Q4 2020
MANAGEMENT REPORT - FOR THE YEARS ENDED JULY 31, 2020 AND 2019 AND THE QUARTER ENDED JULY 31,2020.

1. INTRODUCTION

This management report provides the reader with an overview of the activities and financial position of Groupe Devonian Inc. ("The Company") as of July 31, 2020. It also provides an overview of the Company's performance by comparing its operating results on a consolidated basis for the twelve-month period ending July 31, 2020 ("the year 2020") with those of the twelve-month period ending July 31, 2019 ("the year 2019"). It should be read in conjunction with the Company's consolidated and audited financial statements for the years ended July 31, 2020 and July 31, 2019. The financial data contained in this Management 's Discussion & Analysis report have been prepared by the Management, in accordance with the International Financial Reporting Standards (IFRS), based on the information available as of November 25, 2020. All amounts presented in this document are expressed in Canadian dollars.

2. FORWARD-LOOKING STATEMENTS

The information contained in this Management's Discussion & Analysis, as well as the analysis of the results of operations and the financial position may contain statements relating to future results of operations. Certain forward-looking statements made by Management, relative to the results of the research studies as well as the objectives and the expectations of the Company, can be influenced by various risks and uncertainties and therefore generate real results different from those anticipated. The assumptions that support forward-looking statements made by Management are made from data presently available.

3. COMPANY PROFILE

Devonian Health Group is a pharmaceutical company specializing in the development of botanical drugs. Incorporated on March 27, 2015, under the Québec Business Corporations Act. On May 12, 2017, the Company was continued under the Canada Business Corporations Act. Acquired on February 1, 2018, Altius Healthcare Inc., a corporation governed by the Business Corporations Act (Ontario), is a wholly owned subsidiary of Devonian Health Group Inc.

The first family of active ingredients available to the Company is currently extracted from organic baby spinach. The flagship product of the Company, PUR0110, shows immunomodulatory, antioxidant and anti-inflammatory properties. It is the first product of a family of active ingredients, extracted using the Supra Molecular Complex Extraction and Stabilization Technology (SUPREX™). It is customary that when a drug is at an advanced stage of development, the code name be changed to a generic name associated with the chemical structure of the product. The PUR0110 will now bear the name of "Thykamine™".
In addition to benefiting from a pharmaceutical complex extraction facility in Montmagny, Devonian also has skin care products developed with the same approach as its pharmaceutical products. The first cosmeceutical product developed by Devonian, is an anti-aging treatment for women, consisting of day creams, night cream and eye contour. R-Spinasome®, Devonian's proprietary natural active ingredient, is an integral part of this product, ready for marketing under the brand name Purgenesis ™. Purgenesis™ have earned the designation of being the first product distributed by dermatologists to be recognized by the Skin Health Program™ of the Canadian Dermatology Association. Backed by objective medical specialists and led by an Expert Advisory Board, the CDA Program provides advice for the maintenance of healthy skin, hair, and nails.
This product is patented in Canada, Europe, Japan, and United States.

About Altius Healthcare

Based in Concord, Ontario, Altius Healthcare is a specialty pharmaceutical company focused on the acquisition and licensing of safe and innovative medicines and health products designed to help people of all age to lead a healthier life. Altius then leverages its expertise in the commercialization activities required to successfully launch and distribute these drugs in Canada.
Altius' current portfolio includes two pharmaceutical drugs: Pantoprazole magnesium and Cleo-35.

Pantoprazole Magnesium belongs to the family of medications called proton pump inhibitors (PPIs). Proton pump inhibitors are used to relieve symptoms of acid reflux or gastroesophageal reflux disease (GERD) also known as heartburn or acid regurgitation. They are also used to treat conditions requiring reduction of stomach acid, such as gastric (stomach) or duodenal (intestinal) ulcers, in combination with antibiotics in many instances.
Cleo-35® is a drug that contains a combination of two ingredients: cyproterone and ethinyl estradiol. Cyproterone belongs to a group of medicines called antiandrogens. Ethinyl estradiol belongs to a group of medicines called estrogens. Together, they are used to treat hormonal acne in women. This medicine works by regulating the hormones affecting the skin.

