

ChitogenX Inc.

**Consolidated financial statements
January 31, 2024 and 2023**

INDEPENDENT AUDITOR'S REPORT

To the shareholders of CHITOGEXX INC.,

Opinion

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

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

Basis for Opinion

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

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

Material uncertainty related to going concern

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

Key audit matters

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

Key audit matter

Accounting and valuation of convertible financial instruments, valued at fair value through profit and loss (“FVTPL”).

We draw attention to notes 8 to the consolidated financial statements. As at January 31, 2024, the Corporation has convertible debentures, for which the conversion options are classified as an embedded derivative valued at FVTPL. The fair value is considered level 3 for which quoted prices or observable inputs were not available. For each financial instrument, management uses valuation techniques that require significant non-observable inputs, requiring management's estimation and judgement. The fair value measurement was a key audit matter as the valuation required the application of significant judgment in assessing the non-observable inputs used, including significant valuation adjustments. Changes to these estimates may affect the carrying value of the host debt instrument and embedded derivatives within the convertible debentures.

How our audit addressed the key audit matter

Our approach to addressing the matter included the following procedures, among others:

- Evaluating the methodologies and significant inputs used by the Corporation;
- Performing a valuation approach, assisted by a valuation specialist, to assess the modelling assumptions and significant inputs used to estimate the fair value, which involved corroboration of certain inputs and assumptions as applied by management.

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statement, including the disclosures, and whether the consolidated financial statement represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The logo for Audacie 1 inc. features the word "Audacie" in a large, elegant, cursive script. A small superscript "1" is positioned above the end of the word. A horizontal line is drawn beneath the word, and the letters "inc." are written in a smaller, sans-serif font to the right of the line.

Chartered Professional Accountant Corporation

Brossard (Quebec)
May 27, 2024

¹ CPA auditor, public accountancy permit No. A135158

ChitogenX Inc.

Consolidated Statements of Financial Position

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

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

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

/s/ "Tim Cunningham" ", Director

/s/ "Pierre Laurin" ", Director

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

ChitogenX Inc.

Consolidated Statements of Loss and Comprehensive Loss

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

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

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

ChitogenX Inc.

Consolidated Statements of Changes in Shareholders' Deficit

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

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

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

ChitogenX Inc.

Consolidated Statements of Cash Flows

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

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

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

*In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023*

1. Reporting entity and going concern

ChitogenX Inc. ("the Corporation", or "ChitogenX"), was incorporated under the Canada Business Corporations Act on February 5, 2015. The Corporation's head office, principal address and registered office is located at 16667 Hymus Blvd., Kirkland, Quebec, Canada and its wholly owned US subsidiary, OR4102022 Inc. has been incorporated on April 20, 2022 and is located at 12 Penns Trail in Newtown, Pennsylvania, USA. Since September 12, 2022, the Corporation's shares are listed on the Canadian Securities Exchange ("CSE"), under the symbol "CHGX" and on the United States OTCQB ("OTCQB") market, under the symbol "CHNXF".

The Corporation is an emerging Orthopaedic and Sports Medicine biologics company dedicated to the development of novel therapeutic soft tissue repair technologies to dramatically improve the success rate of orthopaedic and sports medicine surgeries. The Corporation's proprietary biopolymer has been specifically designed to increase the healing rates of occupational and sports related injuries to tendons, ligaments, meniscus, and cartilage. The biopolymer – autologous PRP combination implant, can be directly placed into the site of injuries by surgeons during routine operative procedures without significantly extending the duration of surgeries and without further interventions. Considering the significant bioactivity and residency of our proprietary biopolymer – PRP implants, ChitogenX continues to assess its potential for therapeutic uses outside of the soft tissue repair market.

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

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

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

Failure to obtain such additional financing could result in delay or indefinite postponement of the Corporation's strategic goals. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023

2. Summary of Material Accounting Policies

Basis of measurement

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

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

Functional and presentation currency

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

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

Statement of Compliance

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

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

Consolidation

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

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

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

As at January 31, 2024 and 2023

Intangible assets

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

Equipment

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

Research and development costs

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

Impairment of non-financial assets

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

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

Financial instruments

Financial assets

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

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

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

As at January 31, 2024 and 2023

Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

*In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023*

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

Income taxes

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

Current tax

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

Deferred tax

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

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

Sales tax

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

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

Segment reporting

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

Share capital

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

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

*In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023*

Share-based compensation

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

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

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

Government assistance

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

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

Changes to accounting standards

The Corporation adopted the following amendments to accounting standards:

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

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

New accounting standards pronouncements not yet effective includes the following:

- Amendments to IAS 1, Presentation of financial statements (applicable for annual reporting beginning on or after January 1, 2024):
On January 23, 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements: Clarifies the classification of liabilities as current or non-current. On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1), to improve the information a company provides about long-term debt with covenants.

ChitogenX Inc.

Notes to the Consolidated Financial Statements

*In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023*

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

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

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

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

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

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

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

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

The main impacts of the new Accounting Standard include:

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

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

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

3. Use of Estimates and Judgment

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

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

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023

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

Valuation of convertible and non-convertible financial instruments

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

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

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

Going concern

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

The following area require management's judgment:

Investment tax credits

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

4. Equipment

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023

5. Intangible Assets

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

6. Accounts Payable and Accrued Liabilities

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

7. Long-Term Loan

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

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

8. Convertible Debentures

a) Host instrument

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023

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

Maturity Date	Initial Amount	Nominal amounts outstanding as at	
		January 31, 2024	January 31, 2023
May 1, 2023	3,204	416	2,783
February 1, 2025 ⁽ⁱ⁾	3,000	3,300	3,000
Total	6,204	3,716	5,783
<hr/>			
Current portion		416	2,783
Non-current portion		3,300	3,000
Total		3,716	5,783

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

For the year ended January 31, 2024:

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

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

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

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

For the year ended January 31, 2023:

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.

