Q4 2018
MANAGEMENT'S DISCUSSION AND ANALYSIS - FOR THE YEARS ENDED JULY 31, 2018 AND 2017 AND THE QUARTER ENDED JULY 31, 2018.

1. INTRODUCTION

This Management's Discussion & Analysis provides the reader with an overview of the operations and financial position of Devonian Health Group Inc. ("the Company") on July,31 2018. It also provides a review of our performance by comparing the Company's results of operations on a consolidated basis, for the twelve-month period ended July 31, 2018, ("the year 2018") with the twelve-month period ended July 31, 2017 ("the year 2017"). It should be read in conjunction with the consolidated and audited financial statements of the Company for the years ended July 31, 2018 and July 31, 2017. The financial data contained in this Management's Discussion & Analysis have been prepared in accordance with International Financial Reporting Standards (IFRS) by Management, based on the information available as at November 26, 2018. 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, the Company, which is the result of a merger, acquired in April 2015, all the assets of Purgenesis Technologies Inc., a company that developed and manufactured patented active complexes from natural sources. 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 ™. The company is proud that 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. Devonian intends to market its products under the Purgenesis ™ brand with sales and marketing partners. In Canada, marketing is handled by Altius Healthcare Inc., a wholly owned subsidiary of Devonian. The company's business strategy is also to build a portfolio of complementary products that align with its expertise, which will drive revenue and cash flow to realize its research projects and create value for its shareholders.

4. HIGHLIGHTS FOR 2018

The main objectives of our business plan for 2018 were to begin the Phase II clinical study of our flagship product, Thykamine™, in patients with mild to moderate atopic dermatitis (AD), find a distributor for our cosmeceutical products in Canada, to find marketing partner for other countries and to identify acquisition opportunities for new products that could benefit from our expertise.
These objectives were intended to lay a solid foundation for the future growth of the Company and targeted the development of the market for its cosmeceutical products in order to achieve liquidity growth.

On September 6, 2017, Devonian announced that Purgenesis™, the anti-aging treatment of Devonian Health Group, has been recognized by the Canadian Association of Dermatology by means of its Skin Health Program™. Finally, on September 28, 2017, the Company announced the signature of its first exclusive marketing and distribution agreement with Altius Healthcare Inc. ("Altius") to distribute the patented anti-aging treatment, Purgenesis™, in Canada.

On November 9, 2017, the Company announced the launch of its Phase II clinical trial to evaluate the tolerability, safety and efficacy of Thykamine ™ in patients with mild to moderate atopic dermatitis (AD). Thykamine ™ is an innovative product with anti-inflammatory, antioxidant and immunomodulatory properties for the prevention and treatment of several debilitating diseases.
The randomized, double-blind, parallel-group, and placebo-controlled study is being conducted in twelve (12) clinical centers across Canada. Eligible adults with mild to moderate AD will receive one of three concentrations of Thykamine ™ cream (0.05%, 0.1% and 0.25%) or placebo. The cream is applied twice daily for 28 days to all skin areas affected by atopic dermatitis, excluding the palms, soles and scalp. This study represents the first step of our clinical development program on atopic dermatitis.

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. DA 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 for 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 in 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.

Acquisition of Altius Healthcare

On February 1, 2018, the Company acquired all the issued and outstanding shares of Altius Healthcare Inc., a corporation governed by the Business Corporations Act (Ontario), which carries on an import business, marketing and distribution of generic and brand-name medicines ("Altius"). Altius maintains its existing operations as a new division of Devonian. Altius will continue to acquire licenses and distribute drugs for the Canadian market. The acquisition was made pursuant to a share purchase agreement between Devonian, the shareholders of Altius and Altius, whereby the Company acquired all the issued and outstanding shares of Altius in exchange for the issuance of 8,403,361 units of the company. Each unit consists of one subordinate voting share and one subordinate voting warrant at a price of $ 1.19 per subordinate share for a period of 36 months following their issuance. The Subordinate Voting Shares are escrowed for a period of thirty-six (36) months. The current portfolio of Altius 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.

Total revenues from these two pharmaceutical products increased from $ 2.4 million to $ 9.7 million for the fiscal years ended December 31, 2015 and 2016, respectively. This transaction provides Devonian with sales and marketing capabilities. It also creates a compelling operational and financial platform for the future growth of the Company.

Ms. Sybil Dahan, who has over 29 years of experience in the pharmaceutical industry, continues to chair Altius.