Devonian Health Group's business strategy is also to build a portfolio of complementary products that are compatible with its expertise and technology, which will help it achieve revenue and cash flow to enable it to realize its research projects and create value for its shareholders.

4. HIGHLIGHTS 2020

The main objectives of our 2020 business plan were initially to complete the Phase 2 clinical trial in adult patients with mild to moderate atopic dermatitis (eczema), to find a partner for the distribution of our anti-aging technology in territories outside Canada, and finally to define a new cannabinoid-based pharmaceutical program.

These objectives were aimed at establishing a solid foundation for the Company's future growth and focused on developing the market for its products and technology to achieve liquidity growth.

Atopic dermatitis (AD) research and development

On June 10, 2020, the Company announced the completion of the recruitment for its Phase 2 clinical trial to evaluate the efficacy and safety of Thykamine ™ for the treatment of mild to moderate atopic dermatitis (AD) in the adult population.
The main objective of the study is to evaluate the efficacy of Thykamine cream ™ 0.05%, 0.1% and 0.25% compared to placebo, in the treatment of mild to moderate AD in the adult population. This is achieved through the evaluation of primary and secondary assessment criteria.
The primary endpoint of the study, to be reported, is the proportion of patients with a clear (0), almost clear (0) overall assessment by the investigator (0) on day 29 and with a decrease in IGA compared to inclusion at least 2 grades on day 29.
Secondary criteria of the study, to be reported, include the change between the start and the 29th day of the score of the signs/symptoms of AD, including, in the pruritus, in the area of eczema and the severity index, in the body surface, in the quality of life index in dermatology and in the patient, measurement of eczema oriented.

The secondary objective of the study is to assess the safety of Thykamine cream ™ 0.05%, 0.1% and 0.25% compared to placebo as measured by the incidence and severity of adverse events (systemic and local) and as a measure of treatment safety and tolerability for up to 28 days.

The study was conducted at 12 Canadian clinical sites. Due to the COVID-19 situation, the closure of all clinical sites (12) will take longer than expected, but we still hope to be able to publish first-rate results at the beginning of 2021.

The Company plans to launch a Phase 2 clinical trial for the same therapeutic indication (DA) in the pediatric population.

About Atopic Dermatitis (AD)

Atopic dermatitis (AD), also known as eczema, is a type of inflammation of the skin. This results in itching, redness, swelling and cracking that can lead to secondary infection. The condition usually begins during childhood with changing severity over the years. Although the cause of AD is unknown, it is thought to involve genetics, a weakened immune system, and may be triggered by environmental factors. AD is the most common skin disease, and its prevalence continues to increase worldwide. There is currently a pressing need for new, effective, and well tolerated therapeutic options for AD.

About Thykamine™

Thykamine™, the first pharmaceutical product issued from the Devonian SUPREX ™ platform, is a highly innovative product to use in the prevention and treatment of health problems related to inflammation and oxidative stress, including ulcerative colitis, atopic dermatitis, psoriasis, rheumatoid arthritis, and other autoimmune diseases. The anti-inflammatory, anti-oxidative and immunomodulatory properties of Thykamine™ have been demonstrated in a considerable number of in vitro and in vivo studies as well as in a phase IIa clinical study on patients with mild to moderate distal ulcerative colitis. Thykamine ™ is currently being developed for ulcerative colitis and atopic dermatitis. Thykamine ™ and the SUPREX ™ platform are protected by several patents in North America, Europe and Asia.

Pharmaceutical medications based on cannabinoids.

On September 4, 2019, the Society announced the formation of a Clinical Dermatology Advisory Board made up of key Canadian opinion leaders. The objective of the Clinical Dermatology Advisory Council, in association with the previously announced Scientific Advisory Council (April 10, 2019), is to provide clinical, scientific, research and strategic advice to Devonian, in the development of its cannabinoid-based pharmaceutical program.

On October 3, 2019, Devonian announced that it had obtained a research licence from Health Canada under the Cannabis Act and the Cannabis Regulations. The license gives Devonian the opportunity to begin its pharmaceutical cannabinoids research program at its facility in Montmagny, Quebec. The license also includes satellite research sites located in the laboratories of Dr. Suha Jabaji, PhD (McGill University) and Dr. Louis Flamand, PhD, MBA (Laval University) and Dr. François Malouin (University of Sherbrooke).

