Q4 2019
MANAGEMENT'S DISCUSSION AND ANALYSIS - FOR THE YEARS ENDED JULY 31, 2019 AND 2018 AND THE QUARTER ENDED JULY 31, 2019.

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 2019. 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, 2019, ("the year 2019") with the twelve-month period ended July 31, 2018 ("the year 2018"). It should be read in conjunction with the consolidated and audited financial statements of the Company for the years ended July 31, 2019 and July 31, 2018. 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 25, 2019. 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.

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.

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.

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 2019

The main objectives of our business plan for 2019 were to extend the Phase II clinical study of our flagship product, Thykamine™, on adult patients with mild to moderate atopic dermatitis (AD), develop new markets and identify products and partners that could benefit from our expertise, while presenting features similar to our areas of expertise.

These objectives were intended to provide a solid foundation for the future growth of the Company and targeted the development of the market for its products in order to achieve liquidity growth.

Research and development atopic dermatitis (AD)

As part of its Phase II clinical study to evaluate the tolerability, safety, and efficacy of Thykamine™ on adult patients with mild to moderate atopic dermatitis (AD), the Company has 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 until 2020.

The Phase II clinical trial of Thykamine ™ on adult patients with mild to moderate atopic dermatitis is proceeding as planned. In order to accelerate patient recruitment, the Company has expanded the number of sites from 6 to 12 clinics in Canada. The study is expected to be completed in 2020.

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 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.

Cosmeceutical development

Cosmeceutical development is progressing as expected. Devonian's cosmeceutical R & D program focuses on the external Exposome associated with aging skin, namely solar radiation (UVA / UVB, Infrared A and Blue Light), blue light radiation from other sources than the sun and pollution.

The emission of blue light, also called high-energy visible light (HEV), comes from the sun as well as digital displays of computers, smartphones, TVs, tablets and LED lamps. The negative impact of blue light on ocular health and the circadian system (sleep) has been reported in several scientific manuscripts. It has also been shown to have adverse effects on various dermal cells, to generate reactive oxygen species (oxidants) and to induce aging of the skin. Devonian completed the formulation of a new blue light photoprotection product. The product was developed as a day cream with Devonian's patented R-Spinasome® as one of the main ingredients. The product will be tested on humans and should be ready for commercialization in December 2020.

Pharmaceutical drugs based on cannabinoids.

In April 2019, a Scientific Advisory Board was created composed of experts in botany, chemistry, immunology, infectious diseases, discovery and drug development. This scientific advisory committee will assist Devonian's research and development team in the development of cannabinoid-based pharmaceutical drugs. We believe that cannabinoid-based products could be developed as pharmaceutical drugs according to the normal drug development process, as new chemical entities (NECs) or under the Botanical Medicines Regulations. Under the Botanical Medicines Regulation, plant substances, algae, macroscopic fungi or their combinations can be developed as prescription drugs. These products benefit from the combined effects of components called "surround effects". The peculiarities of the botanical drug must be considered and adjusted during the regulatory review process. Taking these characteristics into account and to facilitate the development of new botanical prescription drugs, the US Food and Drug Administration (FDA) has published a guide for the botanical medicines sector. Devonian's strategy is to develop drugs, including cannabinoids, as part of the regulatory process for botanical medicines.

Letter of Intent with Histapharm Inc.

In May 2019, the Company signed a letter of intent with Histapharm Inc. ("Histapharm"), a pioneering company in the control of histamine levels, to negotiate terms establishing Devonian's facilities as the exclusive site for extraction and manufacture of Histapharm's exclusive botanical drug. Histapharm's product targets histamine degradation, which is a different approach than treatments using antihistamine technologies. The letter of intent also includes the establishment of a strategic partnership focused on the development of new products for dermatological applications.