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. The diversity of the team's experiences and skills is based on nearly 40 years of generic, brand, brand, and generic drug production, marketing and distribution. For more information about Altius Healthcare, visit www.altiushealthcare.ca.

Private placement

On July 19, 2018, the Company announced its intention to enter into a non-syndicate private placement of unsecured convertible debentures for gross proceeds of up to $ 5 million. Aspri Pharma Canada Inc. has subscribed for $ 1 million of convertible debentures.

The convertible debentures bear interest at a rate of 10% calculated semi-annually and maturing 48 months from the closing date of the offering. Interest on the Debentures began to accrue on the Closing Date and will be calculated and payable semi-annually in Units of the Corporation.

The principal of the Debentures is convertible into units of the Corporation at a price of $ 0.75 per Unit. Each unit consists of one subordinate voting share in the capital of the Company and one warrant. Each warrant entitles its holder to acquire one subordinate voting share in the capital of the Company at a price of $ 0.95 until the date that is 48 months after the closing date.

For the payment of the interest in shares, the number of shares to be issued will be calculated as follows depending on the situation: (a) if the subordinate voting shares included in the units are not subject to resale restrictions on a recognized stock exchange immediately after the issue, the five-day average of the CMPA (weighted average share price) immediately prior to the applicable interest payment date (and the price of the warrants included in Units will equal the Interest Conversion Rate plus 30% (b) if the subordinate voting shares are subject to resale restrictions after their issuance, 90% of the five-day average of

the CMPA immediately prior to the applicable interest payment date and the price of the warrants will be equal to this interest rate plus 30%. If at any time after the closing date, the CMPA of the subordinate voting shares of the Company for 20 consecutive trading days, is equal to or greater than $ 1.85 and at least 5,000 subordinate voting shares are traded daily on the TSX Venture Exchange or 20,000 or more subordinate voting are traded daily on a recognized stock exchange other than the TSX Venture Exchange, the Company may, within 20 trading days after that period, notify the holders of its irrevocable choice to convert all debentures then outstanding, for any number of Units, equal to the principal amount of the debenture at the price of $ 0.75 for the principal Amount and accrued and unpaid interest as calculated above.
If, in the year following the Closing Date, Devonian issues additional Convertible Debentures at a conversion price of less than $ 0.75 per Unit or Subordinate Voting Shares, the conversion price of Units issued under this private placement will be reduced to the greater of: (i) the conversion price of the additional convertible debentures at the time of the issue or sale, or (ii) $ 0.40. The exercise price of the warrants will remain at $ 0.95. If a Subscriber has converted its Convertible Debenture prior to the issuance of the Additional Convertible Debentures, it will receive the additional number of securities to which it would have been entitled had it not converted its Convertible Debentures.
In its sole discretion, the Company may prepay in whole or in part the principal amount of the Debentures with accrued and unpaid interest.

Other highlights

On November 16, 2017, the Company announced the filing of a patent application for the use of Thykamine ™ in cardiovascular disease.
The patent application covers the use of Thykamine ™ for the prevention and / or treatment of cardiovascular diseases. Cardiovascular diseases include several diseases associated with inflammation of the cardiovascular system such as angina, stroke, myocardial infarction, atherosclerosis, ischemia, rheumatic heart disease, cardiomyopathy, cardiac arrhythmias, peripheral arterial disease, venous thrombosis, unstable angina and arterial revascularization. The filing of this new patent is another essential element of our overall strategy to expand our patent list.
On May 16, 2018, the Company announced that it had received a notice of acceptance from the Canadian Intellectual Property Office as a result of its Canadian Patent Application No. 2,699,676 entitled "The Use of an Extract of photosynthetic cell in a cosmetic composition". This patent relates to cosmetic and topical compositions containing a photosynthetic cell extract which has been developed by the Company, operated under the trademark R-Spinasome® and used as an active ingredient in the range of cosmeceutical products Purgenesis™ or in synergy with agents of sunscreen.
The compositions have an anti-wrinkle and anti-aging effect on the skin of users and improve their aesthetic appearance. Particularly, it is said that the preparation improves the aesthetic appearance, which is characterized by a decrease in the number and depth of wrinkles, an increase in the elasticity and hydration of the skin. In addition, the photosynthetic cell extract is considered a protector against damage caused by ultraviolet A (UVA) and B (UVB).