Over the past two (2) years, Devonian has evaluated several cannabis facilities to find a supplier of pharmaceutical-grade cannabis. On June 4, 2020, Devonian announced an exclusive strategic alliance with Ontario-based CannTx Life Sciences (CannTx) for the development of cannabinoid-based pharmaceutical drugs. CannTx, with its expertise in tissue culture and micropropagation technology, is the ideal strategic partner for our cannabinoid-based pharmaceutical program. Devonian will now have access to a raw material with a consistent cannabinoid profile, both within and between batches, essential in a pharmaceutical drug development program. Devonian will work closely with CannTx to implement standard pharmaceutical operational procedures (SOPs). These SOPs will enable Devonian to monitor, document and trace the identification and traceability of products, from the genetic profile of the plant to the associated cannabinoid content and the final pharmaceutical product. Under the terms of the agreement, the parties formed a strategic alliance to cooperate in the research, development, manufacture, and marketing of cannabinoid-derived pharmaceuticals. CannTx has granted worldwide exclusivity to its micropropagation technologies and know-how and its Steadystem for the validation of genetic material for the development of botanical

pharmaceuticals, with human and veterinary applications, as defined by the U.S. Food and Drug Administration/Botanical Drugs Regulations and on a non-exclusive basis for all other sectors, including agriculture. In similar terms, Devonian has granted exclusive access to its expertise and pharmaceutical platform, its cannabis research license, and its knowledge of drug development for the development of cannabinoid-based pharmaceuticals on a non-exclusive basis for all other sectors. The strategic alliance is expected to be transformed into a limited partnership or any other legal entity over the next 12 months.

In June 2020, Devonian finalized its main cannabinoid-based pharmaceutical program to develop new antimicrobials and antivirals for human, veterinary and agricultural applications. The program is expected to be officially launched by the end of March 2021.

Letter of intent with Histapharm Inc.

In June 2019, Devonian signed a letter of binding intent ("LOI") to negotiate the terms establishing the Devonian extraction site as the exclusive site for the extraction and manufacture of Histapharm's botanical drug. Histapharm's product targets the degradation of histamine, a different approach to treatments using antihistamine technologies. The ACT also includes the establishment of a strategic partnership focused on the development of new products for dermatological applications.

The extension of the extraction process related to Histapharm's product is underway in an applied research centre. The scaling is expected to be completed by June 2021, followed by the signing of a final agreement and the transfert to the Devonian facilities.

The conclusion of the final agreements is subject to additional conditions, including approval by the boards of Directors of Devonian and Histapharm, third-party consents, conditions deemed satisfactory by both parties, and certain other customary conditions. The conclusion of the final agreements is also subject to the approval of all other necessary regulatory authorities. There can be no assurance that the transaction will be completed or completed as proposed.

Derma-cosmeceuticals

On August 28, 2019, Devonian announced the publication of the positive results of the Purgenesis® Anti-age Care clinical study in the Journal of Cosmetic Dermatology, entitled "Comparison of Topical Anti-Aging Creams in Lateral Cantal Line Management." The article describes the results of a clinical study comparing the effectiveness of Purgenesis® anti-ageing creams (day cream, eye and night cream) to Prevage® (eye lotion, day cream and night cream) and LaMer® (eye balm, sea cream and Night Cream) in the management of lateral cantal lines. The results showed that volunteers using Purgenesis anti-aging creams® experienced statistically more significant improvements in objective measures than those observed with the other two product lines. These improvements include skin hydration, scalability, fatigue, firmness, and effects on wrinkles (total number, area, and total length of wrinkles).

On February 11, 2020, the Company announced a global sales and marketing partnership for R-Spinasome® (the active ingredient used in Purgenesis® creams) with SkinScipac Inc. (SkinScipac). The exclusive sales and marketing agreement include an undisclosed payment for the supply of R-Spinasome® on a per-kg basis and royalties on gross sales worldwide. SkinSciPac, in collaboration with Devonian, will be responsible for the production and marketing of the products. The marketing will take place on the world professional market for skin care and prestige, as part of the PRIORI Skincare line. Devonian will continue to develop new products using this technology and will be able to make them available to SkinSciPac when they are ready for commercialization.