Under the letter of intent, Devonian will be the exclusive site for the extraction and manufacture of the botanical drug containing diamine oxidase (DAO). In addition, as part of the strategic partnership, Devonian and Histapharm will develop new products based on the combination of their respective platforms, products and know-how. In order to facilitate the partnership, Histapharm has indicated its intention to locate its head office near Devonian. The manufacturing contract must be signed

within the next 150 days and the strategic partnership no later than November 30, 2019. The two companies are currently discussing the modalities for extending these deadlines.
The strategic partnership with Histapharm would add another botanical active ingredient (IAB) to our product portfolio for the development, approval and commercialization of new products in the therapeutic area of dermatology.
Access to Devonian's facilities would allow Histapharm to be the world's largest producer of powdered plant-based diamine oxidase, placing Histapharm in a covered market protected by our intellectual property.
The conclusion of the Final Agreements is subject to additional conditions, including approval by the Devonian and Histapharm Boards of Directors, third-party consents, terms and conditions satisfactory to both parties, and certain other customary conditions. The conclusion of the Final Agreements is also subject to the approval of the TSX Venture Exchange and all other necessary regulatory approvals. There can be no assurance that the transaction will be completed or completed as proposed.

Derma-cosmeceuticals

On October 3, 2018, the Company announced that its Purgenesis ™ anti-aging treatment was awarded the UK's LUX Life Magazine's Best 2018 Anti-Aging Skin Technology Award.

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 5, 2019, the Company filed a patent application for the use of thylakoids as a delivery system for cannabinoids and other lipid-soluble molecules for pharmaceutical and cosmetic applications.
The patent application relates to thylakoids and functional derivatives, as supports for molecules. More specifically, this invention relates to a composition comprising functional thylakoids, particularly in specific formulations that ensure integrity and functionality of molecules, and more specifically liposoluble molecules, difficult to formulate, to increase their bioavailability. The patent covers the extraction of thylakoids containing cannabinoids from plants such as Cannabis sativa, indica or hemp. It also covers the incorporation of liposoluble molecules, such as cannabinoids, into thylakoids extracted from any photosynthetic organism.
The filing of this new patent is another element of our overall strategy to expand our already existing patent list and to demonstrate the wide potential application of our technology. In addition, this new patent aligns with our cannabinoid pharmaceutical drug development program.

Financing
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. This second tranche of debentures has the same characteristics as those issued on July 19, 2018.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 amount 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 the holder thereof to acquire one subordinate voting share in the capital of the Company at a price of $ 0.95 until 48 months after the closing date.

On January 17, 2019, the loan from Investissement Québec (IQ) with a balance of $ 2,824,883 was repaid and replaced by another long-term financing with a group of private lenders ("GPP"). GPP has made a loan of $ 3,000,000, for a term of 5 years, bearing interest at the Toronto Dominion Bank's variable rate plus 6%, principal repayable at maturity in January 2024. This new funding agreement frees up funds of over $ 600,000 per year that can be applied to the Company's growth strategy activities.

In April 2019, the Company issued the following securities in exchange for the interest it owed to holders of debentures issued on the private placement on July 19, 2018 and August 31, 2018:

- 173,831 units at a unit price of $ 0.29 (each, a "Unit"), issued to Aspri Pharma Canada Inc., holder of debentures issued on the first tranche of the private placement closed on July 19, 2018 and 17,100 Shares at a unit price of $ 0.29 issued to a director, holder of debentures issued in the second tranche of the private placement closed on August 31, 2018. Each Unit consists of one subordinate voting share and one warrant. ("Warrant"). Each warrant entitles its holder to subscribe for one subordinate voting share of the Company's share capital at a price of $ 0.38 for a period of 48 months. These units and shares are issued against the interest due to them on January 19, 2019 and February 28, 2019, respectively, for a total amount of $ 55,370;

- 95,500 units at a unit price of $ 0.31 (each, a "Unit") to debenture holders issued in the second tranche of the private placement closed on August 31, 2018, in consideration for the interest due to them on February 28, 2019 for an amount of $ 29,605. Each unit consists of one subordinate voting share and one warrant ("Warrant"). Each warrant entitles its holder to subscribe for one subordinate voting share of the Company's share capital at a price of $ 0.40 for a period of 48 months.

