Interim Condensed Consolidated Financial Statements (Unaudited)

ChitogenX Inc.

October 31, 2023
Third quarter, fiscal year 2024

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

ChitogenX Inc.

Interim Consolidated Statements of Financial Position
(Unaudited)
In thousands of Canadian dollars except for share and per share amount

As at	*Notes*	October 31, 2023	January 31, 2023
ASSETS			
Current			
Cash		**111**	108
Sales tax and other receivables		**42**	39
Investment tax credits receivable		**69**	127
Prepaid expenses and deposits		**171**	122
Total current assets		**393**	396
Equipment	*4*	**35**	43
Intangible assets	*5*	**275**	299
Total assets		**703**	738
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current			
Accounts payable and accrued liabilities	*6*	**2,244**	1,793
Accrued interest on debentures and notes	*8,9,10*	**442**	328
Advance from a shareholder	*12*	**-**	750
Current portion of long-term loan	*7*	**40**	40
Notes	*10*	**416**	480
Convertible debentures	*8*	**480**	2,681
Conversion options	*8*	**-**	1,098
Warrants	*10*	**-**	52
Total current liabilities		**3,622**	7,222
Convertible debentures	*8,9*	**2,569**	2,363
Conversion options	*8,9*	**523**	996
Total liabilities		**6,714**	10,581
SHAREHOLDERS' DEFICIT			
Common shares	*11*	**14,311**	10,357
Warrants	*11*	**2,180**	2,406
Contributed surplus		**3,751**	2,551
Deficit		**(26,253)**	(25,157)
Total shareholders' deficit		**(6,011)**	(9,843)
Total liabilities and shareholders' deficit		**703**	738

Going Concern Uncertainty (Note 1); Related Party Transactions (Note 21); Commitments (Note 22); Subsequent Events (Note 23).

"/s/ "Philippe Deschamps" ", Director

"/s/ "Pierre Laurin" ", Director

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

ChitogenX Inc.

Interim Consolidated Statements of Financial Position

(Unaudited)

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

		Three months ended,		Nine months ended,	
	Notes	**October 31, 2023**	October 31, 2022	**October 31, 2023**	October 31, 2022
Expenses					
Research and development	*15*	**74**	567	**687**	1,674
General and administrative	*16*	**254**	523	**1,183**	1,574
Share-based compensation	*11*	**29**	95	**129**	299
Financial	*17*	**257**	373	**720**	1,073
Total Expenses		**614**	1,558	**2,719**	4,620
Other items					
Fair Value adjustment on embedded derivative	*8*	**171**	277	**(1,571)**	(535)
Fair Value adjustment on warrants	*10*	**(1)**	22	**(52)**	(15)
Net loss and comprehensive loss		**784**	1,857	**1,096**	4,070
Loss per share					
Basic and diluted		**0.01**	0.04	**0.02**	0.09
Weighted average number of common shares outstanding		**80,324,904**	51,038,776	**69,654,683**	47,322,558

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

ChitogenX Inc.

Interim Consolidated Statements of Changes in Shareholders' Deficit

(Unaudited)

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

	Notes	Number of common shares	Share capital	Warrants	Contributed surplus	Deficit	Total
Balance as at January 31, 2022		**34,956,093**	**7,891**	**1,828**	**2,104**	**(18,927)**	**(7,104)**
Shares issued	*11*	16,082,683	2,673	568	-	-	3,241
Share/Unit issue costs	*11*	-	(109)	(23)	-	-	(132)
Share-based compensation	*11*	-	-	-	299	-	299
Expired warrants	*11*	-	-	(56)	56	-	-
Net loss		-	-	-	-	(4,070)	(4,070)
Balance as at October 31,2022		**51,038,776**	**10,455**	**2,317**	**2,459**	**(22,997)**	**(7,766)**
Balance as at January 31, 2023		**51,038,776**	**10,357**	**2,406**	**2,551**	**(25,157)**	**(9,843)**
Shares issued	*11*	**32,090,744**	**3,954**	**873**	**(27)**	**-**	**4,800**
Share-based compensation	*11*	**-**	**-**	**-**	**128**	**-**	**128**
Expired warrants	*11*	**-**	**-**	**(1,099)**	**1,099**	**-**	**-**
Net Loss		**-**	**-**	**-**	**-**	**(1,096)**	**(1,096)**
Balance as at October 31, 2023		**83,129,520**	**14,311**	**2,180**	**3,751**	**(26,253)**	**(6,011)**

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

ChitogenX Inc.