At the Canadian Dermatology Association's annual conference held in Montreal on June 22, 2018, the Company announced the official launch of its clinically proven anti-aging treatment, Purgenesis™.

On June 27, 2018, the Company announced the United States Intellectual Property Office's Notice of Acceptance in response to its US Patent Application No. 13 / 261,472 entitled "The Use of an Extract of photosynthetic cell in a cosmetic composition ". This patent relates to cosmetic and topical compositions containing a photosynthetic cell extract that has been developed by the Company, operated under the trade name R-Spinasome® and used as an active ingredient in the Purgenesis ™ cosmeceutical product line or in synergy with sunscreen. The compositions have an anti-wrinkle and anti-aging effect on the skin of users and improve their aesthetic appearance. It is said that the preparation improves the aesthetic appearance which is characterized by

a decrease in the number and depth of wrinkles, an increase in the elasticity and hydration of the skin. In addition, the photosynthetic cell extract is considered a protector against damage caused by ultraviolet A (UVA) and B (UVB).
On July 31, 2018, Devonian Health Group Inc. also announced the notice of acceptance of the European Intellectual Property Office following its European Patent Application No. 11,768,299.7, entitled "The Use of an Extract of photosynthetic cell in a cosmetic composition".
Following the first Devonian patents issued in Japan (JP5952261), and in Canada (CDN 2,699,6765), this newly issued patent represents an important step in Devonian's strategic plan to establish a unique range of Purgenesis ™ cosmeceutical products. This patent strengthens the commercial potential of the Company and ensures a reputation with international partners.
Sales and marketing activities in Canada are managed by Devonian's commercial division, Altius Healthcare Inc.

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. more sold. 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, The United States and Europe (#JP5952261; #CDN 2,699,6795; #US 13 / 261,472; #EUR 11 768 299.7).

SUMMARY OF OPERATING RESULTS

General Financial informations

	Year ended	
	July 31, 2018	July 31, 2017
	$	$
Revenue	3,199,959	
Expenses		
Research and development expenses	1,116,873	426,505
Cost of sales	2,947,202	
Selling expenses	68,073	
General administrative expenses	1,905,276	1,513,346
Financial expenses	357,882	575,083
Operating results	(3,195,347)	(2,514,934)
Business acquisition fees	(88,528)	(1,618,970)
Results before income taxes	(3,283,875)	(4,133,904)
Net loss	(3,187,068)	(4,375,715)
Loss per share	(0.051)	(0.126)
Total assets	19,157,702	11,558,386
Total non current liabilities	4,116,501	3,099,339

Net loss

For the year ended July 31, 2018, the net loss attributable to shareholders was $ 3,187,068 ($ 0.051) per share, compared to a net loss of $ 4,375,715 ($ 0.126) per share for previous year. This increase in net income is mainly attributable to the business acquisition fees of $ 1,618,970 related to the merger with Capital Orletto Inc. (a non-cash charge), recorded in 2017, partially offset by an increase of $391,930 in general and administrative expenses and an increase of $ 690,368 in research and development expenses incurred while a decrease in financial expenses of $ 217,201 was recorded in 2018 compared to 2017.

Revenues

During the year ended July 31, 2018, revenues of $ 3,199,959 were recorded. These revenues come from the sale of Cleo-35® and Pantoprazole Magnesium via Devonian's subsidiary, Altius Healthcare. For the previous fiscal year ended on the same date, no income was recorded by the Company. The Corporation's management continually explores other business opportunities to expand its potential portfolio for projects.

Research and development expenses

The breakdown of research and development expenses is as follows:

	Year ended July 31, 2018	Year ended July 31, 2017
	$	$
Patents	90,699	160,411
Salaries and employee benefits	103,652	132,261
Dermatitis Atopic, Phase II	884,992	55,663
Quality assurance process & offsite extraction activities	25,620	18,169
New products development	4,710	5,637
Consultant Fees	-	16,800
Statistical analyses	-	12,562
Applications study of Thykamine™	7,200	25,002
	1,116,873	426,505

During the year ended July 31, 2018, research and development expenses amounted to $ 1,116,873 compared to $ 426,505 for the previous year. These costs are mainly attributable to costs related to the clinical study on Atopic Dermatitis, patent maintenance fees, the payroll of employees assigned to this sector, offsite extraction activities and consultant fees. In 2017, these expenses were mainly related to patent maintenance fees, clinical trial expenses for Atopic Dermatitis, payroll for employees assigned to this sector, as well as activities related to off-site extractions and statistical analyzes. The decrease in expenses attributable to patents is explained by the fact that $ 50,933 in relation to cosmeceuticals marketed was capitalized in intangible assets. The $ 884,992 costs incurred for the Phase II clinical trial on Atopic Dermatitis, begun in June 2017, are net of the reimbursements already obtained of $ 147,124 for the research and development tax credit and of $ 131,390 which has been claimed from the governmental authorities.