5. SUMMARY OF OPERATING RESULTS

General Financial information:

	Year ended	
	July 31, 2019	July 31, 2018
	$	$
Revenue	**5,937,754**	3,167,852
Expenses		
Research and development expenses	**884,375**	1,116,873
Cost of sales	**2,823,859**	1,224,956
Selling expenses	**196,431**	68,073
General administrative expenses	**5,223,559**	3,595,415
Financial expenses	**556,643**	357,882
Operating results	**(3,747,113)**	(3,195,347)
Business acquisition fees	**-**	(88,528)
Adjustment of the business acquisition price	**25,135**	
Gain on settlement of the amount due	**350,000**	
Compensation revenue	**149,400**	
Results before income taxes	**(3,222,578)**	(3,283,875)
Net loss	**(2,979,416)**	(3,187,068)
Loss per share	**(0.044)**	(0.051)
Total assets	**17,148,084**	19,157,702
Total non current liabilities	**5,195,595**	4,116,501

Net loss

For the year ended July 31, 2019, the net loss attributable to shareholders amounted to $ 2,976,416 ($ 0.044) per share, compared to a net loss of $ 3,187,068 ($ 0.051) per share for the previous year. This slight increase in net income is mainly attributable to an increase in sales of $ 2,769,902, a reduction in research and development expenses of $ 232,498 and a gain on the settlement of a amount due of $ 350,000 and a compensation revenue of $149,000, partially offset by an increase of $ 1,628,144 in general and administrative expenses and an increase of $ 198,761 in financial expenses compared to 2018.

Revenues

During the year ended July 31, 2019, revenues of $ 5,937,754 were recorded. These revenues come from the sale of Cleo-35 and Pantoprazole Magnesium via its subsidiary Altius Healthcare. For the prior year ended on the same date, revenues of $ 3,167,852 were recorded, also from the sale of Cleo-35 and Pantoprazole Magnesium via its subsidiary Altius Healthcare. This increase compared to 2018 is explained by the fact that the acquisition of Altius took place on February 1, 2018, therefore only 6 months of revenue from the subsidiary had been considered in 2018. During the third and fourth quarter, the Company recorded a significant decrease in distribution revenues due to the disruption of Pantoprazole magnesium supplies. Management considers this to be a one-time problem and expects this to be resolved in the next year.

In June 2018, the Company announced the commercial launch of the Purgenesis ™ anti-aging treatment. Some problems with the WEB sales platform for dermatologists have resulted in the delaying of the marketing of the product. Despite the resolution of technical issues related to the sales platform in the third quarter, the Company did not record sales of cosmeceuticals, anti-aging Purgenesis ™. To refine its Canadian marketing model, in April 2019, the Company organized a meeting with key Canadian opinion leaders in dermatology. Their recommendations will be considered before being implemented in the next fiscal year.

The Corporation's management continually studies various opportunities for business opportunities in order to expand its potential for projects and products to be distributed.

Research and development expenses

The breakdown of research and development expenses is as follows:

	Year ended July 31, 2019	Year ended July 31, 2018
	$	$
Patents	**155,165**	90,699
Salaries and employee benefits	**82,721**	103,652
Dermatitis Atopic, Phase II	**616,668**	884,992
Quality assurance process & offsite extraction activities	**-**	25,620
New products development/botanical active ingredients	**10,000**	4,710
Consultant Fees	**14,850**	-
Applications study of Thykamine™	**4,971**	7,200
	884,375	1,116,873

During the year ended July 31, 2019, research and development expenses amounted to $ 884,375 compared to $ 1,116,873 for the previous year. These costs are mainly attributable to fees related to the clinical study on Atopic Dermatitis, patents maintenance fees, the payroll of employees assigned to this sector, and consultant fees, whereas in 2018, these expenses were mainly related to patent maintenance fees, clinical study expenses for Atopic Dermatitis, the payroll of employees assigned to this sector, as well as activities related to off-site extractions. The increase in patent expense is due to the growth of the patent portfolio. The $ 616,668 of costs incurred for the Phase II clinical trial on Atopic Dermatitis, which began in June 2017, is net of the repayments already obtained of $ 191,773 for tax credit of research and development and of $ 114,383 to be claimed from government authorities for the year 2019.

In June 2019, the Corporation, in partnership with McGill University, was awarded a $ 160,000 scholarship according to a "Mitacs Accelerate Grant" program. As per the agreement in this program, the Corporation's is committed to pay $ 80,000 over a period of 4 years, in the research project "*The next generation agriculture: Botanical extracts and essential oils as the new antimicrobial contaminants and deseases of Cannabis".*

This scholarship supports the training of a doctoral student whose work focuses on the extraction of botanically active ingredients (IAB) from cannabis. The student will be trained in the extraction of IABs according to good manufacturing practices (CBPF) as well as the characterization of their action mechanisms. In addition, he will benefit from training courses with the Devonian research team, representing a potential skilled workforce for the Company. As of July 31, 2019, $ 10,000 has been paid under this program, which sets the balance of this commitment at $ 70,000.