Interim Consolidated Statements of Cash Flows

(Unaudited)

In thousands of Canadian dollars

For the nine months ended	Notes	October 31, 2023	October 31,2022
Operating activities:			
Net Loss		**(1,096)**	(4,070)
Adjustments for:			
Share-based compensation	*11*	**128**	299
Consulting fees and other payable settled through the issuance of shares or warrants		**17**	319
Depreciation and amortization	*4,5*	**32**	45
Amortization – financial charges	*17*	**-**	84
Unrealized gain (loss) on foreign exchange		**52**	(32)
Interest on loans and debentures	*8,17*	**308**	487
Fair Value adjustment – embedded derivative	*8,9*	**(1,571)**	(535)
Fair Value adjustment – warrants liability	*10*	**(52)**	(14)
Government grant amortization	*15*	**-**	(12)
Net change in non-cash operating working capital	*14*	**1,264**	565
Cash used in operating activities		**(918)**	(2,864)
Investing activities:			
Acquisition of equipment	*4*	**-**	-
Cash used in investing activities		**-**	-
Financing activities:			
Proceeds from issuance of units	*11*	**937**	2,702
Units issue costs		**-**	(132)
Cash provided by financing activities		**937**	2,570
Effect of foreign exchange on cash		**(16)**	31
Cash, beginning of period		**108**	313
Increase (decrease) in cash		**19**	(294)
Cash, end of period		**111**	50

The accompanying notes are an integral part of these unaudited interim 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".

ChitogenX is a clinical stage regenerative medicine company dedicated to the development of novel therapeutic tissue repair technologies to improve tissue healing of all kinds. The Company's proprietary chitosan-based biopolymer is well suited to help address significant unmet medical needs for repairing soft tissues, as well as skin defects caused by burns and other trauma and wounds of various etiologies. Due to its unique characteristics allowing it to adhere to tissues, our biopolymer can be used alone or in combination with other cellular technologies. Tissue adherence facilitates the delivery of various therapeutic interventions to targeted tissue, providing significant benefits over standard of care.

These unaudited interim 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 nine-month period ended October 31, 2023, the Corporation incurred a net loss of $1,096 and used cash in operations of $918. As at October 31, 2023, the Corporation had a negative working capital balance of $3,229.

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

Failure to obtain such additional financing could result in delay or indefinite postponement of the Corporation's strategic goals. These unaudited interim 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 unaudited interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on December 21, 2023.

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

2. Summary of Significant Accounting Policies

Basis of measurement

These unaudited interim 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.

Statement of Compliance

These unaudited interim 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 unaudited interim 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 unaudited interim consolidated financial statements. The policies set out below have been consistently applied to all the periods presented.

The preparation of the Corporation's unaudited interim consolidated financial statements require 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.

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	% voting
OR4102022 Inc. (1)	US cost center	**100%**

(1) Subsidiary created on April 20, 2022.

Functional and presentation currency

These unaudited interim 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.

	October 31, 2023	January 31, 2023
End of period exchange rate – USD	**1.3871**	1.3350
Period average exchange rate – USD	**1.3579**	1.3085

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

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 unaudited interim 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.

Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 of the Corporation's 2023 annual audited financial statements dated January 31, 2023 and are still applicable during the first nine-month period of fiscal year 2024 ended October 31, 2023.

4. Equipment

	Cost	Accumulated depreciation	Carrying Value
Balance as at January 31, 2023	271	(228)	43
Additions	-	**(8)**	**(8)**
Balance as at October 31, 2023	**271**	**(236)**	**35**

5. Intangible Assets

	Cost	Accumulated amortization	Carrying Value
Balance as at January 31, 2023	485	(186)	299
Additions	-	**(24)**	**(24)**
Balance as at October 31, 2023	**485**	**(210)**	**275**

6. Accounts Payable and Accrued Liabilities

Balance as at	**October 31, 2023**	January 31, 2023
Trade accounts payable (i)	**1,980**	1,484
Accrued liabilities	**264**	309
	2,244	1,793

(i) Trade payables include an amount due to a former executive of the Corporation. On October 18, 2023, the former executive obtained a judgement approving his application for homologation of the Separation Agreement and Mutual General Release (the "Agreement") entered into between the former executive and the Corporation on May 18, 2022. Pursuant to the Agreement, the Corporation owes a balance of $109,087 to the former executive.