ChitogenX Inc.

Notes to the Consolidated Financial Statements

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

As at January 31, 2024 and 2023

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

b) Embedded Derivative

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

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

9. Non-convertible Debentures

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

For the year ended January 31, 2024:

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

For the year ended January 31, 2023:

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023

10. Notes

a) Host instrument

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

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

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

For the year ended January 31, 2024:

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

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

For the year ended January 31, 2023:

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

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023

b) Warrants

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

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

11. Share Capital and other equity instruments

(a) Share capital

The Authorized Share Capital is composed of

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

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

For the year ended January 31, 2024:

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

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

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

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

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

*In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023*

For the year ended January 31, 2023:

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

(b) Share based compensation

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

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

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

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

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

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

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

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023

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

	January 31, 2024		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 year	500,000	0.18	2,500,000	0.21
Options cancelled/expired	(1,454,250)	0.42	(670,000)	0.57
Options outstanding, end of year	3,821,750	0.27	4,776,000	0.32

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

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

Number	Notes	Date of grant	Expiry date	Exercise price	Fair value
500,000	(i)	November 9, 2023	November 9, 2031	0.18	0.07

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

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

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

(c) Restricted Stock Units

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

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

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

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

As at January 31, 2024 and 2023

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

(d) Deferred Stock Units

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

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

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

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

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

Number	Notes	Date of grant	Vesting terms	Fair value
3,316,667		November 9, 2023	100% on grant date	0.09

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

(e) Warrants

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

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023

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

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

For the year ended January 31, 2024:

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

For the year ended January 31, 2023:

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

12. Advance from a shareholder

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

13. Loss per share

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

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

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

14. Supplemental Cash Flow Information

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

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

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023

15. Research and Development Expenses

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

16. General and Administrative Expenses, by nature

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

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

17. Financial Expenses

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

18. Income Taxes

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

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

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

As at January 31, 2024 and 2023

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

Deferred tax asset/(liability) against P&L

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

Deferred tax asset/(liability) against Equity

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

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

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

c. As at January 31, 2024, the Corporation had accumulated non-capital losses for income tax purposes, which are available to be applied against future taxable income:

	Federal	Provincial
2036	663	657
2037	1,242	1,261
2038	865	607
2039	1,273	1,312
2040	1,310	1,390
2041	2,349	2,386
2042	2,950	2,982
2043	4,373	4,328
2044	2,482	2,481
	17,507	17,458

ChitogenX Inc.

Notes to the Consolidated Financial Statements

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023

19. Financial Instruments

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

As at January 31, 2024:	FVTPL	Amortized cost
Financial asset:		
Cash	-	35
Financial liabilities:		
Accounts payable and accrued liabilities	-	2,456
Accrued interest on debentures and notes	-	217
Notes	-	510
Long-term loan	-	40
Convertible debentures	-	3,325
Conversion options classified as liability	164	-
As at January 31, 2023:	FVTPL	Amortized cost
Financial asset:		
Cash	-	108
Financial liabilities:		
Accounts payable and accrued liabilities	-	1,793
Accrued interest on debentures and notes	-	328
Advance from a shareholder	-	750
Notes	-	480
Long-term loan	-	40
Convertible debentures	-	5,044
Conversion options classified as liability	2,094	-
Warrants classified as liability	52	-

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

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

20. Financial Risk Factors

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

(a) Credit risk

Credit risk arises from cash deposited with a financial institution. The Corporation reduces this risk by dealing with creditworthy financial institutions. As at January 31, 2024, the Corporation's maximum exposure to credit risk corresponds to the carrying amount of the cash and the other receivables presented on the Consolidated Statement of Financial Position.

ChitogenX Inc.

Notes to the Consolidated Financial Statements

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

As at January 31, 2024 and 2023

(b) Market risk

(i) Cash flow and fair value interest rate risk

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

(ii) Currency risk

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

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

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

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

(c) Liquidity risk

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

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

	Carrying value	Contractual cash flows	Less than 12 months	Between 12 months and 36 months
As at January 31, 2023:	\$	\$	\$	\$
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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

In thousands of Canadian dollars except for share, unit, warrant and per share amounts
As at January 31, 2024 and 2023

(d) Capital risk management

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

21. Related Party Transactions

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

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

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

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

22. Commitments

a) Polytechnique contract

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

ChitogenX Inc.

Notes to the Consolidated Financial Statements

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

As at January 31, 2024 and 2023

b) Platelet-rich plasma Project

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

c) Axelys Project

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

d) NSERC

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

23. Subsequent Events

- a) On February 28, 2024, the Corporation announced that Philippe Deschamps, Chief Executive Officer, has decided to step down as CEO and has resigned from the Board of Directors, effective February 28, 2024. Mr. Pierre Laurin, previously Chairman of the Board of Directors, is now acting as Chairman and CEO. Unvested Options and RSUs were cancelled on February 28, 2024, resulting in a reduction of the stock-based compensation expense of \$253 during the first quarter of fiscal 2025.
- b) On March 6, 2024, the Corporation borrowed from a shareholder, an amount of \$75 bearing interest at 15% per annum, repayable on March 6, 2026.
- c) On March 27, 2024, the Corporation received a grant of \$53 which will be recognized as a reduction of the expenses on a systematic basis over the period in which the related development costs are incurred. The remaining balance of the grant of \$22 will be received during fiscal year 2025.

24. Comparative figures

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