This partnership marks an important milestone for Devonian. The Company now has a global marketing partner for its innovative skin care products developed with its proprietary technology. SkinScipac planned to launch the products in September 2020, but due to the situation of COVID-19, this launch was postponed to February 2021.

Due to the situation of COVID-19, the human, clinical trial of the blue light protection product has also been postponed. Based on developments in the pandemic situation, the Company expects to conduct the trial in the winter of 2020-2021.

Altius Healthcare (Altius), Devonian's subsidiary, has failed to market the Purgenesis anti-ageing product line. As Altius was more specialized in the sale and distribution of prescription drugs, it therefore faced an initial experience in the cosmeceutical field. Devonian intends to find provincial partners to market the Purgenesis product line within the Canadian physician network.

About Purgenesis ™ anti-aging Treatment

R-Spinasome®, an active complex of thylakoids extracted from organic green leaves, is the basis of the first anti-aging cosmeceutical treatment marketed under the Purgenesis ™ product line. The structure of this complex is essential for its antioxidant action, which allows it to capture and dissipate the harmful energy generated by reactive oxygen derivatives (ROS), thus restoring the complex to a state ready to be subjected to new activation cycles. This regenerative capacity invests the R-Spinasome® complex with long-lasting antioxidant activity that is still unmatched. In a clinical study of 72 subjects, Purgenesis ™ anti-aging treatment has been shown to provide anti-wrinkle, firmness and hydration results far superior to leading anti-aging creams. Made of a day cream, night cream and eye cream, the anti-aging treatment is recognized by the Skin Health Program™ of the Canadian Dermatology Association. Purgenesis ™ anti-aging treatment is protected by patents in Japan, Canada, United States and Europe (#JP5952261; #CDN 2,699,6795; #US 13 / 261,472; #EUR 11 768 299.7).

Patents

On June 15, 2020, Devonian announced a notice of acceptance of a U.S. patent application covering the use of Thykamine ™ for the treatment of ulcerative colitis. The U.S. Patent and Trademark Office (USPTO) has issued a Notice of Acceptance of U.S. Patent Application No. 15/ 772,155, entitled "Composition and formulation of thyloid extract for the treatment of inflammatory bowel disease," covering the use of Thykamine ™ for the treatment of ulcerative colitis. This allocation is a major expansion of Thykamine's patent heritage ™. Devonian has filed related patent applications that will allow the company to seek similar patent protection in other key markets around the world.

Financing

In 2020, Devonian completed two private financings, totaling gross proceeds of $2,245,000, and entered into an endorsement of the previously announced loan agreement on January 23, 2019 with a private group of lenders to increase the loan maximum from $3,000,000 to $3,500,000. This additional loan is subject to the same conditions as the loan agreement, with the understanding that the $500,000 can be repaid by the Company at any time without penalty.

Governance

On June 5, 2020, Devonian announced that Guy Dancosse had been appointed to the company's Board of Directors. Mr. Dancosse has extensive experience in commercial arbitration, both nationally and internationally, in many areas of activity, including the public sector. He is a member of the Canadian panel of commercial arbitrators of the International Chamber of Commerce (ICC Paris) and has appeared before all Canadian courts, including the Supreme Court of Canada. In addition, he has led working groups and commissions of inquiry in Canada on issues related to naval piloting in the St. Lawrence River and Aboriginal land claims. He has also chaired international missions for the World Bank, including Chad and Tanzania. Mr. Dancosse is well versed in the legal framework and business environment of cannabis in Canada, as well as the good management of the company. He also serves on the boards of many private and public companies and has extensive experience as a corporate director.