7. Long-Term Loan

	Interest Rate	Maturity	**October 31, 2023**	January 31, 2023
Canada Emergency Business Account	Interest-free	January 18, 2024	**40**	40

The loan bears no interest and has a maturity date of January 18, 2024. Upon repayment of the loan at or prior to its maturity, the Corporation would receive a $10 grant to reduce the balance payable.

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

8. Convertible Debentures

a) Host instrument

	Nine months ended October 31, 2023	Year ended January 31, 2023
Opening balance	5,044	2,387
Additions	-	3,389
Conversions	(2,367)	-
Fair value of conversion option allocated to liability	-	(1,047)
Accretion expense	308	315
Total	2,985	5,044
Current portion	416	2,681
Non-current portion	2,569	2,363
Total	2,985	5,044

On May 5 2023, the Corporation completed the first closing of a non-brokered private placement of units, a second closing on June 5, 2023 and a third closing on September 29, 2023. Some holders of convertible debentures which matured on May 1, 2023 agreed to convert their debt and interest payable into the private placement (see *Note 11*).

On December 12, 2022, the Corporation amended its non-convertible debentures and related warrants agreements (the "Amendment"). The maturity date of the outstanding non-convertible debentures and related warrants were extended to February 1, 2025. A conversion option was also added, 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 used a Monte Carlo simulation model to determine the fair value of the conversion option. Upon its creation, the conversion option of $1,047 was 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 was $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 during the nine months ended October 31, 2023 was $308. In addition, $315 of interest expense was recorded, and $390 is included as Interest payable on convertible debentures in the consolidated statement of financial position.

During the nine months ended October 31, 2023, excluding the conversion mentioned above, no additional debentures were converted into common shares of the Corporation (nil during the year ended January 31, 2023).

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

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

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

b) Embedded Derivative

	Nine months ended October 31, 2023	Year ended January 31, 2023
Opening balance	**2,094**	1,582
Additions	**-**	1,047
Fair value adjustment	**(1,571)**	(535)
Total	**523**	2,094
Current portion	**-**	1,098
Non-current portion	**523**	996
Total	**523**	2,094

For the nine-month period ended October 31, 2023, the Corporation recorded a positive adjustment on revaluation of conversion options of the convertible debentures (embedded derivative's fair value) of $1,571 resulting from the decrease in the Corporation's share price from $0.26/share on January 31, 2023 to $0.09/share as of October 31, 2023.

9. Non-convertible Debentures

	Nine months ended October 31, 2023	Year ended January 31, 2023
Opening balance	**-**	2,349
Accretion expense	**-**	272
Loss on debt extinguishment (Note 8)	**-**	768
Debenture derecognition (Note 8)	**-**	(3,389)
Total	**-**	-

10. Notes

a) Host instrument

	Nine months ended October 31, 2023	Year ended January 31, 2023
Opening Balance	**480**	934
Accretion expense	**-**	141
Conversion of notes	**-**	(220)
Repayment of notes	**-**	(375)
Total	**480**	480
Current portion	**480**	480
Non-current portion	**-**	-
Total	**480**	480

On April 5, 2022, $220 of Notes were converted into a non-brokered private placement of units as a replacement of notes issued in December 2021. In December 2022, the Corporation reimbursed Notes totaling $375 and agreed with the remaining investors to defer payment.

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. 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.

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

Accretion expense included in financing expense on the consolidated statement of loss and comprehensive loss, attributable to the Notes for the nine months ended October 31, 2023 was nil. In addition, $36 of accrued interest expense was recorded and $52 is included as Interest payable on convertible debentures in the consolidated statement of financial position.