Cost of sales

Cost of sales of $ 2,947,202 for fiscal 2018 is comprised of production, distribution, royalty and overhead costs attributable to products sold by our subsidiary Altius Healthcare. For the 2017 fiscal year, there was no cost of the products sold.

Sales expenses

Selling expenses totaling $ 68,073 for fiscal year 2018 are mainly attributable to the expenses of sales representatives for the two products distributed by Altius Healthcare, namely Cleo-35® and Pantoprazole Magnesium. For the previous year, no selling expenses were incurred.

Operating expenses

General administrative expenses

The breakdown of General administrative expenses is as follows:

	Year ended July 31, 2018	Year ended July 31, 2017
	$	$
Salaries and employee benefits	305,667	403,601
Stock based compensation	137,467	194,627
Professional fees	170,893	281,452
Depreciation	640,708	276,546
Property taxes	108,774	107,617
Others	541,767	249,503
	1,905,276	1,513,346

For the year ended July 31, 2018, general administrative expenses amounted to $ 1,905,276 compared to $ 1,513,346 for the year ended July 31, 2017. This increase over the year ended July 31, 2017, is mainly due to increase of $ 292,264 of the other expenses, and to the increase of $ 364,162 of depreciation, partially offset by a decrease of $ 97,934 in payroll, following the departure of an employee in May 2017 and a decrease in professional fees for $ 110,559, for which in 2017, fees had been incurred for the preparation and revision of the prospectus for the public issue. In addition, for fiscal year 2018, a charge of $ 137,467 (a non-cash charge) was recorded as stock-based compensation related to the Company's stock option plan, while in 2017, this charge was $ 194,627.

Financial expenses

Financial expenses amounted to $ 357,882 for the year ended July 31, 2018 compared to $ 575,083 for the previous year. These expenses are mainly attributable to the debt incurred by Investissement Québec for the purchase of the Company's assets in April 2015, while in 2017, in addition to interest on the debt incurred with Investissement Québec, a charge of $ 153,791 had been recorded related to the amortization of the discount and the interest of the debentures, in connection with the convertible debentures issued in the last two years.

5. FOURTH QUARTER

Net loss

For the quarter ended July 31, 2018, the net loss amounted to $ 1,161,823 ($ 0.017) per share. For the same period ended July 31, 2017, the Company realized a net loss of $ 2,770,858 ($ 0.050). This increase in net income is mainly attributable to the acquisition costs of a business of $ 1,618,970 related to the merger with Capital Oretto Inc. (a non-cash charge) that was recorded in the last quarter of 2017, as well as lower financial expenses, partially offset by an increase of general and

administrative expenses and higher research and development expenses. The Company, which records sales through its subsidiary Altius, incurs operating expenses, including administrative expenses, selling expenses and financial expenses, in addition to the research and development expenses required for its operations, the development of its products and the conduct of its clinical trials.

Revenues

During the quarter ended July 31, 2018, a total of $ 1,116,157 in revenue was recorded by the Company. These revenues come from the sale of Cleo-35® and Pantoprazole Magnesium via its subsidiary Altius Healthcare. For the same corresponding period in 2017, no income was recorded.

Cost of sales

Cost of sales of $ 1,220,443 for the last quarter of 2018 is comprised of production, distribution, royalty and overhead costs attributable to products sold by our subsidiary Altius Healthcare. For the same corresponding quarter of 2017, there was no cost of sales.

Sales expenses

Selling expenses totaling $ 68,073 for the last quarter of 2018 are mainly attributable to the expenses of the representatives incurred for the sale of the two pharmaceutical products distributed by Altius Healthcare. For the same period last year, no selling expenses were incurred.

