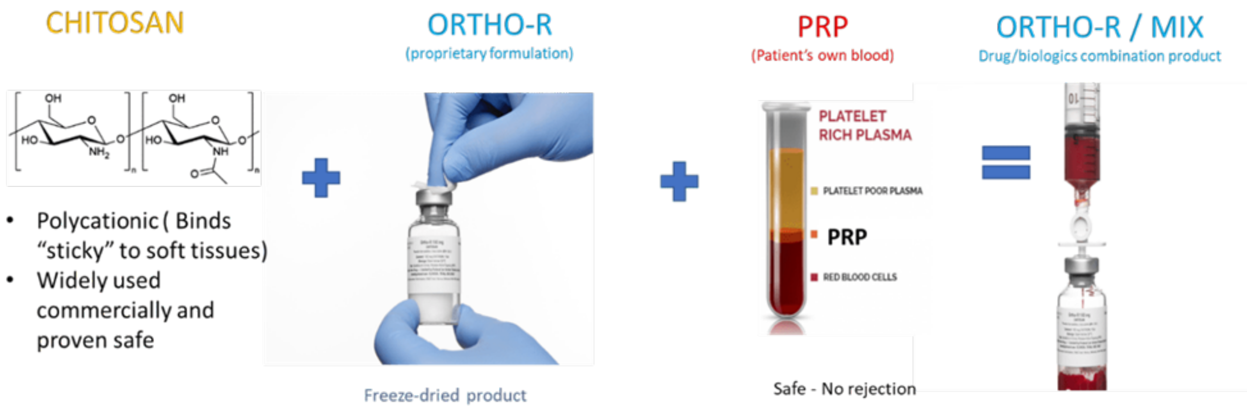
Over the recent months, the Corporation initiated scientific discussions with experts in the tissue healing, gastrointestinal, neurological, oncological, and cardiovascular markets to identify high unmet medical needs in each category what could potentially be solved by the characteristics of our technologies. Our discussions have yielded formal commitments to participate in these various development programs for which non-dilutive grants funding will be sought.

We will also investigate combining ChitogenX's patented chitosan framework with targeted delivery of numerous autologous and synthetic therapeutics, either developed internally, licensed, or secured through strategic partnerships with biologic and/or pharma companies.

We will determine the highest value programs through consultation with our scientific and business advisory board and find R&D or development partners for the highest value projects.

2. Complete Rotator Cuff Tear Repair U.S. phase I/II clinical trial program to establish a proof of concept for our regenerative platform

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 lyoprotectant 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. A US FDA IND was granted in December 2021, to start our proof-of-concept phase I/II Rotator Cuff Tear Repair clinical trial at 10 U.S. sites.

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 first five patients of the phase I/II ongoing clinical trial, which suggests a high level of safety. Progress made during the recent quarters have set the stage for achievements of major corporate/regulatory/strategic milestones over the current and upcoming calendar years.

Market Opportunity: *(Source:Pearl Diver HealthCare Research, iData Research.) for the first clinical application in rotator cuff repair*

Close to 700K shoulder rotator cuff repairs are performed in North America every year with a high 20% to 90% failure rate. ChitogenX has already initiated its FDA designated Phase I/II clinical trial giving it the regulatory lead in the U.S. for launching the first FDA approved drug/biologic combination for augmenting the performance of the standard of care surgical shoulder rotator cuff repair.

The orthopedic and sports medicine soft tissue repair market is a $6B+ global market. The ORTHO-R product is first targeting the following soft tissue repair indications: 1) Rotator cuff tear repair: 4M injuries and 700K surgeries/year (50%+ failure rate) in USA alone, 2) Tendinopathy, 11M injuries/year, and 3) Meniscus tear repair: 1.2M injuries/year and 200K+ surgeries/year (40% failure rate) in USA alone. Standard of care for these injuries is surgery alone. The orthopedic community is looking for better treatments to improve patient outcomes and reduce procedure failure rate.

This market opportunity is further enhanced by the fact that surgeons all over the world know that soft tissue such as ligaments, tendons and meniscus are not well vascularized and thus when repaired with the standard of care (sutures, anchors, and staples) results in healing principally with scar tissue which is more fragile and susceptible to re-tear than native tissue. Given the belief by many that platelet rich plasma (PRP) improves the quality of tissue healing, surgeons have vocalized a desire to find a way to make PRP resident to the surgical repair site, so that the PRP can trigger the tissue repair cascade to these troublesome non-vascularized soft tissues. Surgeons have been using PRP for over a decade but are frustrated by the inability for the PRP alone to establish sufficient residency time on the surgical repair site due to its highly liquid nature. ORTHO-R is specifically designed to overcome the insufficient residency time issue due to its unique and patented composition. Therefore, once approved, a ready-made and very large market can be rapidly satisfied thus reducing go to market investment by the Corporation, development partner or acquirer of our technology.

The Orthopedic Market is looking for improving outcome of standard of care BUT this cannot be done at the expense of the industry economic model – which is based on time for surgery for each respective type of procedures. Over the last few months, the Corporation has worked with surgeons involved in our rotator cuff tear repair study to perfect and optimize the delivery of ORTHO-R. Current protocol now adds less than **2 minutes** to standard of care surgery.

ORTHO-R®: Key points of differentiation

Unlike other natural biopolymer matrix such as Hyaluronic Acid (HA) or Collagen, the chitosan natural biopolymer molecules are positively charged and therefore are muco-adhesive (sticky) to the negatively charged soft tissues of the human body (tendons, ligaments, meniscus). Characteristics related to the electrostatic binding of the combination product, resulting modification of cell function, slowing of blood clot retraction and extended release of growth factors compared to PRP alone provided justification for classification of the product as a drug. ORTHO-R has a fast coagulation onset, and with its muco-adhesive feature offer the unique benefit of significantly increasing the in-situ residency time of PRP implants from less than 24 hours for PRP alone to up to 6 weeks for ORTHO-R chitosan-PRP drug/biologic combination product, allowing PRP to contribute to the normal healing cascade. ORTHO-R is therefore a perfect matrix system for delivering biologics such as PRP, that could be used in various musculoskeletal injury conditions as well as multiple other applications where the delivery of regenerative medicine such as blood, blood products, stem cells, pharmaceuticals or other molecules is desired.

Regulatory:

During FY-21, the Corporation received from the U.S. FDA Office of Combination Products, the ORTHO-R product designation as a Drug/Biologics combination product.

ORTHO-R has physicochemical interacting actions on various cell types and other PRP components, therefore supporting a Drug/Biologic combination product. The ORTHO-R reconstituted in PRP Drug/biologic implant is delivered through accessory devices. The product's jurisdictional assignment is to the FDA's Center for Biologics Evaluation and Research (CBER). There are multiple merits of a Drug/Biologics therapeutic combination product. One of them is the ability to have a multiple mode of action label, related to the various interactions between our proprietary biopolymer and PRP, which may justify the scientific rationale behind the product's therapeutic effect, and the generation of further intellectual property.

Clinical:

The status of our Phase I/II clinical trial is as follows:

- Our Investigational New Drug (IND) application was granted by the FDA in Q4-22.
- 10 U.S. based clinical sites have been selected for the trial, 8 have been initiated and are actively recruiting patients, one site has been closed and the last site activation is imminent.
- During Q4-22 (Calendar) ChitogenX completed the initial portion of the study that required staggered recruitment of five patients (one patient at a time). We are now in the parallel recruitment mode where all sites can treat patients simultaneously.
- Phase II recruitment is expected to be completed in mid-23 (calendar) depending on sites' enrolment rate.
- Patient assessment and Phase II scoring will take place – 12 months after surgery.
- Final report is expected during FY-24.

3. Leverage Polytechnique's partnership to secure non-dilutive grants to drive proof of concept in multiple indications for ORTHO-R

ChitogenX has received and is seeking non-dilutive research grants through its partnership with Polytechnique.

Meniscus

A first grant for $0.5 million has been secured to test the efficacy of ORTHO-M/PRP Drug-Biologic Implant formulation, for meniscus repair. Efficacy of our product has already been demonstrated in an animal proof of concept study. Our contracted research veterinarian expert, with the help of a major arthroscopic instrumentation company, have recently completed the surgical procedures in 20 large animals and we will have the results of this pre-clinical trial by Q2-2023 (calendar).