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

		Nominal amounts outstanding as at	
Maturity Date	**Initial Amount**	**October 31, 2023**	January 31, 2023
December 13, 2022	**1,075**	**480**	480
Total	**1,075**	**480**	480
Current portion		**480**	480
Non-current portion		**-**	-
Total		**480**	480

On December 13, 2024, holders of Notes totalling $0.33 million in capital and interest agreed to amend the terms of the Notes to fix the repayment of such Notes to February 1, 2025. The Notes now bear interest at 12%. (See Subsequent Events – Note 23")

b) Warrants

	Nine months ended October 31, 2023	Year ended January 31, 2023
Opening balance	**52**	139
Fair value adjustment	**(52)**	(87)
Total	**-**	52

For the nine-month period ended October 31, 2023, the Corporation recorded a positive adjustment on revaluation of the warrants' fair value of $52.

11. Share Capital and other equity instruments

(a) Share capital

The Authorized Share Capital is composed of

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

Class "A" common shares	**#**	$
Balance as at January 31, 2022	**34,956,093**	**7,891**
Common shares issued	16,082,683	2,575
Share issue costs	-	(109)
Balance as at January 31, 2023	**51,038,776**	**10,357**
Common shares issued	32,090,744	3,954
Share issue costs	-	-
Balance as at October 31, 2023	**83,129,520**	**14,311**

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

On May 5, 2023, the Corporation completed the first closing of a non-brokered private placement of units. Each Unit consists of one (1) Class “A” common share of the Company (each, a "share") and one share purchase warrant (each a "Warrant"). Each Warrant will entitle the holder to purchase one Share of the Corporation (“Warrant Share”) at a price of $0.35 per Warrant Share for a period of 36 months from closing (the “Closing Date”), subject to adjustment in certain events. If, at any time following the Closing Date, the daily volume weighted average trading price of the Shares on the Canadian Securities Exchange is greater than $0.50 per Share for the preceding 10 consecutive trading days, the Corporation shall have the right to accelerate the expiry date of the Warrants to a date that is at least 30 days following the date of such notice to holders of Warrants. On June 5, 2023, the Corporation completed the second closing of a non-brokered private placement of units with the same conditions as the first closing. On September 29, 2023, the Corporation completed the third closing of a non-brokered private placement of units with the same conditions as the first two closings.

The first closing of $3,856 included gross cash proceeds of $1,267, consulting fees of $497 paid through the issuance of units and $2,092 from conversion of debentures which matured on May 1, 2023 including interests. The Corporation issued 25,708,988 units at a price of $0.15 per Unit.

A second closing of $288 consisting of gross cash proceeds of $41 and $247 from conversion of debentures which matured on May 1, 2023 including interests.

A third closing of $638 consisting of gross cash proceeds of $390 and $248 from conversion of debentures which matured on May 1, 2023 including interests.

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.

During the nine-month period ended October 31, 2023 and 2022, the Corporation recorded compensation expense of $129 and $299, respectively, with corresponding credits to contributed surplus related to the stock option plan. No option was granted during the nine months ended October 31, 2023. The weighted average fair value of the options granted during the nine-month period ended October 31,2022, estimated by using the Black-Scholes option pricing model, was $0.16.

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

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

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

(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:

	Nine months ended October 31, 2023		Year ended January 31, 2023	
	Number of Shares	**Weighted Average Exercise Price**	Number of Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	**4,776,000**	**0.32**	2,946,000	0.47
Granted during the period	-	-	2,500,000	0.21
Options forfeited	-	-	-	-
Options cancelled/expired	**(1,454,250)**	**0.42**	(670,000)	0.57
Options exercised	-	-	-	-
Options outstanding, end of year	**3,321,750**	**0,28**	4,776,000	0.32

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

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

Outstanding	**Exercisable**	**Exercise price**	**Remaining contractual life (years)**
75,000	75,000	$0.60	5.00
450,000	450,000	$0.36	2.85
100,000	100,000	$0.70	5.40
65,000	65,000	$0.58	4.90
81,750	81,750	$0.71	5.13
50,000	50,000	$0.47	5.40
2,000,000	483,333	$0.20	6.44
500,000	250,000	$0.26	6.64
3,321,750	**1,555,083**		

(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. During the nine-month period ended October 31, 2023, 133,385 RSU vested following the achievement of operational and corporate milestones.