Research and development expenses

The breakdown of Research and development expenses is as follows**:**

	Quarter ended July 31, 2018	Quarter ended July 31, 2017
	$	$
Patents	34,182	54,250
Salaries and employee benefits	26,055	25,577
Quality assurance process & offsite extraction activities	-	4,504
Dermatitis Atopic, Phase II	232,701	55,663
New products development	3,360	5,637
Statistical analyses	-	10,776
Applications study of Thykamine™		-
	296,298	156,407

During the quarter ended July 31, 2018, research and development expenses were $ 296,298, net of a receivable repayment of $ 131,390. These expenses are mainly attributable to the costs incurred in the clinical study on atopic dermatitis, the fees related to patents and the payroll of employees assigned to this sector. Research and development expenses of $ 156,407 were incurred for the same period in 2017. The increase compared to the corresponding quarter of 2017 is mainly due to the costs related to the clinical study started in June 2017.

Operating expenses

General administration expenses

The breakdown of General administrative expenses is as follows:

	Quarter ended July 31, 2018	Quarter ended July 31, 2017
	$	$
Salaries and emloyee benefits	69,619	99,361
Stock based compensation	67,232	194,627
Professional fees	(54,275)	77,862
Depreciation	432,964	69,747
property taxes	27,452	27,370
Others	179,638	97,908
	722,630	566,875

For the quarter ended July 31, 2018, salaries and benefits in the amount of $ 69,619 are mainly related to the members of management. For the same period ended July 31, 2017, salaries and benefits expenses of $ 99,361 were also attributable to the executive officers. This decrease is explained by the departure of an employee during the last quarter of 2017.

For the three-month period ended July 31, 2018, stock-based compensation expense of $ 67,232 (non-cash charge) was recorded following the granting of 1,565,000 options to members of the Board of Directors, to consultants and employees, according to the stock option plan. For the same period in 2017, stock-based compensation expense of $ 194,627 was recorded.

For the quarter ended July 31, 2018 the decrease in professional fees totaling ($ 54,275) is mainly due to $ 64,427 that was recorded as a reduction of professional fees in order to be recorded in the acquisition costs of a company in connection with the acquisition of Altius. For the corresponding period in 2017, professional fees of $ 77,862 were mainly related to corporate work and expenses related to the merger with Orletto and the Company's initial public offering.

For the quarter ended July 31, 2018 the amortization expense of $ 432,964 is mainly related to all tangible assets acquired in April 2015 as well as the intangible assets generated by the acquisition of Altius Healthcare. For the corresponding period of 2017, amortization expense of $ 69,747 was also attributable to all tangible assets acquired in April 2015.

For the three-month period ended July 31, 2018, property taxes of $ 27,452 relate to the Montmagny site, compared to $ 27,370 for the same period in 2017.

For the three-month period ended July 31, 2018, other costs of $ 179,638 are primarily attributable to the operating costs of the Montmagny and Altius sites, travel and office expenses, and office supplies as well as expenses related to the securities of the Company. For the corresponding period of the 2017 fiscal year, the other costs of $ 97,908 were also attributable to the Montmagny site's operating expenses, travel and office expenses, office supplies and expenses related to the IPO of the Company. This increase, compared to the same quarter last year, is mainly due to Altius' operating expenses, travel expenses, increased maintenance costs at the Montmagny site, as well as costs related to management of the website.

Financial expenses

During the three-month period ended July 31, 2018, financial expenses of $ 93,801 were recorded mainly related to long-term debt and convertible debentures. For the corresponding period of 2017, financial expenses of $ 98,494 were also related to

long-term debt and convertible debentures. The slight decrease from the same period in 2017 is due to lower financial expenses related to the debentures that were converted on May 12, 2017 into Company securities.

6. SELECTED QUATERLY FINANCIAL INFORMATION

	Quarter ended								
	July 31 2018	April 30 2018	January 31 2018	October 31 2017	July 31 2017	April 30 2017	January 31 2017	October 31 2016	July 31 2016
	$	$	$	$	$	$	$	$	$
Revenue	1,116,157	2,083,802	-	-	-	-	-	-	-
Net (loss)	(1,161,823)	(597,759)	(783,608)	(643,878)	(2,770,858)	(604,808)	(598,663)	(401,386)	(391,771)
Basic (loss) per share	(0.017)	(0.010)	(0.013)	(0.011)	(0.050)	(0.021)	(0.022)	(0.014)	(0.016)
Diluted (loss) per share	(0.017)	(0.010)	(0.013)	(0.011)	(0.050)	(0.021)	(0.022)	(0.014)	(0.0160)

7. FINANCIAL SITUATION

Liquidity and capital ressources

As at July 31, 2018, the Company had cash, totaling $ 981,982 compared to $ 2,204,883 as at July 31, 2017. For the year ended July 31, 2018, the net decrease in cash totaled $ 1,222,901 is mainly attributable to $ 2,143,231 of expenses incurred to fund general operating activities partly offset by funds generated by financing activities of $ 790,008 and net investment of $ 130,322. The Company believes that it will be able to adequately finance its operations and meet its cash requirements over the next 12 months.