In February 2023, the Corporation successfully confirmed soft-tissue residency properties of its chitosan/PRP based biopolymer matrix, ORTHO-R, as it reported on the first objective of this study. The meniscus tear repair study confirmed the presence of tissue adherence and the aggregation of PRP regenerative cells imbedded in the tear. It represents the second orthopedic ORTHO-R soft tissue proof of concept application to be successfully confirmed following similar results generated in a previously reported similar study for rotator cuff tear repair. ChitogenX intends to file an IND with the FDA to commence human clinical trials with 12 months following completion of the meniscus study.

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

Tendinopathies

In February 2023, ChitogenX and its scientific partner Polytechnique secured a $3.472 million grant from NSERC and Prima Québec. The 4-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 Corporation's flagship ORTHO-R technology platform.

ChitogenX Overall Value Proposition

Technology Platform	ORTHO-R: Unique Drug / Biologics / Device Combination Product	Great Value Creation & Exit Potential
○ Proprietary, novel, multi-indications, second generation, de-risked platform ○ Strong intellectual property protection in three patent families ○ Addresses significant unmet medical need in large and rapidly growing regenerative medicine market ○ First solution to increase residence time to augment regeneration of new tissue ○ Validated mode of action, safe and easy to use solution ○ Rapid coagulation, avoids shrinkage of implant, potentially adheres to multiple tissues ○ Demonstrated efficacy in large animal model (decreased tendon gap & improved bone structure)	○ In the U.S. regulatory lead as the first PRP based drug/biologic product in human trials ○ Target U.S. market first with clear regulatory pathway from FDA (IND to BLA) ○ Potentially simpler regulatory pathways in major markets outside the US ○ Advantageous manufacturing costs ○ Uses autologous PRP which can be sourced quickly and easily during surgery ○ Lyophilized chitosan provides long shelf life	○ Recent regenerative medicine transactions support higher valuation for the company ○ Phase I/II clinical trial ongoing ○ Multiple material milestones expected over next quarters including completion of enrollment into phase I/II clinical trial. ○ NASDAQ listing to be considered for 2023 calendar year ○ Multiple potential regenerative medicine applications ○ Experienced management, Board and Clinical Advisory Board with history of value creation

Intellectual Property

ChitogenX is the owner of 3 patent families. Our patent portfolio includes the following:

Family	Description	Patent Status
No.1	Clot-activated polymer composition for repairing the tissue of the subject, where the polymer composition adheres to the tissue and promotes cell proliferation, comprising platelet-rich plasma (PRP), a biopolymer, a salt, and a clot activator.	• Issued – Globally • Expiry - 2030
No.2:	Freeze-dried polymer compositions for mixing with platelet rich plasma to form implants for tissue repair or compositions for therapeutic intra-articular injection.	• Issued – Globally • Expiry - 2035
No.3:	Freeze-dried biopolymer scaffolds that form a hydrated microparticle dispersion after contact with blood or blood-derived fluids and stimulate anabolic wound repair processes, including angiogenesis, cell chemotaxis, tissue remodeling, and extracellular matrix.	• Issued/Allowance pending – Globally • Expiry – 2035

Q4-2023 CORPORATE HIGHLIGHTS

- November 9, 2022, ChitogenX announced having successfully completed the initial portion of its U.S. Phase I/II ORTHO-R rotator cuff tear repair clinical trial requiring staggered enrolment of 5 patients and Data Safety Monitoring Committee review and sequential clearance for each trial participant. The Corporation reported no safety issues and open recruitment at all approved U.S. clinical sites could proceed simultaneously. The U.S. Phase I/II clinical trial is a blinded, randomized controlled study investigating the safety of ORTHO-R® for rotator cuff tear repair compared with standard of care.

- On December 12, 2022, the Corporation reached an agreement with 100% holders of the non-convertible debentures ("NCDUs") expiring November 30, 2023, to amend certain terms including extending the maturity of the NCDUs and related warrants up to February 1, 2025, as well as introducing a conversion feature added to the debentures at a maximum conversion price of 0.35$ per share. The net impact of these amendments is to remove $3 million of short-term liabilities outstanding as of this date.

OTHER FISCAL YEAR 2023 CORPORATE HIGHLIGHTS

- On March 14, 2022, Claude Leduc, CEO of Ortho announced his retirement. On the same date, the Corporation announced the hiring of Philippe Deschamps as its new President and CEO. Mr. Deschamps is a seasoned public company CEO focused on the healthcare market for the past 35 years and the last 20 years as CEO of 3 healthcare companies.
- On April 5, 2022, the Corporation announced the closing of an oversubscribed non-brokered private placement of units for $3.2 million (the "Private Placement"), with approximately $560,000 of Insiders' subscriptions. The Company issued 16,000,000 Units at a price of $0.20 per Unit for total gross proceeds of $3.2 million of which an amount $2.7 million was received in cash, an amount of $0.2 million was issued as a replacement to convertible notes issued in December 2021 and the balance in compensation for accounts payable and accrued liabilities. Each Unit consists of one (1) Class A share of the Company (each, a "Common share") and one Common share purchase warrant (each a "Warrant"). Each Warrant will be exercisable into one (1) Share in the capital of the Company at the price of $0.35 per Warrant Share for a period of 24 months from closing. If the closing price of the Shares is greater or equal to $0.50 for ten (10) consecutive trading days, the Company may give notice to the Warrant holder, at any time after the statutory 4-month hold period, that it must exercise its remaining Warrants within a period of 30-days from the date of receipt of the notice, failing which the Warrants will automatically expire.
- As a result of the closing of the Private Placement, Convertible Debentures bearing interest of 10% per annum and maturing on May 1, 2023 were amended such that their conversion price was reduced from $0.30 to $0.20 to match the purchase price of Units under this Private Placement. In addition, the exercise price of the 1,075,000 warrants and the 20,625 Finder's warrants issued on December 10, 2021 issued in connection with the Convertible Note Units financing were reduced from $0.50 to $0.35 to match the exercise price of the Warrants comprised in the Units sold under this Private Placement.
- On April 8, 2022 (the "Date of Grant") the Corporation granted 2,000,000 stock purchase options (the "Options") and 551,938 Restricted Stock Units ("RSU") to its newly hired CEO, Philippe Deschamps. Half of the Options and RSU's will vest annually and equally over the first 3 years following the Date of Grant. The balance of the Options and RSU's will vest based on achievements of predetermined operational and corporate milestones.
- On April 20, 2022, the Corporation created a wholly owned subsidiary in the United States called OR4102022 Inc. This subsidiary was created in the State of Delaware where business case law is most sophisticated. The subsidiary was also registered in Pennsylvania (PA) since the CEO, Philippe Deschamps, will operate the Corporation primarily from the US office located at 12 Penns Trail, Newtown in PA. The new subsidiary also became the sponsor of the ORTHO R Phase I/II clinical trial being performed in the US.
- On May 1, 2022, the Corporation received a method and composition patent from the US Patent Office and received notice issue from Canada and European patent offices for the composition and method patents on one of its key patents for its freeze-dried polymer compositions for mixing with platelet rich plasma to form implants for tissue repair or compositions for therapeutic intra-articular injection.
- On May 4, 2022, the Corporation announced that the United States Patent and Trademark Office (the "USPTO") had issued a patent related to the Company's ORTHO-R soft tissue repair platform. The issued patent, titled, "Freeze-Dried Polymer Compositions for mixing with platelet rich plasma to form implants for tissue repair and/or composition for therapeutic intraarticular injection" (US Patent Application No. U.S. 11,285,100 B2) provides broad protection for both the composition and the method of use of our ORTHO R technology. New patent issued by USPTO to protect core IP until 2035 and positions the Corporation as leading player in the dynamic regenerative medicine market. The patent enables delivery of PRP in soft tissue repair surgery in a proprietary way.
- On May 19, 2022, the Corporation issued 500,000 warrants with an exercise price of $0.35 per Common Share and expiring July 31, 2023 as compensation to non-related parties providing social media support and other corporate services.
- On May 26, 2022, the Corporation announced that it had received, through its partnership with Polytechnique Montreal, a $0.5 million non-dilutive grant from Axelys, to advance the development of its technology platform indication for meniscus repair.
- On June 13, 2022, the Corporation announced that patient recruitment for its Phase I/II Clinical trial for testing Ortho-R for rotator cuff repair had been initiated with six of the ten sites actively recruiting patients.
- On July 27, 2022, we announced the initiation of patients' enrollment in its U.S. Phase I/II rotator cuff tear repair clinical trial.
- On September 7, 2022, The Corporation announced that it has changed its corporate name to ChitogenX Inc. to better reflect the Company's expanded clinical and commercial opportunities, mission, values, and core competencies.
- October 5, 2022, ChitogenX announced its decision to pursue sales of medical grade chitosan as a new near-term commercial revenue initiative following the completion of an internal commercial and regulatory readiness process
- October 13, 2022, the Corporation announced the launch of its second orthopedic development program in meniscus repair following the development completion of its preclinical arthroscopic surgery program.