Cost of sales

Cost of sales of $ 2,823,859 for year 2019 is comprised of acquisition, distribution, royalty and overhead costs attributable to products sold by our subsidiary Altius Healthcare. For year 2018, these costs totaled $ 1,224,956 and were also attributable to the same products sold by Altius.

Selling Expenses

Sales expenses totaling $ 196,431 for year 2019 are mainly attributable to the expenses of the representatives incurred for the sale of the two products distributed by Altius Healthcare, namely Cleo-35 and Pantoprazole Magnesium. For the previous year,

selling expenses totaled $ 68,073. The increase in selling expenses compared to the previous year is in line with the increase in sales.

Operating expenses

General administrative expenses

The breakdown of general administrative expenses is as follows:

	Year ended July 31, 2019	Year ended July 31, 2018
	$	$
Salaries and employee benefits	**333,580**	305,667
Stock based compensation	**109,737**	137,467
Professional fees	**280,597**	170,893
Depreciation	**1,023,652**	640,708
Property taxes	**111,307**	108,774
Promotion & Marketing	**2,419,318**	1,709,111
Others	**945,368**	522,795
	5,223,559	3,595,415

For the year ended July 31, 2019, general administrative expenses amounted to $ 5,223,559 compared to $ 3,395,415 for the year ended July 31, 2018. This increase compared to the previous year, is mainly due to the $ 422,493 increase in other fees, the $ 382,944 increase in amortization expense, an increase in professional fees of $ 109,704 and of $ 710,207 in promotion and marketing.

The increase in other expenses of $ 422,493 compared to 2018 is explained by the fact that for the previous year, Altius' other expenses represented only six months of transactions, given that the date of acquisition of the company was February 1, 2018. These other expenses are mainly attributable to the operating costs of the Montmagny and Altius sites, travel expenses, management fees, office supplies and expenses related to the securities of the Company. In addition, in year 2019, a charge of $ 316,667 was recorded as management fees, as provided for in the service contract with the President of Altius. This charge was non-existent in 2018.

The increase in amortization expense compared to the previous year is mainly due to the amortization of intangible assets acquired on February 1, 2018, for which, in the previous year, this amortization expense was calculated for only six months, while in 2019 this charge was calculated for a period of twelve months.

The increase in promotional and marketing expenses was due to higher sales in 2019 as well as expenses incurred to promote the Purgenesis ™ anti-aging treatment.

The increase in professional fees compared to the previous fiscal year is also related to the fact that this expense of our subsidiary was only recognized for six months in 2018 and can also be explained by the various projects related to the Company's corporate affairs.

Finally, the increase in salaries and social charges compared to 2018 is almost equivalent to the decrease in the same charge in research and development expenses. A more precise method for compiling hours of work devoted to research and development activities explains this situation.

Financial expenses

Financial expenses amounted to $ 556,643 for the year ended July 31, 2019 compared to $ 357,882 for the previous year. Of these financial expenses, $ 316,117 is attributable to long-term debt, while a charge of $ 237,976 is related to the amortization of the discount and interest on the debentures issued in July 2018 and August 2018. The increase in financial expenses compared to the previous year is mainly due to the fact that in 2018, only the first tranche of debentures had been issued, for an amount of $ 1,000,000.

6. FOURTH QUARTER

Net loss

For the quarter ended July 31, 2019, the net loss amounted to $ 934,055 ($ 0.014) per share. For the same period ended July 31, 2018, the Company realized a net loss of $ 1,161,823 ($ 0.017) per share. This slight increase in net income is mainly due to the gain on settlement of an amount due of $ 350,000 which was recorded in the last quarter of 2019. The Company, which records sales through its subsidiary, Altius Healthcare Inc., incurs operating expenses, including administration, selling and financial expenses in addition to the research and development costs required to develop its products and to conduct its clinical trials.