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

	Nine months ended October 31, 2023	Year ended January 31, 2023
	Number of RSUs	Number of RSUs
Units outstanding, beginning of year	**551,938**	-
Exercised	**(133,385)**	551,938
Units outstanding, end of year	**418,553**	551,938

(d) Warrants

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

	Number of Shares	**Weighted Average Exercise Price**
Balance as at January 31, 2023	**34,325,312**	**$0.42**
Issued	**31,886,734**	**$0.35**
Expired	**(15,579,462)**	**$0.49**
Exercised	-	-
Balance as at October 31, 2023	**50,632,584**	**$0.36**

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

As at October 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	0.08 years
48,961,734	$0.35	$0.0001 – $0.04	0.07 – 2.50 years
50,632,734			

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 from Novembre 30, 2023 to February 1, 2025. No significant impact resulted from the warrants' extension.

12. Advances from shareholders

During the year ended January 31, 2023, the Corporation received an advance of $750 from a shareholder, which is not-interest bearing. During the nine months ended October 31, 2023, the Corporation received additional advances of $517 from various shareholders, which are also not-interest bearing. The Corporation settled these advances by the issuance of Units in the non-brokered private placement mentioned in Note 11.

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.

	Nine months ended,	
	October 31, 2023	October 31,2022
Net loss for the period	**1,096**	1,923
Weighted average number of common shares outstanding	**69,654,683**	34,855,186
Basic (income) loss per share	**0.02**	0.06

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 (income) loss per share for the nine-month period ended October 31, 2023 and for the year ended January 31, 2023 as they are anti-dilutive.

14. Supplemental Cash Flow Information

	Nine months ended,	
	October 31, 2023	October 31,2022
Net change in non-cash operating working capital items		
Sales tax receivable and other receivables	**8**	(46)
Prepaid expenses and deposits	**(49)**	(41)
Investment tax credits receivable	**58**	8
Accounts payable and accrued liabilities	**1,247**	644
Total	**1,264**	565

15. Research and Development Expenses

	Three months ended,		Nine months ended,	
	October 31, 2023	October 31,2022	**October 31, 2023**	October 31,2022
Development costs	**107**	555	**720**	1,716
Patent costs	**(10)**	25	**24**	58
Depreciation – equipment	**3**	6	**9**	18
Amortization – intangible assets	**8**	8	**24**	24
	108	594	**777**	1,816
Investment tax credit	**(34)**	(27)	**(90)**	(130)
Government grants (i)	**-**	-	**-**	(12)
Total	**74**	567	**687**	1,674

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

(i) During the year ended January 31, 2022, the Corporation received a grant of $75 which was recognized as a reduction of the expenses on a systematic basis over the period in which the related development costs are incurred. During the nine-month period ended October 31,2022, $12 was recognized in the consolidated statement of loss and comprehensive loss as a reduction of the related R&D expenses and nil during the nine-month period ended October 31, 2023 as nil remain recorded on the consolidated statement of financial position as government grants since October 31,2022. When the Corporation receives government grant, it is recognized on a systematic basis over the period in which the related research and development costs are incurred as a reduction of these expenses. No grants were recognized during the nine-month period ended October 31, 2023 ($12 during the nine-month period ended October 31,2022).

16. General and Administrative Expenses

	Three months ended,		Nine months ended,	
	October 31, 2023	October 31,2022	**October 31, 2023**	October 31,2022
Office and administrative (i)	**240**	274	**1,001**	1,011
Professional and investor's relations fees	**14**	249	**182**	563
Total	**254**	523	**1,183**	1,574

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

17. Financial Expenses

	Three months ended,		Nine months ended,	
	October 31, 2023	October 31,2022	**October 31, 2023**	October 31,2022
Interest on notes and debentures	**97**	166	**351**	516
Effective interest on notes and debentures	**78**	165	**308**	487
Amortization – financing cost	**-**	29	**-**	84
Loss (Gain) on foreign exchange	**82**	13	**61**	(14)
Total	**257**	373	**720**	1,073

18. Income Taxes

As at October 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

During the nine-month period ended October 31, 2023, conversion options and warrants issued as part of the notes in December 2021 and the convertible debentures conversion options are still being carried at faire value through profit and loss ("FVTPL"). During 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 FVTPL. The Corporation has no financial instruments carried at fair value through other comprehensive income ("FVTOCI") as at October 31, 2023 and January 31, 2023.