Total assets as at July 31, 2018 totaled $ 19,157,702 compared to $ 11,558,386 as at July 31, 2017. The increase of $ 7,599,316 is mainly due to the net increase in intangible assets and goodwill of $ 8,188,196 recorded when acquiring Altius and after an amortization expense of $ 364,467. Total liabilities as at July 31, 2018 total $ 6,422,444 compared to $ 3,370,062 as at July 31, 2017, an increase of $ 3,052,382. This increase is mainly due to the increase in operating debts of $ 1,085,044, to the $ 758,172 of debentures, a debt assumed following the acquisition of Altius and deferred taxes of $ 906,883.

Financing activities

The increase in cash generated by financing activities for the year ended July 31, 2018, is attributable to proceeds of $ 1,000,000 for the issuance of new debentures, the exercise of 200,000 options for gross proceeds of $ 54,000, partially offset by repayment of long-term debt of $ 166,853.

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, government securities 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 as well as 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.

8. OUTSTANDING SHARE DATA

As at November 26, 2018, the number of issued and outstanding shares was 67,348,148 while the number of outstanding options granted under the Stock Option Plan was 2,975,000. The Company also had 4,217,782 warrants entitling the holders to subscribe for one subordinate voting share of the Company at a price of $ 1.10 per share and 8,403,361 warrants entitling the holders to subscribe for one subordinate vote of the Corporation at a price of $ 1.19 per share. Finally, there were 537,423 broker options issued and outstanding. (See note 15 and 16 to our financial statements).

9. RELATED PARTY TRANSACTIONS

The principal officers of the Corporation are the President, the Interim Chief Financial Officer and the Directors. During the three-month period and the year ended July 31, 2018, the Company paid them a total remuneration of $ 152,838 and $ 349,610, respectively.

These transactions were carried out under terms equivalent to those that prevail in arm's length transactions.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Use and impact of financial instruments

The main financial instruments used by the Company arise from its operating activities, namely its accounts payable and the recovery of taxes paid on its purchases and sales. Its financing activities carried out during the fiscal year ended July 31, 2018 resulted in the issuance of debentures and securities of the Company, whereas during the fiscal year ended July 31, 2017, they also gave rise to the issue of convertible debentures and securities of the Company.

Exchange rate risk

During the year ended July 31, 2018, 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 loan with Investissement Québec, which bears interest at a variable rate. Based on the net exposures presented above as at July 31, 2018, 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 $30,928 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 31 July 2018 the Company had current liabilities of $2,305,943. 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 comes from the sale of Cléo-35 and Pantoprazole Magnesium which accounts for 95% of these revenues. 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 and uncertainties 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.

11. SUBSEQUENT EVENTS

On August 31, 2018, the Company announced the closing of the second tranche of its non-brokered private placement, in the form of unsecured debentures, convertible into units of the Company, at a conversion price of $ 0.75 per unit, for total gross proceeds of $ 697,000, convertible into Company units, at a conversion price of $ 0.75 per unit, for total gross proceeds of $ 697,000. This second tranche of debentures has the same characteristics as those issued on July 19, 2018.

On October 3, 2018, the Company announced that its Purgenesis™ anti-aging treatment was awarded the 2018 Best Anti-Aging Skin Treatment Technology from United Kingdom-based LUX Life Magazine (LUX).

On October 16, 2018, the Company extended the service agreement with JSS Medical Research Inc. by making an amendment to the original contract for an additional $ 1,502,406, bringing the total clinical study contract to $ 2,821,511. The additional amounts provided for in this amendment will be payable over a period extending until December 2019.

12. 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, 2018 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. During the period ended July 31, 2018, no change in accounting policy that could have an impact on the financial statements has occurred.

Going concern

The Company has incurred losses since its inception and expects that this situation will continue in the foreseeable future. However, management believes that the business combination that occurred during the year will enable the Company to generate the necessary sales volume to enable it to continue its operations. 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 and generate positive cash flows from operations as to which no assurance can be given.

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.