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

- October 19, 2022, the Corporation announced a partnership with the California Medical Innovations Institute ("CALMI"), led by its founder Ghassan Kassab PhD. The first focus of the partnership will evaluate whether ChitogenX lyophilised chitosan matrix, combined with platelet rich plasma or other biologics can improve healing of a range of tissues post resection of the human pancreas to avoid leakage of damaging enzymes.

SUBSEQUENT EVENTS

- On February 9, 2023, ChitogenX announced a best-efforts private placement of units at a price of $0.225 per Unit for gross proceeds of up to $4,350,000, pursuant to the listed issuer financing exemption ("LIFE") available under Part 5A of National Instrument 45-106 – Prospectus Exemptions ("NI 45-106"). The LIFE financing was terminated in April 2023 (see below).
- On February 14, 2023, the Corporation successfully confirmed soft-tissue residency properties of its chitosan/PRP based biopolymer matrix, ORTHO-R, in large animal meniscus tear repair study. The grant-supported meniscus tear repair study confirmed the presence of tissue adherence and the aggregation of PRP regenerative cells imbedded in the tear. It represented the second orthopedic ORTHO-R soft tissue proof of concept application to be successfully confirmed following similar results generated in a previously reported similar study for rotator cuff tear repair.
- On February 16, 2023, the Corporation announced having secured, a $3,472 million grant from The Natural Sciences and Engineering Research Council of Canada ("NSERC") and Prima Québec in partnership with Polytechnique Montréal. The 4-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.
- On April 4, 2023, the Corporation announced a new non-brokered private placement offering of units at a price of $0.20 per unit for gross proceeds of $2.5 million. This offering replaced the LIFE offering previously announced on February 6, 2023.
- On April 14, 2023, the Corporation announced a change of auditor from Ernst & Young LLP to Guimond Lavallée, Chartered Professional Accountants Corporation.
- On May 1, 2023, ChitogenX amended the terms of its non-brokered private placement offering announced on April 4, 2023. The amended non-brokered private placement offering now consists of 33,333,333 units at a price of $0.15 per units for maximum gross proceeds of up to $5.0 million.
- On May 1, 2023, convertible debentures previously issued in 2019 and 2020 and totalling $3.2 million in capital and interest matured.
- On May 5, 2023, the Corporation announced the first closing of its non-brokered private placement offering of units for $3.9 million, including $1.8 million of Insiders' subscriptions. Holders of debentures that matured on May 1, 2023, opted to reinvest $2.1 million of principal and accrued interest into the private placement.

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, 2023 audited consolidated financial statements.

Statement of loss and comprehensive loss

	Q4-23	Q4-22	*Change*		FY-23	FY-22	*Change*	
			$[1]	*%[2]*			$[1]	%[2]
Expenses								
R&D	**561**	415	*146*	*35%*	**2,235**	1,549	686	44%
G&A	**509**	309	*200*	*65%*	**2,083**	1,471	612	42%
SBC	**92**	67	*25*	*37%*	**391**	237	154	65%
Financial	**1,070**	370	*700*	*189%*	**2,143**	1,307	836	64%
	2,232	1,161	*1,071*	*92%*	**6,852**	4,564	2,288	50%
Other items								
FVA embedded derivative	-	(279)	*279*	*-100%*	**(535)**	388	(923)	-238%
FVA on warrants	**(72)**	(31)	*(41)*	*132%*	**(87)**	(31)	(56)	181%
Net Loss and Comprehensive Loss	**2,160**	851	*1,309*	*154%*	**6,230**	4,921	1,309	27%
Loss per share								
WA # of shares outstanding	**51,038,776**	34,934,113	*16,104,663*	*46%*	**48,261,822**	34,897,265	13,364,557	38%
Basic and diluted loss per share	**0.04**	0.02	*0.02*	*74%*	**0.13**	0.14	-0.01	-8%

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

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

EBITDA (L) Reconciliation (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")
The following table provides a reconciliation of net loss to EBITDA(Loss) for the reported periods.

	Q4-23	Q4-22	*Change*		**YTD-23**	YTD-22	*Change*	
	$	$	*$*	*%*	**$**	$	*$*	*%*
Net loss	**(2,160)**	(851)	(1,309)	154%	**(6,230)**	(4,921)	(1,309)	27%
Add (deduct)								
Financial	**1,070**	370	700	189%	**2,143**	1,307	836	64%
FVA on embedded derivative	**-**	(279)	279	-100%	**(535)**	388	(923)	-238%
FVA on warrants	**(72)**	(31)	(41)	132%	**(87)**	(31)	(56)	181%
Depreciation	**6**	10	(4)	-40%	**26**	37	(11)	-30%
Amortization	**8**	8	-	0%	**33**	32	1	3%
EBITDA (L)	**(1,148)**	(773)	(375)	49%	**(4,650)**	(3,188)	(1,462)	46%

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

Selected items	**YTD-23 vs YTD-22**
Revenues	• ChitogenX is a clinical stage company. No revenues were generated during each of FY-23 and FY-22.
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. • R&D expenses are also presented net of government grants which are amortized over their respective term.
	• R&D expenses for Q4-23 increased by 35% over Q4-22 at $0.6 million compared to $0.4 million. FY-23 expenses were $2.2 million, up 44% over FY-22 reflecting the increased R&D spending related to the Phase I/II clinical study for testing Ortho-R for rotator cuff repair.
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 Q4-23 increased over Q4-22 at $0.5 million compared to $0.3 million. G&A expenses for FY-23 was $2.1 million compared to $1.5 million for FY-22, a 42% increase. The respective increases compared to the prior year periods includes some additional salary charges related to the addition of a new CEO, Phil Deschamps, and severance charges to the departing CEO.
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 Q4-23 were similar to Q4-22. The increased in FY-23 compared to FY-22 resulted from new options issued to the new CEO and the new Medical Director, both hired during the year.
Financial expenses	• Financial expenses include interest on loans, non-convertible and convertible debentures, as well as effective interest on debentures as well as foreign exchange gain or loss.
	• Financial expenses for Q4-23 and FY-23 were up compared to Q4-22, and FY-22 at $1.1 million and $2.1 million respectively, compared to $0.4 million and $1.3 million for the corresponding prior year periods. The increase in Q4-23 and FY-23 compared to prior periods was mainly due to a one-time negative impact on converting the $3M non-convertible debt into a convertible debenture. This led to a $0.8 million loss on extinguishment of the debt. (See Consolidated Financial Statements notes 8 and 9)
Fair Value Adjustment ("FVA") of Embedded Derivative	• On October 19, 2022, the Corporation announced the amendment of three series of CDUs to extend their respective maturity dates. This led to the creation of the embedded derivative on the CDUs. • An embedded derivative comprised of the conversion options classified as liability was created following the amendment of the CDUs. Starting Q4-22, any change in the Fair Value of the Conversion Option of the CDUs ("FVCO") has to be recorded as a financial expense. • During the Q4-23 and Q4-22 periods, the change in the FVCO, led to a Fair Value Adjustment ("FVA") of the conversion option representing a nil and $0.3 million recovery. For the YTD periods, the FVA of the conversion option represented a $0.5 million recovery in FY-23 and a $0.4 million expense in FY-22.

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

Fair Value Adjustment ("Fair Value Adjustment") on warrants	• The terms of the warrants issued as part of the December 2022 Bridge financing led to the creation of a warrant liability. Until the warrants are exercised or expire, a fair value adjustment to the warrants will be recorded quarterly to reflect the change in the warrant liability. • During each of Q4-23 and FY-23, the revaluations of the Warrants' fair value as compared to the FY-22 values were nominal.
Net Loss for the period	• Net loss in Q4-23 increased by 154% over the Q4-22 period mainly due to the $0.8 million loss on extinguishment of the NCD debt, but also the increase in G&A and R&D expenses. The increase in net loss for FY-23 was 1.3 million over FY-22 at $6.2 million compared to $4.9 million, representing a 27% increase.
EBITDA (L)	• Management believes that our EBITDA (L) performance is more indicative of our operating results as it eliminates the financial costs associated with our financial structure such as CDUs and NCDA financings, and ITC financings as well as depreciation and the amortization of intangible assets.
	• After eliminating the impact of the financial expenses, as well as depreciation and amortization, but also after eliminating the impact of the combined recovery/expense on revaluation of the CDU embedded derivative and warrant liability, our EBITDA loss during Q4-23 was $1.1 million compared to $0.7 million for Q4-22, representing a 49% increase, and reflecting the increase in R&D and G&A expenses described above. • EBITDA loss during FY-23 was $4.7 million compared to $3.2 million for FY-22, representing a 46% increase.