Distribution Revenues

During the quarter ended July 31, 2019, the Company recorded a total of $ 176,651 in revenue. These revenues come from the sale of Cleo-35® and Pantoprazole Magnesium via its subsidiary Altius Healthcare. For the same period in 2018, a total of $ 1,084,050 in revenue was recorded by the Company, also from the sale of Cleo-35® and Pantoprazole Magnesium via its subsidiary. This decrease in distribution revenues is explained by the disruption of Pantoprazole magnesium supplies, which has persisted since the third quarter. Management considers this to be a one-time problem and expects this to be resolved in the next fiscal year.

Cost of sales

Cost of sales of $ 202,640 for the last quarter of year 2019 is comprised of acquisition, distribution, royalty and overhead costs attributable to products sold by our subsidiary Altius Healthcare. For the same quarter of year 2018, the cost of sales for the same components was $ 262 702. This decrease compared to the corresponding quarter of 2018, is in line with the decline in sales.

Sales expenses

Selling expenses totaling $ 66,236 for the last quarter of fiscal year 2019 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 prior year period, sales expenses totaling $ 68,073 were incurred, also attributable to the expenses of sales representatives for the same pharmaceutical products.

Research and development expenses

The breakdown of research and development expenses is as follows:

	Quarter ended July 31, 2019	Quarter ended July 31, 2018
	$	$
Patents	**69,656**	34,182
Salaries and employee benefits	**21,372**	26,055
Dermatitis Atopic, Phase II	**233,073**	232,701
New products development/botanical active ingredients	**10,000**	3,360
Applications study of Thykamine™	**4,971**	-
Consultants fees	**8,850**	-
	347,922	296,298

During the quarter ended July 31, 2019, research and development expenses were $ 347,922, net of a tax credit to receive of $ 114,383. These costs are mainly attributable to the costs incurred in the clinical study on atopic dermatitis, the costs related to patents and the payroll of employees assigned to this sector. Research and development expenses of $ 296,298 were incurred for the same period in 2018. The increase over the corresponding quarter of 2018 is mainly due to fees related to the maintenance of the patents as well as those related to the consultants.

Operating expenses

General administration expenses

The breakdown of general administrative expenses is as follows:

	Quarter ended July 31, 2019	Quarter ended July 31, 2018
	$	$
Salaries and emloyee benefits	**79,357**	69,619
Stock based compensation	**25,851**	67,232
Professional fees	**36,218**	(54,275)
Promotion & Marketing	**327,236**	803,667
Depreciation of intangible assets	**192,205**	364,467
Depreciation of tangible assets	**67,911**	68,497
Property taxes	**28,067**	27,452
Others	**244,829**	321,696
	1,001,674	1,668,355

For the quarter ended July 31, 2019, salaries and employee benefits of $ 79,357 are mainly related to the members of management. For the same period ended July 31, 2018, salaries and benefits expenses of $ 69,619 were also attributable to the members of management. This slight increase over the corresponding quarter of 2018 can be partly explained by a reduction in hours attributable to the research and development sector in exchange for hours devoted to administrative activities.

For the three-month period ended July 31, 2019, stock-based compensation expense of $ 25,851 (a non-cash charge) was recorded following the granting of options to employees, according to the stock option plan. For the same comparative period of 2018, stock-based compensation expense of $ 67,232 was recorded following the granting of 1,565,000 options to members of the Board of Directors, consultants and employees, also according to the stock option plan.

For the quarter ended July 31, 2019, the increase in professional fees, which totaled $ 36,218 compared to $ (54,275) for the same quarter of 2018, is mainly due to the fact that in 2018, an amount of $ 64,427 was recorded as a reduction of professional fees to be recorded in the acquisition costs of an enterprise, in relation to the sums committed in connection with the acquisition transaction of Altius.

During the last quarter of 2019, promotional and marketing expenses of $ 327,236 were recorded, mainly in connection with the various promotional programs for products distributed by Altius, whereas for the last quarter of 2018, these costs were at $ 803,667. The decrease in these expenses is consistent with the decline in sales for the last quarter of 2019 compared to 2018

For the quarter ended July 31, 2019, the total amortization expense of $ 260,116 is related to all tangible assets acquired in April 2015 as well as intangible assets generated on the acquisition of Altius Healthcare. For the same period in year 2018, amortization expense of $ 432,964 was also attributable to all tangible assets acquired in April 2015 as well as intangible assets generated on the acquisition of Altius Healthcare. In 2018, a charge of six months of amortization of intangible assets was recorded in the last quarter.