5. KEY FINANCIAL INFORMATION

	Year ended	
	2020-07-31	2019-07-31
	$	$
Distribution revenues	2,143,155	4,004,905
Operating expenses		
Research and development expenses	1,536,832	1,175,886
Cost of sales	2,213,272	3,417,368
Administratives expenses	2,478,179	2,602,122
Financial expenses	517,615	48,621
Loss before other items and income taxes	(4 602 743)	(3 239 092)
Other items	227,967	499 400
Loss before income taxes	(4 374 776)	(2 739 692)
Net loss and comprehensive loss	(4 374 776)	(2 689 700)
Net loss per share	(0,059)	(0,040)
Total Assets	16,696,247	17,122,949
Total liabilities	7,312,017	6,238,600
Shareholder's equity	9,384,230	10,884,349

Net loss

Net loss attributable to shareholders for the year ended July 31,2020, was $4,374,776 ($0.059 per share), compared to a net loss of $2,689,700 ($0.040 per share) for the prior year. This decrease in net income was mainly due to a decrease in sales of $1,861,750, an increase in research and development expenses of $360,946, and in Financial expenses for $ 468,994, partially offset by a decrease of in general and administrative expenses compared to 2019.

In addition, in 2019, the Company recorded other income totaling $ 499,400, compared to $ 227,967 for 2020.

Revenues

For the year ended July 31, 2020 revenues of $2,143,155 were recorded. These revenues come mainly from the sale of Cleo-35 and Pantoprazole Magnesium through its subsidiary Altius Healthcare. For the previous fiscal year ended on the same date, revenues of $4,004,905 had been recorded, also from the distribution of Cleo-35 and Pantoprazole Magnesium through its subsidiary Altius Healthcare. This significant decrease in revenues was due to several factors, including the interruption of the supply of Pantoprazole Magnesium for a period of more than 3 months, preventing the Company from participating in inventory storage for the holiday season in November and December 2019. The emergence of COVID-19 also had a negative impact on sales from March 2020, following various provincial guidelines to reduce the prescription period to be renewed from 90 to 30 days to avoid critical drug inventory disruptions.

As the supply situation for Pantoprazole Magnesium stabilizes, the Company's management continually explores various business opportunities to maximize revenues and profitability in the hope of regaining and exceeding lost market share.

In June 2018, the Company announced the commercial launch of Purgenesis™ anti-aging treatment. Altius Healthcare (Altius), Devonian's subsidiary, has failed to market Purgenesis™ anti-aging product line, which is more specialized in the sale and distribution of prescription drugs. Devonian intends to find provincial partners to market the Purgenesis™ product line within the Canadian physician network.

Research and Development

During the year ended July 31, 2020, research and development expenses amounted to $1,536,832, compared to $1,175,886 for the prior year. These costs are mainly attributable to the costs associated with the clinical study on Atopic Dermatitis, the costs of maintaining patents, the amortization of the fixed assets (Montmagny) and the payroll of employees assigned to this sector. The increase in research and development costs is mainly due to the progress of the Phase II project on Atopic Dermatitis, the costs incurred for the study, which began in June 2017. On June 10, 2020, the Company announced the end of patient recruitment for this clinical trial. It should be noted that the total amount of $1,536,832 in research and development costs is net of repayments of $164,773 in the form of research and development credits that will be claimed from government authorities for fiscal year 2020. In 2020, the Company received all the credits claimed for fiscal year 2019.

Cost of sales

The cost of the products sold, which amounted to $2,213,272 for the year 2020, consists of acquisition costs, distribution, royalties, and direct charges attributable to the products sold by our subsidiary Altius Healthcare as well as the amortization expense of intangible assets. In fiscal year 2019, these costs totaled $ 3,417,368 and were also attributable to the same products sold by Altius. This decrease in the cost of sales is causally related to lower sales of Pantoprazole Magnesium and Cleo-35.

Operating expenses

General administrative expenses

The allocation of positions related to overhead is as follows:

	Year ended July 31, 2020	Year ended July 31, 2019
	$	$
Salaries	302,378	333,580
Stock based compensation	344,104	109,737
Professionnel Fees	435,118	280,597
Property taxes	107,027	111,307
Promotion and Marketing	613,257	821,533
Others	676,295	945,368
	2,478,179	2,602,122

For the year ended July 31,2020 administrative expenses were $2,478,179 compared to $2,602,122 for the year ended July 31, 2019. This decrease compared to 2019 was mainly due to a decrease in program promotion and marketing expenses for products distributed by Altius and a decrease in other expenses partly offset by higher professional fees and stock-based compensation expenses.