SELECTED BALANCE SHEET HIGHLIGHTS

The following table sets forth the financial information related to the Corporation's consolidated statements of financial position for the periods indicated and should be read in conjunction with the audited consolidated financial statements for year ended January 31, 2023.

As at,	31-Jan-23	31-Jan-22	*Change*	
			$[1]	*%[2]*
Cash	**108**	313	*(205)*	*-65%*
Prepaid expenses and deposits	**122**	120	*2*	*2%*
Intangible assets	**299**	332	*(33)*	*-10%*
Total assets	**738**	1,123	*(385)*	*-34%*
Accounts payable and accrued liabilities	**1,793**	607	*1,186*	*195%*
Advance from a shareholder	**750**	-	*750*	*100%*
Convertible debentures (Short-term)	**2,681**	-	*2,681*	*100%*
Notes	**480**	934	*(454)*	*100%*
Convertible debentures (Long-term)	**2,363**	2,387	*(24)*	*-1%*
Embedded Derivative	**2,094**	1,582	*512*	*32%*
Non-convertible debentures	**-**	2,349	*(2,349)*	*-100%*
Total liabilities	**10,581**	8,227	*2,240*	*29%*
Common shares	**10,357**	7,891	*2,470*	*31%*
Warrants	**2,406**	1,828	*578*	*32%*
Contributed surplus	**2,551**	2,104	*447*	*21%*
Deficit	**(25,157)**	(18,927)	*(6,230)*	*33%*

1. A positive variance represents a positive impact to our balance sheet and a negative variance represents a negative impact to our balance sheet.
2. Percentage change is presented in relative values

Selected items	YE-23 vs YE-22
Cash	• Cash at the end of FY-23 was $0.1 million compared to $0.3 million at the start of the fiscal year. Cash and net proceeds from the April 2022 financing were used to support operations.
Total Assets	• The $0.2 million decrease in cash and a reduction of tax credits receivables during FY-23 period led to a $0.4 million decrease in our total assets between YE-22 and YE-23.
Trade AP and accrued liabilities	• Trade accounts payables and accrued liabilities increased by $1.2 million during FY-23 following the increase in R&D activities that took place during the recent quarters but also due to deferral of management salaries to help finance operations.
Advance on future financing	• During Q4-23, we received a $0.75 million contribution for the private placement closed during Q2-24. (See "Subsequent Events")
Convertible debentures	• During FY-20 and FY-21, the Corporation issued $3.2 million of CDUs to fund its operations. Debentures representing $0.3 million have been converted since issuance. Considering the CDUs mature on May 1, 2023, the Convertible Debentures were presented as short-term liability as at YE-23. Subsequent to FY-23, $2.5

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

	million of CDU and interest have been converted into the private placement closed in Q2-24 (See Subsequent events).
Notes	• Notes were issued as part of the December 2021 bridge financing which matures in December 2022. The reduction since the start of the fiscal year takes into consideration the $0.2 million of notes converted into the April 2022 PIPE, as well as repayments and accretion expense for the period.
Embedded derivative	• Represents the conversion option liability for CDU maturing on May 1, 2023 (Short term) and CDU maturing on February 2025 (Long-term). • Any change in the Fair Value of the Conversion Option ("FVCO") is recorded as a financial expense in the statements of loss, as a gain or loss on the respective embedded derivative. • Changes to the FVCO takes place based on 1) reduction of the FVCO following quarterly re-evaluation of the FVCO; 2) exercise of the conversion option by the holder; or 3) repayment/maturity.
Non-convertible Debentures ("NCDU")	• During Q4-21 the Corporation secured a $3.0 million NCDU financing to fund its activities. The nominal variance between YE-22 and YE-23 represents accretion expense. 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.
Total Liabilities	• Total liabilities have increased by $2.4 million between YE-22 and YE-23. The variation included $1.2 million increase in accounts payables and a $0.75 million advance to be converted into the May 2023 private placement.
Common Shares	• Common shares have increased by $2.5 million mainly as a result of the April 2022 PIPE net of share issue costs.
Warrants	• Warrants increased by $0.6 million mainly as a result of the warrants issued as part of the April 2022 PIPE net of the allocation of share issue costs, less the impact of expired warrants.
Contributed Surplus	• The contributed surplus increased by $0.4 million as a result of share-based compensation expense and the expiry of warrants.
Deficit	• The increase reflects the performance of the Corporation during FY-23. (See "Statement of Loss" commentaries)

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table sets out the Corporation's selected unaudited quarterly financial information for the eight quarters ended January 31, 2023. 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.

	Q4-23	Q3-23	Q2-23	Q1-23	**Q4-22**	Q3-22	Q2-22	Q1-22
Expenses								
R&D	**561**	567	444	663	**415**	591	141	402
G&A	**509**	523	484	567	**309**	357	367	438
SBC	**92**	95	162	42	**67**	43	64	63
Financial	**1,070**	373	349	351	**370**	266	332	339
FVA embedded derivative	**-**	277	(78)	(734)	**(279)**	666	-	-
FVA on warrants	**(72)**	22	2	(39)	**(31)**	-	-	-
Net (Loss)	**(2,160)**	(1,857)	(1,363)	(850)	**(851)**	(1,923)	(904)	(1,242)
(Loss) per share (Basic and diluted)	**(0.04)**	(0.04)	(0.03)	(0.02)	**(0.02)**	(0.06)	(0.03)	(0.04)
EBITDA (Loss)	**(1,148)**	(1,171)	(1,076)	(1,254)	**(773)**	(973)	(554)	(888)

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

Notes	**Valuable information**
R&D expenses (Net of ITCs and grants)	• Net R&D expenses fluctuate based on the timing of R&D activities. R&D activities have accelerated over the last year as the Corporation was getting ready to start and initiated its Phase I/II trial for testing Ortho-R for rotator cuff repair.
G&A expenses	• G&A expenses have been stable over the last 2 years. G&A expenses have fluctuated due to the impact of senior management changes that took place during the various periods. We expect G&A to be stable for the coming quarters.
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. Q2-23 SBC included the impact of issuing options and RSUs to the new CEO and new Chief Medical Officer.

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

Financial expenses	• Financial expenses have increased sequentially as a result of the various financing. • The $0.7 million increase between Q3-23 and Q4-23 was mainly due to the non-recurrent loss on extinguishment of the NCDU debt.
FVA of embedded derivative	• The changes to the terms of the CDU conversion price, the introduction of a conversion feature on the NCDU (now CDUs) as well as the variation in share price during the last quarters has led to quarterly adjustments to the FVCO of the CDUs and NCDUs representing respective decreases (gains) or increases (losses) since the embedded derivative was created in Q3-22. The embedded derivative FVA did not change in Q4-23 compared to Q3-23.
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
Net loss	• Over the last few quarters, net loss reflect has been mainly impacted by the FVA of the derivative liability as well as to a lesser extent to the fluctuations of the R&D, G&A and SBC expenses. • Net loss since Q3-22 has fluctuated greatly as a result of non-cash variations of the FVA on the embedded derivative. Net loss in Q4-23 was up by $0.3 million as compared to Q3-23 due to the non-recurrent loss on extinguishment of the NCDU debt**.**Going forward net loss will be mainly driven by the level of R&D spending made to advance its R&D programs (Ortho-R, Ortho-M, and Ortho-C) as well as the financial expenses related to its capital structure include FVA of each of the embedded derivative and warrants.
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 Q4-23 decreased slightly compared to Q3-23 reflecting a decrease in G&A and R&D activities. Fluctuations over prior quarter were directly related to variations in R&D and G&A spendings described above.