As at October 31, 2023:	**FVTPL**	**Amortized cost**
Financial asset:		
Cash	**-**	**111**
Financial liabilities:		
Accounts payable and accrued liabilities	**-**	**2,244**
Accrued interest on debentures and notes	**-**	**442**
Notes	**-**	**480**
Long-term loan	**-**	**40**
Convertible debentures	**-**	**2,985**
Conversion options classified as liability	**523**	**-**

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
Notes	-	750
Long-term loan	-	480
Convertible debentures	-	40
Non-convertible debentures	-	5,044
Conversion options classified as liability	2,094	-
Warrants classified as liability	52	-

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.

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.

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

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.

(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:

	October 31, 2023		January 31, 2023	
	Foreign Currency	**CAD equivalent**	Foreign Currency	CAD equivalent
Cash – USD	**(1)**	**(2)**	(6)	(7)
Accounts payable and accrued liabilities – USD	**1,071**	**1,486**	975	1,301
Accounts payable and accrued liabilities – EUR	**10**	**15**	8	12

A plus or minus 5% variation in exchange rate, all else being held equal, would result in a foreign exchange gain or loss of $75 for the nine-month period ended October 31, 2023 ($65 for the year ended January 31, 2023).

(c) Liquidity risk

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

As at October 31, 2023:	***Carrying value*** **$**	***Contractual cash flows*** **$**	***Less than 12 months*** **$**	***Greater than 12 months*** **$**
Financial liabilities	**2,244**	**2,244**	**2,244**	-
Accounts payable and accrued liabilities	**442**	**442**	**442**	-
Accrued interest on debentures and notes	**40**	**40**	**40**	-
Long-term loan	-	-	-	-
Convertible debentures	**2,985**	**3,941**	**716**	**3,225**
Notes	**480**	**480**	**480**	-
Total	**6,191**	**7,147**	**3,922**	**3,225**

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	-
Convertible debentures	750	750	750	-
Non-convertible debentures	5,044	6,515	3,165	3,350
Notes	480	486	486	-
Total	8,435	9,912	6,562	3,350

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

(d) Capital risk management

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

21. Related Party Transactions

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

	Three months ended		**Nine months ended**	
	October 31, 2023	October 31, 2022	**October 31, 2023**	October 31,2022
Transactions with key management and members of the Board of Directors:				
Share-based compensation	**29**	90	**127**	273
Consulting fees	**97**	274	**665**	866
Interest earned on debentures	**10**	69	**72**	222
Interest earned on debentures by Manitex, a shareholder of the Corporation:	**-**	52	**58**	167
R&D expenses incurred with École Polytechnique, a partner of Polyvalor	**67**	102	**311**	420

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

	October 31, 2023 **$**	January 31, 2023 $
Key management and directors:		
Accounts payable and accrued liabilities	**546**	500
Debentures and notes	**163**	1,214
Conversion options classified as embedded derivatives	**32**	348
Warrants classified as liability	**-**	29
Accrued interest on debentures and notes	**56**	50
Manitex Capital, a shareholder of the Corporation:		
Debentures and notes	**-**	931
Conversion options classified as liability	**-**	63
Warrants classified as liability	**-**	10
Accrued interest on debentures and notes	**-**	76
Polyvalor, a shareholder of the Corporation:		
Accounts payable due to École Polytechnique, a partner of Polyvalor	**-**	-

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. The maturity date of the Agreement has been extended to March 31, 2024.

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.

d) NSERC

On February 16, 2023, the Corporation secured, a $3,472 million grant from The Natural Sciences and Engineering Research Council of Canada ("NSERC") and Prima Québec in partnership with Poly. The 4-year grant will be used to advance the scientific development, expand the scope of indications, develop new biomaterials for regenerative medicine and accelerate the commercial readiness of the Company's flagship ORTHO-R technology platform. The Corporation's contribution to the NSERC Project totals $940 over 5 years but eliminates any contractual obligations under the Poly contract (see 22.a).

23. Subsequent Events

a) On November 9, 2023, the Corporation granted an aggregate of 3,316,667 DSUs and 500,000 Options to Directors and Officers of the Company, in lieu of cash compensation.

b) On December 13, 2024, holders of Notes totalling $0.33 million in capital and interest agreed to amend the terms of the Notes to fix the repayment of such Notes to February 1, 2025. The Notes now bear interest at 12%.