The decrease in salaries from 2019 is mainly due to the subsidy under the government's Emergency Wage Subsidy program.

The stock-based compensation expense of $ 344,104 (a non-cash charge) consists of an amount of $ 278,093 which was recognized following the grant of options in April and July 2020, at directors, officers and employees, according to the stock option plan. A charge of $ 66,011 is attributable to options granted during the years 2017 to 2019.

The increase in professional fees compared to the previous year was due to the various development projects related to the Company's corporate affairs.

The reduction in promotional and marketing costs compared to 2019 is explained by the decrease in sales in 2020 as well as by a decrease in the costs incurred for the promotion of the anti-ageing treatment Purgenesis ™.

The other costs are mainly attributable to the operating costs of the Montmagny and Altius sites, to travel expenses, management fees, office supplies as well as the costs related to the Company's stock market securities. The decrease in other expenses of $ 269,073 compared to 2019, is partly explained by a decrease in management fees recorded in Altius, while another portion of the reduction is explained by a rationalization of travel expenses as well as the various travel restrictions issued by government authorities in response to the fight against COVID-19.

Financial expenses

Financial expenses amounted to $ 517,615 for the year ended July 31, 2020, compared to $ 48,621 for the previous year. Among the financial expenses for 2020, $ 326,817 is attributable to long-term debt while a charge of $ 430,375 is related to the amortization of the discount and interest on the debentures issued in July 2018 and August 2018 while an unrealized gain on the fair value of the embedded derivative on the convertible debentures was recorded for an amount of $ 243,963. This increase in financial expenses compared to the previous year is mainly explained by the unrealized gain on the fair value of the embedded derivative on the convertible debentures, which was $ 631,244 in 2019, thus substantially reducing financial expenses. As for long-term debt, the Company was able to benefit from the decrease in the base rate of 2% that occurred in March 2020, so that the additional tranche of $ 500,000 obtained in August 2019, will not have been incurred significant impact on its financial charges.

6. FOURTH QUARTER

Results

For the quarter ended July 31, 2020, the net loss was $ 750,851 ($ 0.014) per share, while for the same period ended July 31, 2019, the Company had realized a net loss of $ 609,557 ($ 0.009) per share.

This decrease in quarterly net income is partly attributable to the gain on debt settlement for an amount of $ 350,000, which had been recorded in the last quarter of 2019.
In addition, during the last quarter of 2019, an unrealized gain of $ 360,289 on the fair value of the derivative embedded in the convertible debentures significantly reduced finance costs for this quarter.

During the last quarter of 2020, research and development costs were incurred for a total of $ 250,011, compared to $ 434,374 for 2019. The end of patient recruitment in June 2020 partly explains this decrease. In addition, a credit repayment receivable of $ 164,773 also reduced the quarterly charge for 2020.

During the quarter ended July 31, 2020, the Company recorded a total of $ 324,115 in distribution revenues for Cleo-35® and Pantoprazole Magnesium while for the same corresponding period in 2019, a total of $ 150,469 of distribution revenues had been recorded. This slight increase compared to 2019 could be explained by the disruption of Pantoprazole magnesium supplies which persisted from the third quarter of 2019.

7. QUARTERLY INFORMATION

	Quarter ended (restated)								
	July 31 2020	April 30 2020	January 31 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31 2019	October 31, 2018	July 31, 2018
	$	$	$	$	$	$	$	$	$
Revenues	314,115	379,362	401,692	1 037 986	150,459	160,658	2,208,876	1,484,902	1 084 050
Net (loss) income	(750,851)	(788 713)	(1 273,305)	(778,844)	(609,557)	(1,103,701)	443,614	(1,221,413)	(1 161 823)
Net (loss) income per share	(0,009)	(0,011)	(0,018)	(0,011)	(0,009)	(0,017)	0,007	(0,017)	(0,017)
Diluted (loss) income per share	(0,009)	(0,011)	(0,018)	(0,011)	(0,009)	(0,017)	0.007	(0,017)	(0,017)

8. FINANCIAL SITUATION

Liquidity and capital resources

As of July 31,2020, the Company had cash, totaling $913,017 compared to $244,590 as at July 31, 2019. For the year ended July 31,2020, the net cash increase of $668,427 was primarily attributable to financing activities that totaled $2,725,528 partially offset by $2,027,627 in expenses incurred to fund general operations. The Company believes that it will be able to adequately fund its operations and meet its cash requirements over the next 12 months, considering the additional funding that will be obtained

Total assets as at July 31, 2020 were $16,696,247 compared to $17,122,949 at July 31, 2019. The decrease is mainly due to the decrease of tangible and intangible assets primarily as a result of amortization expenses of $1,042,480, partially offset by an increase in short-term assets of $586,304.