LIQUIDITIES AND CAPITAL RESSOURCES

For the fiscal year ended on,	**31-Jan-23**	31-Jan-22	*Change* *$[1]*	*%[2]*
Operating activities:				
Net loss from operations	**(6,230)**	(4,921)	*1,309*	*27%*
Other items not affecting cash	**1,575**	1,333	*242*	*18%*
Changes in non-cash working capital	**1,458**	368	*1,090*	*293%*
Cash used in operations	**(3,197)**	(3,220)	*23*	*-1%*
Investing activities:				
Cash used in investing activities	-	(33)	*33*	*100%*
Financing activities:				
Cash provided by financing activities	**2,945**	1,164	*1,781*	*153%*
Effect of foreign exchange on cash	**47**	23	*24*	*104%*
Cash, beginning of period	**313**	2,379	*(2,066)*	*-87%*
Decrease in cash	**(252)**	(2,089)	*1,837*	*-88%*
Cash, end of period	**108**	313	*(205)*	*-65%*

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

Selected items	**FY-23 vs FY-22**
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 the same for the last 2 fiscal years at $3.2 million. The negative impact of items not affecting cash such as the embedded derivative on CDU/NCDU was mainly offset by the increase in payables during the year.
Cash used in investing activities	• No investments during FY-23, compared to nominal investment in FY-22.
Cash provided by financing activities	• Financing activities generated $2.9 million during the FY-23 period representing the net impact of the April 2022 PIPE as well as the $0.8 million advance (converted into the May 2023 financing) compared to $1.2 million in FY-22 which included the net impact of the $1.1 million bridge financing completed in Q4-22 as well as a $0.1 million grant.

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

Cash, End of the period	• The Corporation ended FY-23 with $0.1 million of cash compared to $0.3 million at the end of FY-22. Cash decreased by $0.2 million during FY-23 as proceeds from the April 2022 PIPE were used to finance operations.

Cash, and Working Capital

As at,	YE-23	YE-22	*Change*	
	$	$	*$*	*%*
Cash	**108**	313	*(205)*	*-65%*
Total current assets	**396**	722	*(326)*	*-45%*
Total current liabilities	**7,222**	1,869	*5,353*	*286%*
Working Capital	**(6,826)**	(1,147)	*(5,679)*	*495%*

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

Cash as at YE-23 was $0.1 million as compared to $0.3 million as at YE-22 representing a $0.2 million decrease. During FY-23, working capital was impacted by the reclass of the value and embedded derivative on the CDUs maturing in May 2023, which are now presented as short-term liability. Working Capital at YE-23 showed a $6.8 million deficit compared to a $1.1 million deficit at YE-22. Included in the working capital deficit is 1) the non-cash $0.7 million embedded derivative (FVCO of the CDUs) eliminated on May 1, 2023, as well as 2) $0.8 million advance converted into the May 2023 financing, and 3) $2.5 million CDUs plus interest which have been converted into the May 2023 financing (See "Subsequent Events").

Taking into account the above-described conversion of debentures and advances, the working capital deficit as at YE-23 would have been $2.8 million.

During prior periods, the Corporation has demonstrated its ability to raise the necessary capital to support its operations and achieve development milestones. 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, financing and strategic 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").

In May 2023, the Corporation closed a $3.9 million private placement. The funds collected from this financing will serve to cover operations and the short-term obligations of the Corporation.

Future financing

The Corporation's use of available funds over the coming year is of utmost concern to the Board. 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. Active discussions are ongoing.

Discussion of operating cash requirements

All programs in the Corporation's current portfolio will require a significant investment to increase their market value (through, for example, clinical trials) or to attract a strategic partner. We estimate that $30 million will be required to bring our rotator cuff (Ortho-R), meniscus (Ortho-M), and cartilage (Ortho-C) programs to market. There are several areas where duplication between programs can provide savings such as the manufacture of the chitosan material, which is common across our product platform. We therefore do not need to replicate several manufacturing activities, or some associated costs, for each of the projects.

Ortho-R for the repair of rotator cuff tears is a clinical development stage program and represents our lead product for commercialization. We currently estimate that an additional investment of at least $2 million will be required to provide proof of concept in human and another $10 million to bring the same program to commercialization.

Ortho-M (meniscus) is the Corporation's second candidate and is also in a development phase. Proof of efficacy in a large animal preclinical model is currently taking place 80% of which is funded by 3rd party grants. Ortho-M's development pathway and plan will be similar to Ortho-R and will benefit from all cGMP activities performed on scaling-up Ortho-R. Consequently, management estimates that $1.5 million will be required prior to submitting an IND application prior to testing Ortho-M in human for meniscus tear repair.

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 expires on August 14, 2024 and can be renewed by mutual consent.

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

In February 2023, the Corporation announced that Polytechnique had secured a four-year $3.5 million grant to advance the development of ChitogenX programs. This grant will be used to reduce the payments to Polytechnique as well as eliminate R&D expenses related to several projects including the development of Ortho-R for tendinopathies.

Financial Risk Factors

The Corporation's activities expose it to financial risks: market risk, more specifically cash flow and fair value interest rate risk, and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on its financial performance. The Corporation does not use derivative financial instruments to hedge these risks.

(a) Credit risk

Credit risk arises from cash deposited with a financial institution. The Corporation reduces this risk by dealing with creditworthy financial institutions.

(b) Market risk

(i) Cash flow and fair value interest rate risk

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

(ii) Currency risk

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

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

	January 31, 2023		January 31, 2022	
	Foreign Currency	**CAD equivalent**	Foreign Currency	CAD equivalent
Cash – USD	**(6)**	**(7)**	100	128
Accounts payable and accrued liabilities – USD	**975**	**1,301**	294	374
Accounts payable and accrued liabilities – EUR	**8**	**12**	6	8

A plus or minus 5% variation in exchange rate, all else being held equal, would result in a foreign exchange gain or loss of $65 for the year ended January 31, 2023 ($25 for the year ended January 31, 2022).

(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, 2023:	***Carrying value***	***Contractual cash flows***	***Less than 12 months***	***Greater than 12 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**	**-**
Advance from a shareholder	**750**	**750**	**750**	**-**
Convertible debentures	**5,044**	**6,515**	**3,165**	**3,350**
Notes	**480**	**486**	**486**	**-**
Total	**8,435**	**9,912**	**6,562**	**3,350**

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

(In thousands of Canadian dollars, except for units, share 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, 2022.

10. 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, 2023	January 31, 2022
Transactions with key management and members of the Board of Directors:		
Share-based compensation	**363**	113
Consulting fees	**1,218**	630
Interest earned on debentures	**289**	246
Interest earned on debentures by Manitex, a shareholder of the Corporation	**217**	215
R&D expenses incurred with École Polytechnique, a partner of Polyvalor, a shareholder of the Corporation	**522**	433

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

	January 31, 2023 **$**	January 31, 2022 $
Key management and directors:		
Accounts payable and accrued liabilities	**500**	143
Debentures and notes	**1,214**	1,199
Conversion options classified as embedded derivatives	**348**	501
Warrants classified as liability	**29**	31
Accrued interest on debentures and notes	**50**	42
Manitex Capital, a shareholder of the Corporation:		
Debentures and notes	**931**	915
Conversion options classified as liability	**63**	548
Warrants classified as liability	**10**	13
Accrued interest on debentures and notes	**76**	30
Polyvalor, a shareholder of the Corporation:		
Accounts payable due to École Polytechnique, a partner of Polyvalor	**-**	4

Off balance sheet arrangements

The Corporation does not have any off-balance sheet arrangements as of January 31, 2023

Statement of Compliance

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as of January 31, 2023.

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, expenses and comprehensive loss.

ChitogenX Inc.

(previously Ortho Regenerative Technologies Inc.)

Consolidated financial statements
January 31, 2023 and 2022

Guimond Lavallée inc.
Chartered professional accountants corporation

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, 2023, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in deficiency and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2023, and its consolidated financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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.

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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, 2023. 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 and 9 to the consolidated financial statements. As at January 31, 2023, 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 Matter
The financial statements of the Corporation for the year ended January 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on May 19, 2022.

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, related safeguards.

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.