For the three-month period ended July 31, 2019, property taxes of $ 28,067 are linked to the Montmagny site while they were $ 27,452 for the same period in 2018.

For the three-month period ended July 31, 2019, other costs of $ 244,829 are mainly attributable to the operating costs of the Montmagny and Altius sites, travel expenses, office supplies and costs of the Company's securities. For the corresponding period in year 2018, other costs of $ 321,696 were also attributable to the Montmagny site's and Altius operating expenses, travel and office expenses, and costs related to the Company's securities. This decrease, compared to the same quarter last year, is mainly due to a decrease in operating expenses and travel expenses.

Financial expenses

During the three-month period ended July 31, 2019, financial expenses of $ 136,853 were recorded, mainly related to long-term debt and convertible debentures. For the corresponding period of 2018, financial expenses of $ 93,801 were also related to long-term debt and convertible debentures. The increase over the same period in 2018 is due to an increase in financial expenses related to the debentures, for which the first tranche was issued in July 2018 and the second tranche of $ 697,000 in August 2018.

7. SELECTED QUATERLY FINANCIAL INFORMATION

	Quarter ended								
	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018	July 31, 2018	April 30, 2018	January 31, 2018	October 31, 2017	July 31, 2017
	$	$	$	$	$	$	$	$	$
Revenue	176,651	509,561	3,315,770	1,935,772	1,084,050	2,083,802	-	-	-
Net (loss)	(934,055)	(989,556)	(399,220)	(656,585)	(1,161,823)	(597,759)	(783,608)	(643,878)	(2,770,858)
Basic (loss) per share	(0.014)	(0.015)	(0.006)	(0.009)	(0.017)	(0.010)	(0.013)	(0.011)	(0.050)
Diluted (loss) per share	(0.014)	(0.015)	(0.006)	(0.009)	(0.017)	(0.010)	(0.013)	(0.011)	(0.050)

8. FINANCIAL SITUATION

Liquidity and capital ressources

As at July 31, 2019, the Company had cash totaling $ 244,590 compared to $ 981,982 as at July 31, 2018. For the year ended July 31, 2019, the net decrease in cash amounted to $ 737,392. This is mainly attributable to $ 1,157,915 in expenses incurred to fund general operating activities as well as $ 114,904 in net investment, partially offset by funds generated by financing activities of $ 535,427. 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, 2019 amounted to $ 17,148,084 compared to $ 19,157,702 as at July 31, 2018. The decrease of $ 2,009,618 is mainly due to the decrease in cash of $ 737,392 as well as that of intangible assets, mainly recorded on the acquisition of Altius Healthcare and for which there is an accumulated amortization expense of $ 722,197. We also note a decrease in receivables, in connection with the slowdown in sales during the last two quarters. Total liabilities as at July 31, 2019 are $ 7,071,239 compared to $ 6,422,444 as at July 31, 2018, an increase of $ 648,795. This increase is mainly due to the increase of $ 678,177 in the debentures.

Financing activities

Cash generated by financing activities for the year ended July 31, 2019, is attributable to proceeds of $ 697,000 for the issuance of new debentures, partially offset by net repayment of long-term debt of $ 92,833.
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, 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, 2019, the number of issued and outstanding shares was 68,894,579 while the number of outstanding options granted under the Stock Option Plan was 3,045,000. 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, 173,831 warrants entitling the holders to subscribe for one subordinate voting share of the Company for $ 0.38 per share, 95,500 warrants entitling its holders to subscribe for one Subordinate Voting Share of $ 0.40 per share, and 630,000 warrants entitling the holder thereof to acquire one subordinate voting share at a price of $ 0.50. Finally, the Company also had 63,600 warrants entitling its holder to subscribe for 63,600 subordinate voting shares at a price of $ 1.00 per share. (see note 15 and 16 to our statements).

10. RELATED PARTY TRANSACTIONS

The principal executives are the President of the Company, the President of the subsidiary, the Interim Chief Financial Officer and the Directors. During the three-month period and the year ended July 31, 2019, the Corporation paid them total compensation of $ 198,147 and $ 673,619, respectively, which the main components are salaries and advantages, management fees and stock-based compensation. These transactions were carried out under terms equivalent to those that prevail in arm’s length transactions.

11. 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 year ended July 31, 2019 resulted in the issuance of debentures whereas during the fiscal year ended July 31, 2018, they gave rise to the issue of convertible debentures and securities of the Company.