Total liabilities as at July 31, 2020 amounted to $ 7,312,017 compared to $ 6,238,600 as at July 31, 2019, an increase mainly due to the operating debts and long-term debt.

Financing activities

The cash generated from the financing activities for the year ended July 31, 2020 is mainly attributable to net proceeds of $2,200,502 for the issuance of new shares and warrants through private placements, as well as to additional long-term financing of $500,000.

To date, the Company has financed its activities through private placements of common shares and subscription rights as well as the issuance of convertible debentures and operating income generated by its subsidiary.

The Company's profitability is based on factors such as its ability to market, sell and distribute its cosmetics and pharmaceutical products, the success of the various clinical studies, the various approvals of the regulatory bodies as well as the ability to obtain the necessary funding. The Company's ability to continue as a going concern depends on its ability to realize other types of financing and its ability to generate profitable sales.

9. OUTSTANDING SHARE DATA

As at November 25, 2020, the number of issued and outstanding shares was 82,860,867 while the number of outstanding options granted under the Stock Option Plan was 6,228,355. The Company also had 8,403,361 warrants entitling the holders to subscribe for one subordinate voting share of the Company at a price of $ 1.19 per share, and 4,488,320 warrants, allowing holders to subscribe for one subordinate voting share of the Company at a price ranging from $ 0.218 per share, to $ 0.50

10. RELATED PARTY OPERATIONS

The principal officers of the Company are the president, the president of the subsidiary, the interim financial director and the directors. During the fiscal year ended July 31, 2020, the Company paid them respectively total compensation of $ 799 029 including $ 272,500 in salaries and benefits, $ 200,000 in management costs and $ 326 529 in the form of stock-based compensation**.**

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Exchange rate risk

During the year ended July 31, 2020, the Company completed a few foreign currency transactions with a minimum value. Management will evaluate options to deal with future changes in the Canadian dollar against the US dollar, should the value of foreign currency transactions be significant. Financial charges as well as general administrative expenses could be influenced by these financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the risk of interest rate fluctuations on its debt with the Private Lender Group, which bears interest at a variable rate.Based on the net exposures presented above as at July 31, 2020, and assuming all other variables remain constant, a 1% increase or decrease in the interest rate would result in an increase or decrease of approximately $35,000 of the net loss of the Company for the full year.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations related to financial liabilities. On July 31, 2020, the Company had current liabilities of $2,634,916. The Company's operating and capital expenditure budgets as well as major operations outside the normal scope of its operations are reviewed and approved by the Board of Directors. The Company monitors its liquidity, which makes it possible to seek additional liquidity in a timely manner.

Risk of economic dependence (Altius)

The revenues of Altius Healthcare (Altius) currently come from the sale of Cléo-35 and Pantoprazole Magnesium. Altius obtains its supplies from third parties and cannot be sure of the manufacture and delivery of these drugs, despite reports of forecasts provided to them.

A break in the supply of Pantoprazole Magnesium would have a negative impact on the company's revenues.

In order to reduce the associated economic risk, Altius' strategy is to acquire rights to market other pharmaceutical products.

Risks related to research and development operations

The Company's operations involve risks and uncertainties specific to its business that could have an impact on its business, financial condition, and results of operations. Conducting clinical trials requires the recruitment of patients, and difficulties in recruiting patients could delay the completion of our clinical trials or result in non-completion. In addition, because our human resources are too limited to conduct preclinical studies and clinical trials, we will need to rely on a service provider to conduct our studies and trials and to perform certain data collection and analysis processes. Preclinical or non-clinical studies must be conducted in accordance with good laboratory practice and must conform to the international governance standards of the International Council for Harmonization (ICH). If for any reason, including as a result of failure to comply with the rules and regulations governing the conduct of preclinical studies and clinical trials, or if he neglects to fulfill his contractual obligations in accordance with the terms of the agreements concluded with us, such as failing to conduct tests, compile data or produce reports as a result of testing, we may be subject to delays that may be significant in our commitments.