Guimond Lavallée inc.[1]

Chartered Professional Accountant Corporation

Brossard (Quebec)
May 31, 2023

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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 and per share amount
For the years ended January 31, 2023 and 2022

As at January 31,	*Notes*	**2023**	2022
ASSETS			
Current			
Cash		**108**	313
Sales tax and other receivables		**39**	35
Investment tax credits receivable		**127**	254
Prepaid expenses and deposits		**122**	120
Total current assets		**396**	722
Equipment	*4*	**43**	69
Intangible assets	*5*	**299**	332
Total assets		**738**	1,123
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current			
Accounts payable and accrued liabilities	*6*	**1,793**	607
Government grants	*15*	**-**	12
Accrued interest on debentures and notes	*8,9,10*	**328**	177
Advance from a shareholder	*12*	**750**	-
Current portion of long-term loan	*7*	**40**	-
Notes	*10*	**480**	934
Convertible debentures	*8*	**2,681**	-
Conversion options	*8*	**1,098**	-
Warrants	*10*	**52**	139
Total current liabilities		**7,222**	1,869
Long-term loan	*7*	**-**	40
Convertible debentures	*8,9*	**2,363**	2,387
Conversion options	*8,9*	**996**	1,582
Non-convertible debentures	*9*	**-**	2,349
Total liabilities		**10,581**	8,227
SHAREHOLDERS' DEFICIT			
Common shares	*11*	**10,357**	7,891
Warrants	*11*	**2,406**	1,828
Contributed surplus		**2,551**	2,104
Deficit		**(25,157)**	(18,927)
Total shareholders' deficit		**(9,843)**	(7,104)
Total liabilities and shareholders' deficit		**738**	1,123

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

"/s/ "Philippe Deschamps" " , 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 and per share amount
For the years ended January 31, 2023 and 2022

	Notes	**2023**	2022
Expenses			
Research and development	*15*	**2,235**	1,549
General and administrative	*16*	**2,083**	1,471
Share-based compensation	*11*	**391**	237
Financial	*17*	**2,143**	1,307
Total Expenses		**6,852**	4,564
Other items			
Fair Value adjustment on embedded derivative	*8*	**(535)**	388
Fair Value adjustment on warrants	*10*	**(87)**	(31)
Net loss and comprehensive loss		**6,230**	4,921
Loss per share			
Weighted average number of common shares outstanding	*13*	**48,261,822**	34,897,265
Basic and diluted loss per common share	*13*	**0.13**	0.14

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 and per share amount

For the years ended January 31, 2023 and 2022

	Notes	**Number of common shares**	**Share capital**	**Warrants**	**Equity component of convertible debentures**	**Contributed surplus**	**Deficit**	**Total**
Balance as at January 31, 2021		**34,567,600**	**7,706**	**2,080**	**469**	**1,605**	**(13,661)**	**(1,801)**
Shares issued	*11*	115,480	56	-	-	-	-	56
Share-based compensation	*11*	-	-	-	-	237	-	237
Exercise of warrants	*11*	100,000	73	(10)	-	-	-	63
Expired warrants	*11*	-	-	(262)	-	262	-	-
Warrants extension adjustment	*11*	-	-	20	-	-	-	20
Conversion of debentures	*8*	173,013	56	-	(9)	-	-	47
Extension of debentures and reclassification of equity component to liability	*8*	-	-	-	(460)	-	(345)	(805)
Net loss		-	-	-	-	-	(4,921)	(4,921)
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)**

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

ChitogenX Inc.

Consolidated Statements of Cash Flows

In thousands of Canadian dollars

For the years ended January 31, 2023 and 2022

	Notes	2023	2022
Operating activities:			
Net loss		**(6,230)**	(4,921)
Adjustments for:			
Share-based compensation	*11*	**391**	237
Consulting fees and other payable settled through the issuance of shares or warrants		**311**	57
Depreciation and amortization	*4,5*	**59**	69
Amortization – financial charges	*17*	**98**	58
Loss on debt extinguishment	*8,9*	**768**	26
Unrealized gain on foreign exchange		**(48)**	(18)
Warrants extension adjustment	*11*	**-**	20
Interest on loans and debentures	*8,17*	**630**	536
Fair Value adjustment – embedded derivative	*8,9*	**(535)**	388
Fair Value adjustment – warrants liability	*10*	**(87)**	(31)
Loss on issuance of debt		**-**	54
Government grant amortization	*15*	**(12)**	(63)
Net change in non-cash operating working capital	*14*	**1,458**	368
Cash used in operating activities		**(3,197)**	(3,220)
Investing activities:			
Acquisition of equipment	*4*	**-**	(33)
Cash used in investing activities		**-**	(33)
Financing activities:			
Proceeds from issuance of convertible note	*10*	**-**	1,027
Proceeds from government grant	*15*	**-**	75
Repayment of convertible note	*10*	**(375)**	-
Advance from a shareholder	*12*	**750**	-
Proceeds from exercised warrants	*11*	**-**	63
Proceeds from issuance of units		**2,702**	-
Payment of units issue costs		**(132)**	(1)
Cash provided by financing activities		**2,945**	1,164
Effect of foreign exchange on cash		**47**	23
Cash, beginning of year		**313**	2,379
Decrease in cash		**(252)**	(2,089)
Cash, end of year		**108**	313

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

1. Reporting entity and going concern

ChitogenX Inc. (“the Corporation”, or “ChitogenX”), previously Ortho Regenerative Technologies Inc., 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. On September 7, 2022, the Corporation changed its corporate name to ChitogenX Inc. to better reflect its expanded clinical and commercial opportunities, mission, values and core competencies. 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”. These shares were previously listed on the CSE market under the symbol “ORTH” and on the OTCQB market under the symbol “ORTIF”.

The Corporation is an emerging Orthopaedic and Sports Medicine biologics company dedicated to the development of novel therapeutic soft tissue repair technologies to dramatically improve the success rate of orthopaedic and sports medicine surgeries. The Corporation’s proprietary biopolymer has been specifically designed to increase the healing rates of occupational and sports related injuries to tendons, ligaments, meniscus, and cartilage. The biopolymer – autologous PRP combination implant, can be directly placed into the site of injuries by surgeons during routine operative procedures without significantly extending the duration of surgeries and without further interventions. Considering the significant bioactivity and residency of our proprietary biopolymer – PRP implants, 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, 2023, the Corporation incurred a net loss of $6,230 and used cash in operations of $3,197. As at January 31, 2023 the Corporation had a negative working capital balance of $6,826.

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 31, 2023.

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

2. Summary of Significant Accounting Policies

Basis of measurement

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

	January 31, 2023	January 31, 2022
End of period exchange rate – USD	**1.3350**	1.2719
Period average exchange rate – USD	**1.3085**	1.2528

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, 2023**	January 31, 2022
OR41002022 Inc. (1)	US cost center	**100%**	-

(1) Subsidiary created on April 20, 2022.

Functional and presentation currency

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

Transactions denominated in foreign currencies are initially recorded in the functional currency of the related entity using the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Any resulting exchange difference is recognized in the 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.

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.

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

Financial instruments

Financial assets

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

Fair value through profit or loss ("FVTPL") assets, loans and receivables and other financial liabilities, initially measured at fair value and subsequently measured changes recognized in current period net income. Fair value through other comprehensive income ("FVTOCI") financial assets measured at fair value with subsequent gains or losses included in other comprehensive income until the asset is removed from the 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, 2023:

	Measurement
Financial asset:	
Cash	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Accrued Interest	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 relative fair value method. Under the relative fair value method, the Corporation first determines the fair value of free-standing instruments and allocates the value of each free-standing instrument based on a relative fair value basis. 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. The fair values of financial instruments included in current assets and current liabilities, other than warrants classified as liability, approximate their carrying values due to their short-term nature.

Income taxes

Income tax expense comprises current and deferred tax. Tax expense is recognized in the 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, which corresponds to the vesting period.

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 the customary approvals by the pertinent tax authorities. Adjustments required, if any, are reflected in the year when such assessments are received.

Earnings (loss) per share

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

Standards issued but not yet effective

IAS 1 Presentation of Financial Statements

In January 2020, the IASB issued amendments to International Accounting Standard 1 Presentation of Financial Statements ("IAS 1") to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. The Corporation does not anticipate adoption of this standard to have a material impact on the consolidated financial statements.

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements in which it provides guidance and example to help entities apply materiality judgements to accounting policy disclosures. The amendments apply to annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation does not anticipate adoption of this standard to have a material impact on the consolidated financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued amendments to International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments apply to annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation does not anticipate adoption of this standard to have a material impact on the consolidated financial statements.

IAS 12 Income taxes

In May 2022, the IASB issued amendments to International Accounting Standard 12 Income Taxes ("IAS 12") so that it no longer applies to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments apply to annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation does not anticipate adoption of this standard to have a material impact on the 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.

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 stochastic model. Several assumptions are used in the underlying calculation of fair values of the Corporation’s stock options and warrants granted using these models, including the expected life of the option or warrant and volatility. Details of the assumptions used are included in Note 11.

Valuation of convertible and non-convertible financial instruments

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

The calculation of the fair value of the debt component of debentures requires using an interest rate that the Corporation would have had to pay had the loan been obtained without a conversion feature. Such interest rate requires management's estimates by reference to loan interest paid by comparable companies in the similar sector. The Corporation estimates at 24.6% the reasonable interest rate that a comparable company in the biotech sector would likely pay for notes as of December 12, 2022 (24% on the notes issues on December 13, 2021 and 27.5% on the convertible debentures issued in April 2020). 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 2023 and the maturity extension on certain convertible debentures during fiscal 2022. 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.