Exchange rate risk

During the year ended July 31, 2019, 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, 2019, 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 $30,000 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, 2019, the Company had current liabilities of $1,857,044. 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 90% 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 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

Private placement

On August 21, 2019, the Company completed a non-brokered private placement (the "Offering") of 1,260,000 units of the Company (the "Units") at a price of $ 0.25 per unit for total gross proceeds of $ 315,000. Each unit consists of one subordinate voting share of the Corporation (a "Subordinate Voting Share") and one-half of one subordinate voting share purchase warrant of the Corporation. Each whole warrant (a "Warrant") entitles the holder thereof to acquire one subordinate voting share at a price of $ 0.50 per subordinate voting share during the 24-month period following the closing date of the offering**.** As part of this private placement, the Company paid intermediation fees for a cash consideration of $ 15,900 and a total of 63,600 warrants to subscribe for a maximum of 63,600 subordinate voting shares at a price of $ 1.00 per subordinate voting share, within 24 months of the closing of the offering. The net proceeds of the offering will be used for working capital and corporate overhead. The Company may subsequently proceed to subsequent closures up to maximum aggregate gross proceeds of $ 5,000,000. All securities issued in connection with the Offering are subject to a four month and one day restricted period for resale ending on December 22, 2019 as planned by securities legislation.

On November 5, 2019, the Company completed a private financing, without brokerage. It intends to issue 500,000 units at a price of $ 0.25 per unit, for total gross proceeds of $ 125,000. Each unit consists of one subordinate voting share and one half of one share purchase warrant. Each warrant entitles the holder thereof to acquire one subordinate voting share at a price of $ 0.50 per share, until November 5, 2021.This issue is subject to acceptance by the regulatory authorities.

Additional loan

On August 21, 2019, the Company entered into an amendment to the loan agreement already announced on January 2019 (the "Loan Agreement") with a group of private lenders to increase the maximum loan amount to $ 3,500, 000. This $ 500,000 additional loan has the same terms and conditions as those provided for in the Initial Loan Agreement. It is understood that the $ 500,000 additional loan may be repaid at the Company's option without penalty.

Payment of interest on debentures

On October 17, 2019, the Company announced its intention to issue 190,727 units at a price of $ 0.26 per share, for interest payments of $ 49,589 as at July 19, 2019, to the holder of the debenture issued on the first tranche of the private placement closed on July 19, 2018. Each Unit consists of one subordinate voting share and one warrant entitling the holder thereof to subscribe for one subordinate voting share of the Company at a price of $ 0.34 for a period of 48 months. On the same date, the Company also announced its intention to issue 30,006 shares at a price of $ 0.168 and 179,137 units at a unit price of $ 0.168, in exchange for $ 35,136 interest due to the holders of the debenture issued on August 31, 2018. Each unit consists of one subordinate voting share and one warrant. Each warrant entitles its holder to subscribe for one subordinate voting share of the Company's share capital at a price of $ 0.218 for a period of 48 months. This issue is conditional on its acceptance by the regulatory authorities.

Clinical Dermatology Advisory Committee

On September 4, 2019, the Society announced the establishment of a Clinical Dermatology Advisory Committee comprised of key opinion leaders from across Canada. The Clinical Dermatology Advisory Committee's objective is to provide clinical, scientific, research and strategic direction to the Company as the development of its cannabinoid-based pharmaceutical products progresses.

Cannabis Research License

On October 3, 2019, the Company obtained a Cannabis Research License, issued in accordance with the Cannabis Act and the Cannabis Regulations. This license allows him to launch his pharmaceutical cannabis research program at his Montmagny, Quebec location. This license also applies to satellite research sites located in the laboratories of Drs Suha Jabaji, PhD (Department of Plant Sciences, McGill University) and Louis Flamand, Ph.D., MBA (Department of Microbiology and Immunology, Laval University).

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, 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.

Comparative information

Certain figures as at July 31, 2018 have been reclassified for compliance with the current year's presentation. A total of $ 1,690,139 of promotional and marketing expenses that had been classified as cost of sales in 2018 has been reclassified to administrative expenses. Finally, an amount of $ 32,107 that was classified as cost of sales was applied against 2018 sales in accordance with IFRS 15.

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 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.