Risks related to our shares

The price of our shares has been volatile, and an investment in our common shares could suffer a decline in value. Since our listing on the TSX Venture Exchange (TSXV), our valuation and the price of our shares have fluctuated and have had no material relationship to our financial results, asset values, book values, current or historical, or many other criteria based on conventional measures of the value of common shares. Our share price will continue to vary based on several factors, including the risk factors described herein and other circumstances beyond our control. The value of an investment in our common shares or our common share purchase warrants, or both, may fall significantly or vary significantly.

12. SUBSEQUENT EVENTS

Payment of interest on debentures

On October 19, 2020, the Company issued 338,326 shares at a unit price of $0.149 and 201,982 units at a unit price of $ 0.149, in return for the $35,146 in interest it owed on August 2020, to holders of debentures issued on August 31, 2018. Each unit consists of one subordinate voting share and one warrant. Each warrant grants its holder the right to subscribe for one subordinate voting share of the share capital of the Company, at a price of $ 0.194 for a period of 48 months.

13. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that may affect the amounts reported as assets, liabilities and income and expenses. These amounts reflect management's best estimate based on overall economic conditions and decisions based on the Company's most probable course of action. Any changes to these assumptions and estimates could have an impact on actual results. The consolidated and audited financial statements for the year ended July 31, 2020 should be referenced for further details regarding significant accounting policies and estimates for the purpose of evaluating and understanding the financial statements of the Company.

Comparative information

Revenues and expenses

The Company has historically recognized all revenues and expenses related to operations with wholesalers on a gross basis, with revenues reported at the gross amounts and amounts recognized as expenses in administration and selling expenses.

During the year ended July 31, 2020, the Company reassessed the accounting treatment of those expenses and determined that all expenses charged by the wholesalers should be recognized in reduction of the revenues.

Convertible debentures

The Company has historically split convertible debentures into a liability component and an equity component, under IAS 32.

During the year ended July 31, 2020, the Company reassessed the accounting treatment of the convertible debentures and determined the recognition policy should be changed, in order to split the convertible debentures into a liability component (host) and an embedded derivative.

Goodwill

On July 30, 2019, after obtaining additional information, the acquisition price was adjusted, thus leading to the recognition of an amount receivable from Aspri Pharma of $25,135, for which the consideration was charged to the consolidated statement of income.

During the year ended July 31, 2020, the Company reassessed the accounting treatment of this operation and determined it should recognize the above receivable against goodwill, removing it from the consolidated statement of income.

Deferred income tax assets

Upon the acquisition of Altius Healthcare Inc., the Company had not considered that its own income tax attributes were available to be used as needed to eliminate income taxes that could have been due upon the materialization of the taxable temporary differences that arose from the acquisition.

Under IAS 8- *Accounting Policies, Changes in Accounting Estimates and Errors*, the changes described above were applied retrospectively and the comparative information was adjusted for all the periods presented, as if the policies had always been in place.

The effects of the adjustments on the unaudited interim consolidated financial statements are detailed in note 27 and note 28 in the Financial statements as at July 31, 2020.

Continuity of operations

The Company has incurred losses since its inception and expects that this situation will continue in the foreseeable future. The Company’s liquidities are limited considering its ongoing projects. Consequently, the Company's ability to continue as a going concern depends on its ability to obtain, in a timely matter, further financing to complete research and development projects and market products, achieve profitable operations while generating positive cash flows. No assurance can be given in that matter. Further financing will continue to be required since it is impossible to estimate when the Company will achieve profitability. Management continues to negotiate further financing and different agreements that could create positive cash flows. The success of these negotiations is contingent on many factors outside the Company’s control and there is substantial uncertainty about the Company’s ability to successfully complete such financings and agreements that may cast significant doubt on the Company's ability to continue as a going concern.