Depreciation and amortization

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

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 the approval of the tax authorities, and it is possible that the amounts granted will differ from the amounts claimed.

Valuation of Deferred tax assets

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

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

4. Equipment

	Cost	Accumulated depreciation	Carrying Value
Balance as at January 31, 2021	238	(165)	73
Additions	33	(37)	(4)
Balance as at January 31, 2022	271	(202)	69
Additions	**-**	**(26)**	**(26)**
Balance as at January 31, 2023	**271**	**(228)**	**43**

5. Intangible Assets

	Cost	Accumulated amortization	Carrying Value
Balance as at January 31, 2021	485	(121)	364
Additions	-	(32)	(32)
Balance as at January 31, 2022	485	(153)	332
Additions	**-**	**(33)**	**(33)**
Balance as at January 31, 2023	**485**	**(186)**	**299**

6. Accounts Payable and Accrued Liabilities

Balance as at	**January 31, 2023**	January 31, 2022
Trade accounts payable	**1,484**	466
Accrued liabilities	**309**	141
	1,793	607

7. Long-Term Loan

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

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

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

8. Convertible Debentures

a) Host instrument

	January 31, 2023	January 31, 2022
Opening balance	**2,387**	2,476
Additions	**3,389**	-
Conversion of debentures into common shares	**-**	(47)
Remeasurement resulting from extension of convertible debentures' maturities	**-**	(388)
Fair value of conversion option allocated to liability	**(1,047)**	-
Accretion expense	**315**	346
Total	**5,044**	2,387
Current portion	**2,681**	-
Non-current portion	**2,363**	2,387
Total	**5,044**	2,387

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, 2023**	January 31, 2022
May 1, 2023	**3,204**	**2,783**	2,783
February 1, 2025	**3,000**	**3,000**	-
Total	**6,204**	**5,783**	2,783
Current portion		**2,783**	-
Non-current portion		**3,000**	2,783
Total		**5,783**	2,783

<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.

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.

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

For the year ended January 31, 2022:

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

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

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

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

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

b) Embedded Derivative

	January 31, 2023	January 31, 2022
Opening balance	**1,582**	1,194
Additions	**1,047**	-
Fair Value adjustment	**(535)**	388
Total	**2,094**	1,582
Current portion	**1,098**	-
Non-current portion	**996**	1,582
Total	**2,094**	1,582

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

9. Non-convertible Debentures

	January 31, 2023	January 31, 2022
Opening balance	**2,349**	2,099
Accretion expense	**272**	250
Loss on debt extinguishment (Note 8)	**768**	-
Debenture derecognition (Note 8)	**(3,389)**	-
Total	**-**	2,349
Current portion	**-**	-
Non-current portion	**-**	2,349
Total	**-**	2,349

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

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

		Nominal amounts outstanding as at	
Maturity Date	**Initial Amount**	**January 31, 2023**	January 31, 2022
November 30, 2023	**3,000**	**-**	3,000
Total	**3,000**	**-**	3,000
Current portion		**-**	-
Non-current portion		**-**	3,000
Total		**-**	3,000

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.

For the year ended January 31, 2022:

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, 2022 was $250 including $48 of amortization of transaction costs. In addition, $300 of interest expense was recorded, of which $50 is still accrued and included in accrued interest on debentures in the consolidated statement of financial position.

10. Notes

a) Host instrument

	January 31, 2023	January 31, 2022
Opening Balance	**934**	-
Additions	**-**	1,075
Fair value of warrants allocated to liability	**-**	(170)
Transaction costs	**-**	(48)
Accretion expense	**141**	23
Loss on debt issuance	**-**	54
Conversion of notes	**(220)**	-
Repayment of notes	**(375)**	-
Total	**480**	934
Current portion	**480**	934
Non-current portion	**-**	-
Total	**480**	934

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, 2023**	January 31, 2022
December 13, 2022	**1,075**	**480**	1,075
Total	**1,075**	**480**	1,075
Current portion		**480**	1,075
Non-current portion		**-**	-
Total		**480**	1,075

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

For the year ended January 31, 2023:

On April 5, 2022, the Corporation agreed with some 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.

For the year ended January 31, 2022:

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

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

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

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

b) Warrants

	January 31, 2023	January 31, 2022
Opening balance	**139**	170
Fair Value adjustment	**(87)**	(31)
Total	**52**	139

For the year ended January 31, 2023, the Corporation recorded a positive adjustment on revaluation of the warrants' fair value of $87 ($31 for the year ended January 31, 2022).

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

11. Share Capital and other equity instruments

(a) Share capital

The Authorized Share Capital is composed of

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

Class "A" common shares	**#**	$
Balance as at January 31, 2021	34,567,600	7,706
Common shares issued	115,480	56
Share issue costs	-	-
Stock options exercised	-	-
Warrants exercised	100,000	73
Conversion of debentures into common shares	173,013	56
Balance as at January 31, 2022	34,956,093	7,891
Common shares issued	**16,082,683**	**2,575**
Share issue costs	**-**	**(109)**
Balance as at January 31, 2023	**51,038,776**	**10,357**

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, 2023 and 2022, the Corporation recorded compensation expense of $391 and $237, 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 $0.18 ($0.38 for the year ended January 31, 2022).

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

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

	January 31, 2023	January 31, 2022
Weighted average exercise price	**0.21**	0.47
Weighted average risk-free rate	**2.73%**	1.04%
Weighted average volatility factor *(i)*	**106.12%**	91.0%
Weighted average expected life (years)	**8.0**	8.0

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

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

	Number of Shares	**January 31, 2023 Weighted Average Exercise Price**	**Number of Shares**	**January 31, 2022 Weighted Average Exercise Price**
Options outstanding, beginning of year	**2,946,000**	**0.47**	2,746,000	$0.47
Granted during the period	**2,500,000**	**0.21**	350,000	$0.47
Options forfeited	**-**	**-**	-	-
Options cancelled/expired	**(670,000)**	**0.57**	(150,000)	$0.47
Options exercised	**-**	**-**	-	-
Options outstanding, end of year	**4,776,000**	**0.32**	2,946,000	$0.47

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

During the year ended January 31, 2023, the following options were granted:

Number	**Notes**	**Date of grant**	**Expiry date**	**Exercise price**	**Fair value**
2,000,000	(i)	April 8, 2022	April 8, 2030	0.20	0.17
500,000	(ii)	June 20, 2022	June 20, 2030	0.26	0.23
2,500,000					

(i) Half of the Options 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.

(ii) 50% vesting at the date of grant and the balance on November 9, 2023.

The following options were outstanding as at January 31, 2023:

Outstanding	**Exercisable**	**Exercise price**	**Remaining contractual life (years)**
75,000	75,000	$0.60	5.75
565,000	565,000	$0.50	0.60
950,000	950,000	$0.36	1.77
100,000	100,000	$0.70	6.15
65,000	48,750	$0.58	5.65
245,000	245,000	$0.37	0.12
126,000	126,000	$0.71	3.98
100,000	100,000	$0.30	0.47
50,000	50,000	$0.47	6.15
2,000,000	150,000	$0.20	7.19
500,000	250,000	$0.26	7.39
4,776,000	**2,659,750**		

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

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

Exercise price	**$0.20 – $0.26**
Risk-free rate	**2.57% – 3.39%**
Volatility factor (i)	**105.87% – 106.19%**
Expected life (years)	**8**

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

(c) Restricted Stock Units

On April 8, 2022 (the "Date of Grant") the Corporation granted 551,938 Restricted Stock Units ("RSU") to its newly hired 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.

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

	Year ended January 31, 2023	**Year ended January 31, 2022**
	Number of RSUs	**Number of RSUs**
Units outstanding, beginning of year	**-**	-
Granted during the period	**551,938**	-
Units outstanding, end of year	**551,938**	-

(d) Warrants

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

	January 31, 2023		January 31, 2022	
	Number of Shares	Weighted Average Exercise Price	**Number of Shares**	Weighted Average Exercise Price
Balance beginning of year	**17,407,981**	**$0.55**	19,348,948	$0.54
Granted during the year	**17,157,650**	**$0.35**	1,096,700	$0.50
Expired during the year	**(240,319)**	**$0.45**	(2,937,667)	$0.22
Exercised during the year	**-**	**-**	(100,000)	$0.60
Balance end of year	**34,325,312**	**$0.42**	17,407,981	$0.55

As at January 31, 2023, 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	0.83 years
15,496,812	$0.50	$0.03 – $0.16	0.25 – 0.87 years
17,157,650	$0.35	$0.03 – $0.04	0.24 – 1.18 years
34,325,312			

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.

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

For the year ended January 31, 2022:

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

12. Advance from a shareholder

During the year ended January 31, 2023, the Corporation received an advance from a shareholder, which is not-interest bearing. The Corporation will settle this advance by the issuance of Units in the non-brokered private placement mentioned in Note 23.

13. Loss per share

Basic

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

	January 31, 2023	January 31, 2022
Net Loss for the year	**6,230**	4,921
Weighted average number of common shares outstanding	**48,261,822**	34,897,265
Basic loss per share	**$0.13**	$0.14

The effect of dilution from stock options, warrants and convertible debentures was excluded from the calculation of weighted average number of shares outstanding for diluted loss per share for the year ended January 31, 2023 and 2022 as they are anti-dilutive.

14. Supplemental Cash Flow Information

	January 31, 2023	January 31, 2022
Net change in non-cash operating working capital items		
Sales tax receivable and other receivables	**(4)**	25
Prepaid expenses and deposits	**(2)**	138
Investment tax credits receivable	**127**	(111)
Accounts payable and accrued liabilities	**1,337**	316
Total	**1,458**	368

15. Research and Development Expenses

	January 31, 2023	January 31, 2022
Development costs	**2,271**	1,649
Patent costs	**88**	85
Depreciation – equipment	**26**	37
Amortization – intangible assets	**33**	32
	2,418	1,803
Investment tax credit	**(171)**	(191)
Government grants (i)	**(12)**	(63)
Total	**2,235**	1,549

During the year ended January 31, 2022, the Corporation received a grant of $75, of which $12 was recognized in the consolidated statement of loss and comprehensive loss as a reduction of the related R&D expenses and nil remain recorded on the consolidated statement of financial position as government grants as of January 31, 2023.

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

16. General and Administrative Expenses, by nature

	January 31, 2023	January 31, 2022
Consulting fees (i)	**1,029**	843
Office and administrative	**720**	247
Professional fees and other	**334**	381
Total	**2,083**	1,471

(i) Consulting fees include fees paid to management in lieu of salary ($333 for the year ended January 31, 2023, nil for 2022).

17. Financial Expenses

	January 31, 2023	January 31, 2022
Interest coupon on debentures	**678**	596
Difference between effective interest and coupon on debentures	**630**	536
Loss on debt extinguishment	**768**	26
Amortization - financing cost	**98**	58
Loss on debt issuance	**-**	54
Fair value adjustment - warrant extension	**-**	20
(Gain) Loss on foreign exchange	**(31)**	17
Total	**2,143**	1,307

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, 2023	**January 31, 2022**
	$	$
Loss before income taxes	**(6,230)**	(4,921)
Basic income tax rate	**26.50%**	26.50%
Computed income tax recovery	**(1,651)**	(1,304)
Permanent differences	**104**	63
True-up and other items	**77**	(9)
Change in deferred tax assets not recognized	**1,470**	1,250
	1,651	1,304
Provision for income taxes	**-**	-

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

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

	January 31, 2023	**January 31, 2022**
	$	$
Non-capital losses carried forward	**3,981**	2,814
R&D pool	**1,462**	1,291
Intangible and tangible assets	**40**	50
Convertible debenture	**221**	105
Financial and equity issue costs	**66**	50
	5,770	4,310
Unrecognized deferred tax assets	**(5,770)**	(4,310)
	-	-

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

Deferred tax asset/(liability) against Equity

	January 31, 2023	January 31, 2022
	$	$
Financial and equity issue costs	**48**	177
Convertible debenture	**-**	-
	48	177
Unrecognized deferred tax assets	**(48)**	(177)
	-	-

The corporation has non-capital losses carried forward amounted to $15,044 as at January 31, 2023 ($10,644 for 2022). 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 $5,555 as at January 31, 2023 ($4,900 for 2022) which have no expiration date. In addition, the Corporation has $527 of unused investment tax credits ($455 for 2022), 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, 2023, the Corporation had accumulated non-capital losses for income tax purposes, which are available to be applied against future taxable income:

	Federal	Provincial
2036	663	657
2037	1,242	1,261
2038	865	607
2039	1,273	1,312
2040	1,311	1,391
2041	2,349	2,385
2042	2,950	2,982
2043	4,391	4,400
	15,044	14,995

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

19. Financial Instruments

For the year ended January 31, 2023, the conversion option resulting from the Amendment of the non-convertible debentures was classified as liability and carried at faire value through profit and loss ("FVTPL"). Also, the warrants issued as part of the notes in December 2021 and the convertible debentures conversion options are still being carried at FVTPL. For the year ended January 31, 2022, 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, 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**	**-**

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

During the year ended January 31, 2023, 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.

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.

(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.

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

(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, 2023		January 31, 2022	
	Foreign Currency	**CAD equivalent**	Foreign Currency	CAD equivalent
Cash – USD	**(6)**	**(7)**	100	128
Accounts payable and accrued liabilities – USD	**975**	**1,301**	294	374
Accounts payable and accrued liabilities – EUR	**8**	**12**	6	8

A plus or minus 5% variation in exchange rate, all else being held equal, would result in a foreign exchange gain or loss of $65 for the year ended January 31, 2023 ($25 for the year ended January 31, 2022).

(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, 2023:	***Carrying value*** **$**	***Contractual cash flows*** **$**	***Less than 12 months*** **$**	***Greater than 12 months*** **$**
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**	-
Advance from a shareholder	**750**	**750**	**750**	-
Convertible debentures	**5,044**	**6,515**	**3,165**	**3,350**
Notes	**480**	**486**	**486**	-
Total	**8,435**	**9,912**	**6,562**	**3,350**

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

(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, 2022.

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

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, 2023	January 31, 2022
Transactions with key management and members of the Board of Directors:		
Share-based compensation	**363**	113
Consulting fees	**1,218**	630
Interest earned on debentures	**289**	246
Interest earned on debentures by Manitex, a shareholder of the Corporation	**217**	215
R&D expenses incurred with École Polytechnique, a partner of Polyvalor, a shareholder of the Corporation	**522**	433

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

	January 31, 2023 $	January 31, 2022 $
Key management and directors:		
Accounts payable and accrued liabilities	**500**	143
Debentures and notes	**1,214**	1,199
Conversion options classified as embedded derivatives	**348**	501
Warrants classified as liability	**29**	31
Accrued interest on debentures and notes	**50**	42
Manitex Capital, a shareholder of the Corporation:		
Debentures and notes	**931**	915
Conversion options classified as liability	**63**	548
Warrants classified as liability	**10**	13
Accrued interest on debentures and notes	**76**	30
Polyvalor, a shareholder of the Corporation:		
Accounts payable due to École Polytechnique, a partner of Polyvalor	**-**	4

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 can be extended upon mutual consent of the parties. Following the latest amendment entered in July 2022, the agreement has been extended until August 14, 2024.

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's contribution to the PRP project totals $240 over 2 years.

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 the Corporation and Poly, 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 $69 was disbursed during the year ended January 31, 2023. The project commenced on August 1, 2022.

23. Subsequent Events

a) On February 16, 2023, the Corporation announced a $3,472 grant from the Natural Sciences and Engineering Research Council of Canada (“NSERC”) and Prima Québec. The 4-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 Corporation's flagship ORTHO-R technology platform.

b) On May 1, 2023, convertible debentures for a total value of $3,204 reached maturity. The Corporation reached an agreement with investors to reinvest $2,100 of principal and accrued interest into the Private Placement and agreed with the remaining investors to defer payment.

c) On May 1, 2023, the Corporation announced a non-brokered private placement offering (the “New Offering”) of 33,333,333 units (the “Units”) at a price of $0.15 (the “Issue Price”) per Unit for gross proceeds of $5,000, with approximately $700 of Insider commitments. As part of the New Offering, the Corporation also announced the conversion of $3,000 worth of debentures maturing May 1, 2023 including accrued interest. Each $0.15 Unit of the New Offering will consist of one class A share (a “Share”) and one share purchase warrant (a “Warrant”) of the Corporation. 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. The Corporation will pay finders' fees of 8% of the gross proceeds raised from accredited investors introduced to the Corporation by a finder, payable in cash; and finders' warrants equal to 8% of the number of Units issued to accredited investors introduced to the Corporation by a finder, each finder's warrant entitling the holder to purchase one share at a purchase price of $0.35 for a period of 24 months from the date of issuance of the finders' warrants.

d) On May 5, 2023, the Corporation announced the closing of a $3,860 non-brokered private placement offering (the “New Offering”). The Corporation issued 25,708,988 Units at a price of $0.15 per Unit with the same conditions as the announcement made on May 1, 2023.